ONE REIT™

2015

Annual Report

Starbucks – Creekside Crossing

Bootlegger – Southland Mall

OneREIT™
Portfolio Highlights

7.0M ▸ Gross Leasable Area

57 ▸ Properties

$1.2B ▸ Leasable Assets

Sunset Grill – Creekside Crossing

Chop Steakhouse & Bar – Southland Mall

Message from the Chairman

During the past year, our company witnessed significant change in the retail marketplace.

Looking back, 2015 marked the successful disposition of two non-core assets and the REIT's rebranding. Although we witnessed significant changes in the retail marketplace we are fortunate to have a well-diversified tenant base with strong covenants.

We have actively sought to anticipate the shifting environment in which we operate, and in fact, I believe this is one of the primary contributing factors to our success over the years. We will continue to actively pursue initiatives that will contribute to improving our portfolio.

As we move forward into 2016, we remain focused on increasing our occupancy rates and consistently improving our company to deliver value to our Unitholders.

As to our Board responsibilities, we remain committed to promoting strong corporate governance principles along with effective management oversight. It is our honor and privilege to serve on behalf of you, our Unitholders.

On a more personal note, it has been my privilege to have had the opportunity to lead OneREIT as Chairman of the Board and recognize the achievements of the dedicated OneREIT team.

I am confident that OneREIT is primed to perform for now and in the future.

Sincerely,

Patrick J. Lavelle

Chairman of the Board

2015 was marked by a reflection of the changes we have made over the past several years.

The OneREIT Advantage

OUR FOUR KEY PILLARS

- Focused Leasing
- Customer and Tenant Experience
- Portfolio Improvement
- Operating Cost Control

Lancaster Mall - Saint John, New Brunswick

Richard Michaeloff, MBA, LLB
PRESIDENT, CHIEF EXECUTIVE OFFICER & TRUSTEE

CEO's Letter to Unitholders

As we look back on 2015, a number of initiatives were implemented to help better position the future direction of OneREIT. In certain respects, 2015 marked a reflection of the changes we have executed over the past several years – our rebranding to OneREIT.

Since 2010, we have been actively implementing our strategic plan of portfolio rationalization, asset redevelopment, targeted acquisitions and the disposition of non-core assets. With our plan in full swing, we felt the time was right to move forward with a new name and logo to better reflect who we are today.

Lancaster Mall - Saint John, New Brunswick

In 2015, the retail environment faced changes – some of which were anticipated, while others were not. The competitive landscape in the year ahead will likely see ongoing change accompanied by modest economic recovery.

We define OneREIT through our core pillars - focused leasing, portfolio improvement, operating cost control as well as customer and tenant experience. As part of our 2016 plan, we continue to reset the REIT, with our internalization of property management implemented this past April. We remain focused on continuing to improve our portfolio, increase our occupancy rates while growing the company to deliver increased value to you, our Unitholders.

As we mark the changes we have made, all of us at OneREIT have our sights set on future successes.

Redevelopment

We continue to reinvest in our portfolio through revitalization projects at a number of our properties across Canada.

As previously announced in March, a $30 million redevelopment project at Golden Mile Shopping Centre was initiated and anchored by a brand new 92,000 square foot Real Canadian Superstore®. Together with the renewal of the balance of the property, the Golden Mile Shopping Centre redevelopment is a milestone not only for OneREIT but for the city of Regina. This redevelopment will make Regina's oldest shopping centre, into Regina's newest shopping centre, as it continues to serve the community as it has over the past 50 years.

The REIT also added approximately 40,000 square feet of gross leasable area at five additional properties – Lincoln Value Centre (St. Catharines, ON, 15,000 sq. ft.), Magog Shopping Centre (Magog, QC, 6,200 sq. ft.) South Hill Mall (Prince Albert, SK, 5,200 sq. ft.), Southland Mall (Regina, SK, 7,000 sq. ft.) and Scarborough Shopping Centre (Toronto, ON 6,500 sq. ft). These five developments were all pre-leased and represented a reinvestment of $11 million back into the portfolio.

Through these revitalization initiatives, our properties will remain an attractive destination for consumers while continuing to strengthen our portfolio. Our reinvestment in our portfolio is a testament to our commitment to better serve the communities that our centres call home.

2015 Development Projects

Lincoln Value Centre
+15,000 sq. ft.

Magog Shopping Centre
+6,200 sq. ft.

South Hill Mall
+5,200 sq. ft.

Southland Mall
+7,000 sq. ft.

Scarborough Shopping Centre
+6,500 sq. ft.

Golden Mile Ground Breaking Ceremony

Southland Mall Shopping Centre

Golden Mile Shopping Centre Render

South Hill Mall

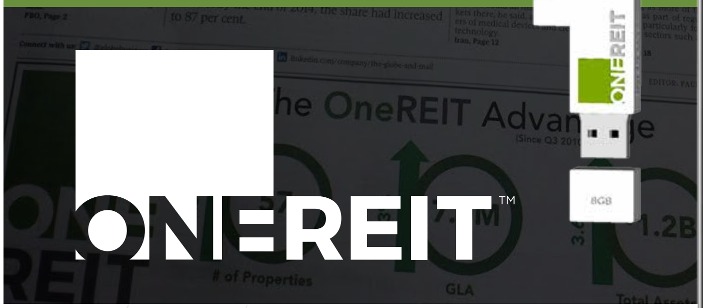
Global Television Interview

$30 MILLION REDEVELOPMENT PROJECT

Ground breaking at Golden Mile Shopping Centre

2015 ICSC Award Winners

New OneREIT Logo



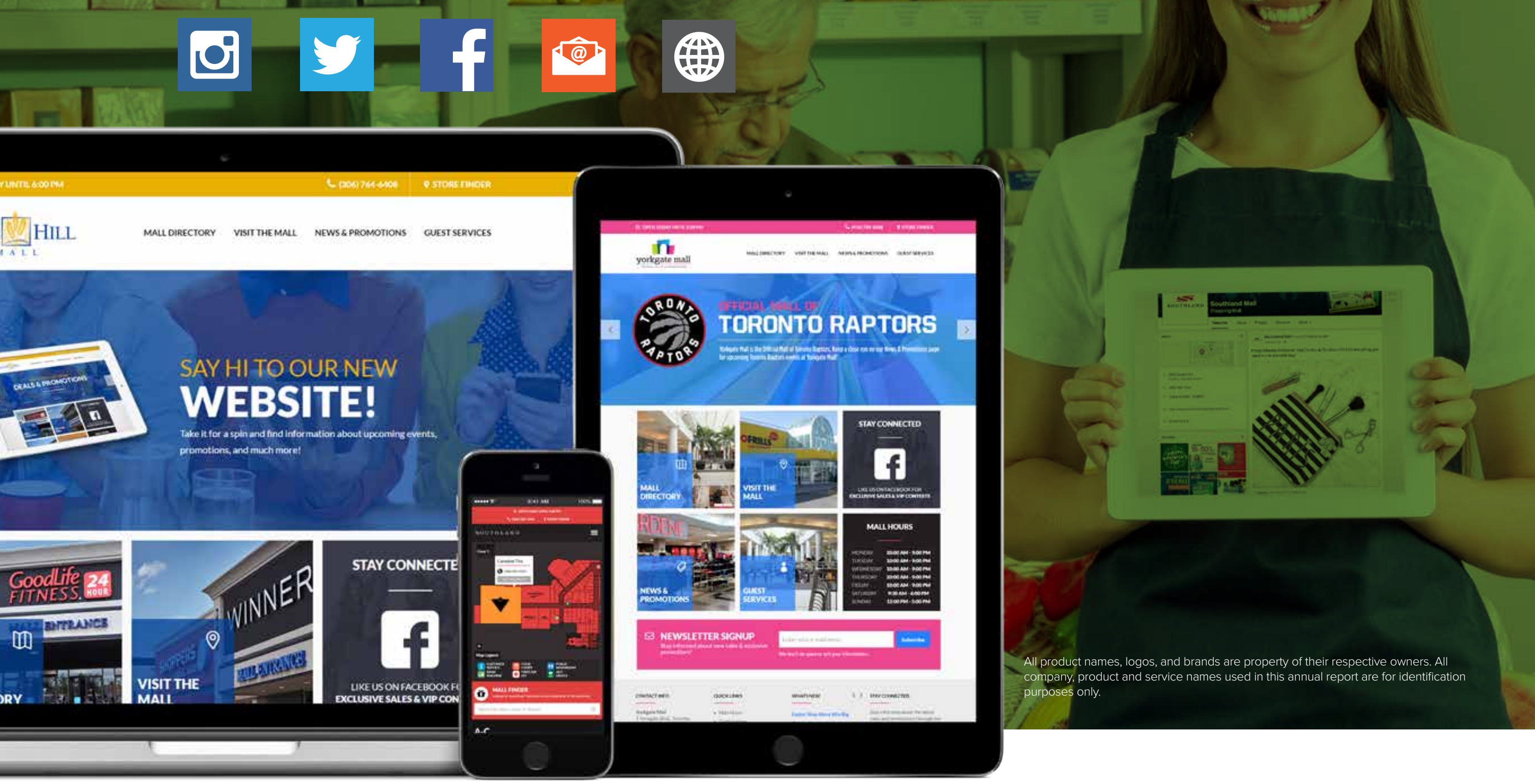
Marketing & Partnerships

2015 was a year of marketing milestones.

On Friday, July 31st a new chapter was added to our history with the rebranding of our identity to OneREIT. As part of the launch of our new identity, national campaigns were booked through The Globe and Mail to help communicate the rebrand. The campaign included front page ROB coverage along with digital ROB homepage coverage. For a second year in a row, OneREIT was recognized for their marketing efforts winning an International Council of Shopping Centres (ICSC) Marketing Award for our Santa's Mall campaign at Southland Mall in Regina, SK. The campaign's focus was to rebrand the centre as "Santa's Mall." In doing so, Southland Mall saw over 600,000 visitors and generated over 38 million hits of publicity.

Coinciding with the launch of the corporate website, new enclosed mall websites launched in the Fall. The new mall websites provide

Our new digital marketing strategy allows tenants to reach our shoppers through multiple social media channels



our tenants the ability to customize their own promotions, sales and job listings at the touch of a button.

Our shopping centres are not only retail hubs, but community centres. We partner with Class-A Canadian sports organizations such as Toronto Maple Leafs®, Toronto FC™ and Toronto Raptors which provide our consumers with 'can't buy experiences'. We will continue to build on this momentum though national and local marketing programs that focus on marketing pillars of customer and tenant experience, strategic partnerships and new media.

OneREIT Partner Organizations

Partner organizations from left to right:
Toronto Maple Leafs®, Toronto Raptors, Toronto FC™, Saint John Mill Rats

Closing Remarks

This year marked a milestone for the REIT as we rebranded ourselves in the marketplace.

For 2016, OneREIT will strive to exceed expectations and deliver results to our Unitholders. We will continue our efforts to drive our portfolio occupancy higher, and increase revenue, while remaining focused on opportunities to enhance value.

I would like to close by thanking our Chairman, our Board of Trustees, our dedicated professionals, and particularly our Unitholders for continuing to support our efforts to strengthen our REIT.

Sincerely,

Richard Michaeloff
President and Chief Executive Officer

Richard Michaeloff, MBA, LLB
PRESIDENT, CHIEF EXECUTIVE OFFICER & TRUSTEE

Tom Wenner, CPA, CA
CHIEF FINANCIAL OFFICER

Financial Documents

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 and year ended December 31, 2015, 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 Consolidated Financial Statements for the three months and year ended December 31, 2015 together with the Consolidated Financial Statements and MD&A for the year ended December 31, 2014. 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 Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and includes material information up to **March 16, 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	**December 31 2015**	December 31 2014	**December 31 2015**	December 31 2014
Revenue	30,742	31,472	123,270	113,933
Net income (loss)	4,929	(2,126)	27,209	8,597
Net operating income (1)	18,807	19,107	74,890	67,634
FFO (2)	9,543	10,039	37,075	34,087
Weighted average number of units (3)	86,407	85,319	86,007	77,015
FFO, per unit (2)	0.111	0.118	0.431	0.443
FFO, payout ratio (pro forma) (4)(6)	68.2%		69.6%	
FFO, payout ratio (pro forma) (5)		95.3%		101.6%

As at	**December 31 2015**	December 31 2014
Total assets	1,190,154	1,179,651
Mortgages payable, secured bank debt and convertible debentures	689,732	680,257
Debt to gross book value ratio (excluding convertible debentures) (7)	52.0%	50.7%
Debt to gross book value ratio (including convertible debentures) (7)	58.0%	57.7%
Interest coverage ratio (7)	2.05	2.14
Debt service coverage ratio (7)	1.40	1.47
Weighted average mortgage contractual interest rate	4.56%	4.83%

Operational Information	**December 31 2015**	December 31 2014
Portfolio occupancy	88.1%	85.6%
Committed portfolio occupancy	89.2%	85.7%
Gross leasable area ("GLA")	6,986,263	7,514,870
Average net rent in place per square foot	$ 12.87	$ 12.68
Number of investment properties	57	59

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. C & D).
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. A non-IFRS measurement, FFO, payout ratio (pro forma) has been calculated based on the REIT's new distribution policy (see Section V. A & E).
5. A non-IFRS measurement, FFO, payout ratio (historical) has been calculated based on the REIT's previous annualized distribution rate of $0.45 per unit.
6. For the three months ended December 31, 2015, FFO, payout ratio (pro forma) is based on the REIT's actual distributions for the period.
7. 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 December 31, 2015 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 December 31, 2015, approximately 18% of the issued and outstanding Units and Class B Units. As a result of this relationship, we believe the synergies offered 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

During the year 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 in preparation for the internalization of property management functions and has built a team of dedicated internal personel. 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 expects to fully internalize the property functions for the 42 properties currently managed by Arcturus Limited Partnership.

Financing

On May 1, 2015, the REIT refinanced a maturing mortgage loan of $33.9 million bearing an interest rate of 5.29% on Southland Mall, in Regina, Saskatchewan, with a new mortgage loan of $80.0 million bearing an interest rate of 3.48%.

On October 7, 2015, the REIT obtained a non-revolving secured credit facility with a Canadian chartered bank to finance the redevelopment of the Golden Mile Shopping Centre 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.

On March 8, 2016, the Trust 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%.

Redemption of Convertible Debentures

On June 3, 2015, the REIT redeemed the 6.75% convertible unsecured subordinated debentures due July 31, 2015 in accordance with their terms.

2015 Normal Course Issuer Bid

On August 24, 2015, the Toronto Stock Exchange accepted the REIT's notice of intention to make a normal course issuer bid for a portion of its issued and outstanding units. Pursuant to the notice, the REIT may purchase for cancellation up to a maximum of 3,794,715 units, being 5% of the issued and outstanding units as at August 17, 2015, over the 12-month period ending on August 31, 2016. Any purchase under the normal course issuer bid will be made through the facilities of the TSX and in accordance with applicable regulatory requirements at market prices prevailing at the time of acquisition. Subject to certain prescribed exemptions and any block purchases made in accordance with the rules of the TSX, the number of units that could be purchased pursuant to the normal course issuer bid is subject to a daily maximum of 43,165 units. Units purchased under the normal course issuer bid will be cancelled following purchase. As at the date hereof, the REIT has not purchased any units for cancellation under this normal course issuer bid.

Sale of Properties in Ontario

On August 26, 2015, the REIT completed the sale of Kenora Shoppers Mall, located in Kenora, Ontario and Mountainview Mall located in Midland, Ontario.

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 is expected to open in the spring of 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.

Other intensification projects

The REIT also seeks to add additional density at our properties in order to increase GLA and revenue. During 2015, the REIT completed five intensification projects totaling approximately 40,000 square feet, which represents an investment of approximately $11.0 million.

Project Name/Location	Key Tenants	Building area (sq. ft.)	Total construction investment ($000's)
Lincoln Value Centre, St. Catherines, ON	Easy Home, Easy Financial, Sally Beauty	15,000	4,100
Magog Shopping Centre, Magog, QE	Bulk Barn	6,180	1,300
Scarborough Shopping Centre, Toronto, ON	The Beer Store	6,500	2,500
South Hill Mall, Prince Albert, SK	Montana's Cookhouse	5,200	1,500
Southland Mall, Regina, SK	Chop Steakhouse	7,000	1,600
Total		**39,880**	**11,000**

Section II – Portfolio Summary

A. Property Profiles

The table below provides a summary of the properties in the REIT's portfolio as at December 31, 2015.

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	15.1	Walmart, Dollarama	113,222	100.0%
South Fraser Gate	Abbotsford	Open Air Plaza	6.3	Shoppers Drug Mart, Original Joe's	32,458	92.1%
Alberta						
Carry Plaza	Medicine Hat	Open Air Plaza	5.0	Rexall, Earl's Restaurant, Bank of Montreal	59,131	89.7%
Cochrane Centre	Cochrane	Open Air Plaza	3.9	Shoppers Drug Mart, CIBC, Starbucks	59,987	91.9%
Eastview Centre	Red Deer	Open Air Plaza	3.0	Sobeys, Bank of Montreal	35,211	97.3%
Saskatchewan						
Golden Mile Shopping Centre	Regina	Enclosed Mall	9.4	Extra Foods, Goodlife Fitness, Rainbow Cinemas, Royal Bank of Canada	175,573(4)	96.3%
Kindersley Mall	Kindersley	Enclosed Mall	8.2	Extra Foods, Home Hardware Building Centre, Sask. Liquor & Gaming	143,140	77.6%

Property	Location	Type	Weighted Avg. Remaining Lease Term	Key Tenants	GLA (sq. ft.)	Occupancy (%)
South Hill Mall	Prince Albert	Enclosed Mall	5.6	Safeway[1], Good Life Fitness, Winners, Galaxy Cinemas, Shoppers Drug Mart, Sask. Liquor & Gaming	174,593	89.4%
Southland Mall	Regina	Enclosed Mall	7.5	Canadian Tire, Sport Chek, Mark's, Atmosphere, Safeway, Cineplex Odeon, Chapters	436,459	92.4%
Town 'N' Country Mall	Moose Jaw	Enclosed Mall	3.3	Galaxy Cinemas, Sport Chek, Dollarama, Sears	340,036	58.1%
Wheatland Mall	Swift Current	Enclosed Mall	3.7	Pioneer Co-Op[1], Dollarama, Giant Tiger, Bulk Barn, Peavey Mart	131,860	72.0%
Manitoba						
City Centre Mall	Thompson	Enclosed Mall	3.4	Walmart, Safeway, Mark's, TD Canada Trust, Vantis Credit Union	183,300	92.9%
Ontario						
1100-1170 Burnhamthorpe Rd. W.	Mississauga	Open Air Plaza	4.0	Re/Max, Swiss Chalet	199,849	85.4%
1224 Dundas St. E.	Mississauga	Open Air Plaza	2.4	Deeper Life Ministries, Canadian Tire[2]	203,185	75.0%
681-691 Gardiners Rd.	Kingston	Open Air Plaza	1.4	Goldspan Furniture, Bay Bros, Speedy Muffler, Hakim Optical	48,040	91.4%
750-760 Birchmount Rd.	Toronto	Open Air Plaza	1.8	Pillar Direct Marketing, Baskits, United Auto Parts	66,143	86.8%
Bowmanville Mall	Bowmanville	Enclosed Mall	6.3	Metro, Shoppers Drug Mart, Goodlife Fitness, Dollarama	123,676	96.6%
Bowmanville Square	Bowmanville	Open Air Plaza	7.2	Staples, The Beer Store, RBC	29,548	100.0%
Burlington Shopping Centre	Burlington	New Format	1.3	Bad Boy Furniture, Staples, Lee Valley Tools	134,225	90.0%
Creekside Crossing	Mississauga	New Format	15.9	Walmart, Costco, LCBO, The Beer Store, TD Canada Trust, RBC	109,529[5]	100.0%
Elgin Mall	St. Thomas	Enclosed Mall	3.6	Metro, Galaxy Cinemas, Goodlife Fitness	262,513	49.6%
Fergus Shopping Centre	Fergus	New Format	16.0	Walmart, LCBO	109,652	100.0%
Hartzel Plaza	St. Catharines	Open Air Plaza	5.3	Metro, Niagara Community Care Access Centre, St. Catharines Public Library	67,972	100.0%
Kapuskasing Shopping Centre	Kapuskasing	New Format	5.1	Walmart, Dollar Tree	71,306	100.0%
Kenora Shopping Centre	Kenora	New Format	9.1	Walmart	80,881	100.0%
Kingspoint Plaza	Brampton	Open Air Plaza	4.6	Shoppers Drug Mart, Goodlife Fitness, Giant Tiger, Long & McQuade	202,173	97.7%
Lincoln Value Centre	St. Catharines	Open Air Plaza	6.6	Walmart, Canadian Tire, No Frills, Dollarama	365,851[6]	81.9%
McIntyre Centre	Thunder Bay	Open Air Plaza	3.9	Shoppers Drug Mart, Goodlife Fitness, Fabricland, Bulk Barn	66,081	96.5%
Midland Shopping Centre	Midland	New Format	1.6	Mark's, Dollar Tree, Boston Pizza, Walmart[2], Home Depot[2]	35,594	100.0%
Napanee Shopping Centre	Napanee	New Format	8.3	Walmart, Dollarama, Mark's	109,383	100.0%
Norfolk Mall	Tillsonburg	Open Air Plaza	3.2	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	76.7%
Orillia Shopping Centre	Orillia	New Format	11.2	Walmart, Staples, Winners, Michaels, Dollarama, SleepCountry	241,516	100.0%
Peterborough Crossing	Peterborough	New Format	4.5	Home Outfitters, Jysk Linen 'N Furniture, Boston Pizza	58,355	100.0%
Renfrew Shopping Centre	Renfrew	New Format	8.3	Mark's, LCBO	17,414	85.5%
Red River Plaza	Thunder Bay	Open Air Plaza	2.7	Salvation Army, Anytime Fitness	19,025	100.0%
Rockland Shopping Centre	Rockland	New Format	10.9	Walmart, Dollarama, LCBO, Boston Pizza, Bulk Barn	147,358	100.0%
Scarborough Shopping Centre	Toronto	New Format	5.3	Staples, Fabricland, Pharmacentre, Fit 4 Less, The Beer Store, Swiss Chalet, RBC	101,966	89.6%
Simcoe Shopping Centre	Simcoe	New Format	16.1	Walmart, LCBO, Dollar Tree	129,876	100.0%
Tillsonburg Town Centre	Tillsonburg	Enclosed Mall	5.1	Walmart, Canadian Tire, Shoppers Drug Mart, Staples, Mark's, LCBO, CIBC, TDCanada Trust, Dollar Tree	281,260	94.7%
Yorkgate Mall	Toronto	Enclosed Mall	2.3	No Frills, Seneca College, Dollarama, IDA Drug Mart, LCBO	217,339	96.4%
Quebec						
Carrefour des Forges	Drummondville	Open Air Plaza	2.6	IGA Extra, SAQ, National Bank, Dollarama	74,782	100.0%

Property	Location	Type	Weighted Avg. Remaining Lease Term	Key Tenants	GLA (sq. ft.)	Occupancy (%)
Carrefour Don Quichotte	Ile-Perrot	Open Air Plaza	2.1	Giant Tiger, CIBC, Starbucks	71,406	61.0%
Drummondville Shopping Centre	Drummondville	New Format	3.4	Addition-Elle, Dormez-Vous Sleep Centres, CIBC, Walmart[2]	51,186	93.9%
Galeries Don Quichotte	Ile-Perrot	Open Air Plaza	1.0	Laurentian Bank	26,742	18.8%
IGA Tremblant	Mont-Tremblant	Open Air Plaza	5.1	IGA Extra	37,549	100.0%
Magog Shopping Centre	Magog	New Format	11.3	Walmart, TD Bank, Bulk Barn	113,039[7]	100.0%
Plaza Don Quichotte	Ile-Perrot	Open Air Plaza	2.4	IGA Extra, SAQ, Desjardins, Tim Hortons	107,101	94.1%
New Brunswick						
600 Fairville Blvd	Saint John	Open Air Plaza	9.9	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	9.7	Walmart, No Frills, Shoppers Drug Mart, McDonalds, BMO, Urban Planet	235,070	90.2%
Nova Scotia						
New Minas Shopping Centre	New Minas	New Format	3.7	Sport Chek, Mark's, Bank of Nova Scotia, Bulk Barn	45,561	95.5%
Truro Shopping Centre	Truro	New Format	5.6	Walmart, Dollarama, Reitmans	132,851	95.4%
Woodlawn Shopping Centre	Dartmouth	Open Air Plaza	4.2	Staples, Atlantic Fabrics, Taylor Flooring, Giant Tiger	157,722	85.8%
Yukon Territory						
Qwanlin Mall	Whitehorse	Open Air Plaza	4.4	Extra Foods, Shoppers Drug Mart, Staples, Ashley Furniture	102,447	100.0%
Newfoundland and Labrador						
Gander Shopping Centre	Gander	New Format	1.5	Bank of Nova Scotia, Buck or Two, The Source	25,235	91.8%
TOTALS			**6.3**		**6,986,263**	**88.1%**

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. An increase of 24,462 sq.ft. in GLA from Q3 2015 to Q4 2015 is due to new development.
5. The GLA represents the REIT's 30% interest in Creekside Crossing.
6. An increase of 1,500 sq.ft. in GLA from Q3 2015 to Q4 2015 is due to new development.
7. An increase of 6,063 sq.ft. in GLA from Q3 2015 to Q4 2015 is due to new development.

B. Occupancy

As at December 31, 2015, the REIT's portfolio was comprised of 7.0 million square feet of GLA, of which 6.2 million square feet was occupied, equating to an 88.1% occupancy rate, compared to 88.3% at the end of Q3 2015 and compared to 85.6% at the end of Q4, 2014.

The following table illustrates our historical occupancy rates:

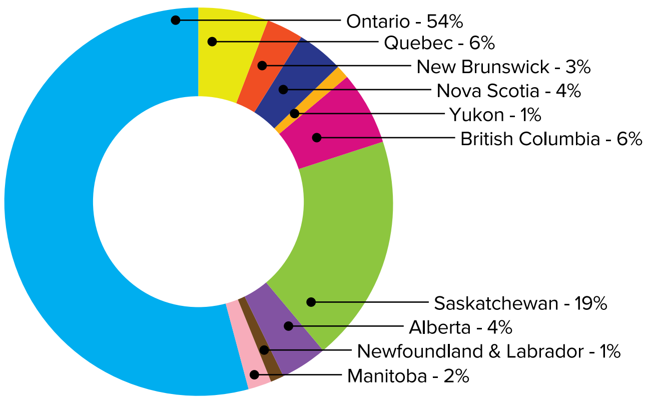
Quarter End	Portfolio occupancy %	Committed occupancy[1] %
Q4 2015	88.1%	89.2%
Q3 2015	88.3%	88.9%
Q2 2015	88.1%	88.6%
Q1 2015	84.8%	85.0%
Q4 2014	85.6%	85.7%
Q3 2014	84.6%	85.2%
Q2 2014	84.3%	85.0%
Q1 2014	85.5%	86.2%
Q4 2013	85.7%	85.7%

NOTES
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 December 31, 2015.

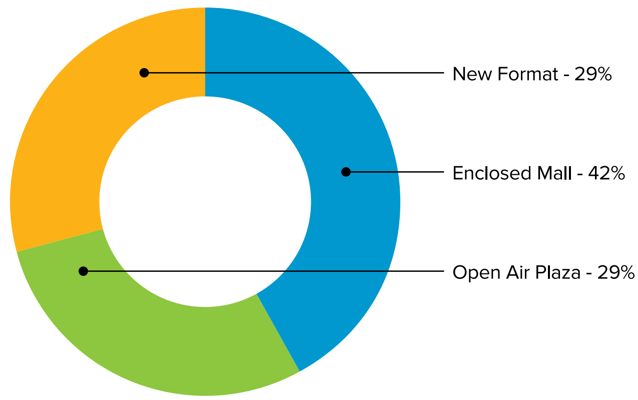
Gross Rent by Province



D. Portfolio Distribution – By Property Type

The chart below summarize the REIT's portfolio by property type as at December 31, 2015.

Gross Rent by Property Type



Portfolio Distribution by Property Type

The tables below summarize the REIT's portfolio by property type as at December 31, 2015 and 2014.

As at December 31, 2015

Property Type	GLA (sq. ft.)	Occupancy (sq. ft.)	Occupancy Rate	Annualized Gross Rent*
Enclosed Mall	3,034,217	2,503,729	82.5%	52,699,189
Open Air Plaza	2,123,897	1,864,182	87.8%	36,518,192
New Format	1,828,149	1,788,226	97.8%	36,832,739
TOTAL	**6,986,263**	**6,156,136**	**88.1%**	**$126,050,120**

* As at December 31, 2015 rent rolls, annualized.

As at December 31, 2014

Property Type	GLA (sq. ft.)	Occupancy (sq. ft.)	Occupancy Rate	Annualized Gross Rent*
Enclosed Mall	3,587,173	2,776,480	77.4%	56,623,436
Open Air Plaza	2,114,972	1,897,926	89.7%	35,817,621
New Format	1,812,725	1,754,641	96.8%	35,812,289
TOTAL	**7,514,870**	**6,429,047**	**85.6%**	**$128,253,346**

* As at December 31, 2014 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 December 31, 2015.

Top 20 Tenants by Annualized Gross Rent

Rank	Tenant	Number 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	21.8%	$23,473,855	18.6%	10.8
2	Loblaw Companies	18	385,627	5.5%	$8,206,397	6.5%	7.4
3	Canadian Tire Companies	14	416,087	6.0%	$7,557,206	6.0%	7.7
4	Sobeys	7	283,662	4.1%	$3,701,463	2.9%	3.1
5	Metro Companies	4	152,514	2.2%	$2,947,504	2.3%	5.4
6	Staples	7	156,347	2.2%	$2,729,734	2.2%	4.3
7	Goodlife	6	129,937	1.9%	$2,631,927	2.1%	7.9
8	Dollarama	12	116,601	1.7%	$2,411,115	1.9%	3.8
9	Cineplex Companies	4	101,625	1.5%	$2,050,571	1.6%	5.7
10	Giant Tiger	4	103,436	1.5%	$1,575,097	1.2%	1.7
11	TJX Companies	4	93,760	1.3%	$1,510,387	1.2%	6.1
12	LCBO	7	51,719	0.7%	$1,501,366	1.2%	9.8
13	Cara Restaurants	7	41,743	0.6%	$1,474,854	1.2%	6.1
14	Royal Bank of Canada	5	27,585	0.4%	$1,225,334	1.0%	6.1
15	CIBC	5	26,963	0.4%	$1,047,896	0.8%	3.6
16	Smitty's	4	25,178	0.4%	$934,337	0.7%	4.5
17	TD Canada Trust	7	25,091	0.4%	$892,011	0.7%	4.0
18	Ardene	9	29,762	0.4%	$868,708	0.7%	3.1
19	International Clothiers	4	96,339	1.4%	$862,872	0.7%	0.4
20	The Source	10	24,025	0.3%	$837,217	0.7%	3.1
Top 20 Tenants		154	3,805,440	54.7%	$68,439,853	54.2%	7.6
Top 5 Tenants		59	2,755,329	39.6%	$45,886,426	36.3%	8.8

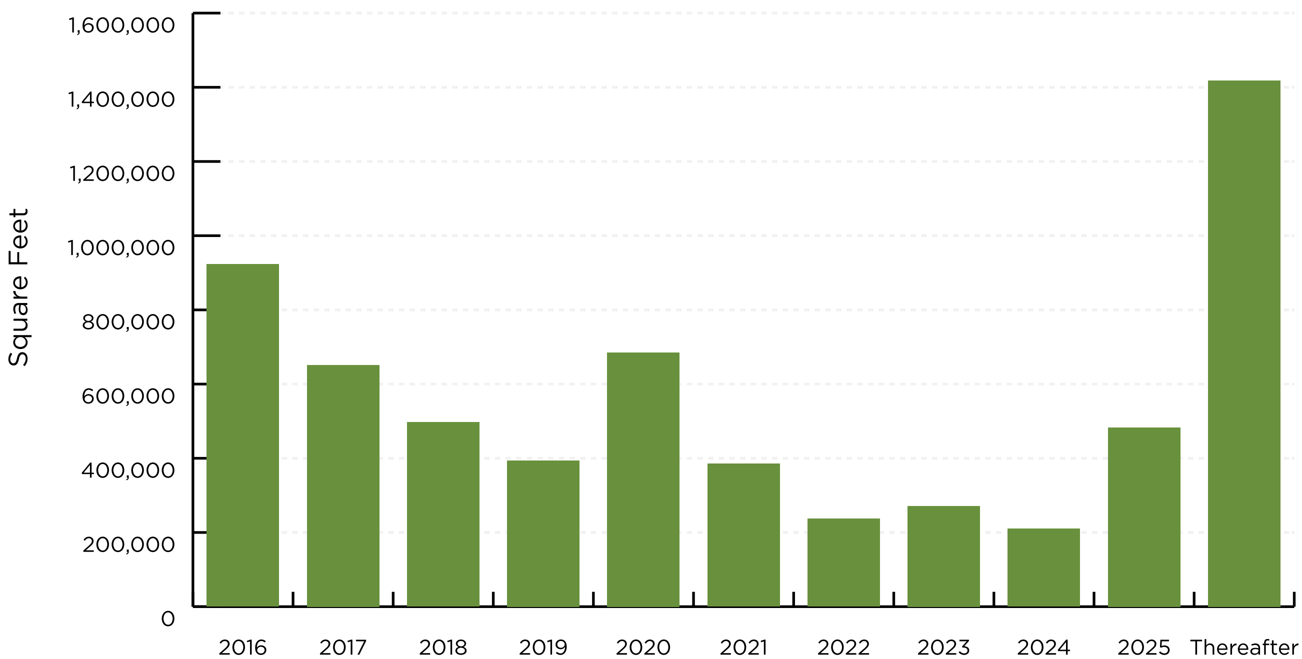
* As at December 31, 2015 rent rolls, annualized.

Canadian chartered banks account for 3.65% of annualized gross rent as at December 31, 2015.

F. Lease Expiry Data

The following graph and tables show lease expiries by year and by province, as at December 31, 2015.

Lease Expiry by Year



Lease Expiry by Year

Year	Area (sq. ft.)	% Total GLA
2016	923,182	13.2%
2017	651,036	9.3%
2018	497,115	7.1%
2019	393,893	5.7%
2020	685,470	9.8%
2021	385,361	5.5%
2022	236,971	3.4%
2023	271,757	3.9%
2024	210,152	3.0%
2025	483,228	6.9%
Thereafter	1,417,972	20.3%
Vacancy	830,126	11.9%
Total	6,986,263	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	57,505	19,143	2,999	13,749	1,814	-	33,426	54,099	3,628	1,066
	% of GLA		18.4%	6.1%	1.0%	4.4%	0.6%	0.0%	10.7%	17.3%	1.2%	0.3%
Alberta	Sq. Ft.	154,329	18,430	23,440	16,857	15,058	31,292	9,369	960	-	20,073	5,434
	% of GLA		11.9%	15.2%	10.9%	9.8%	20.3%	6.1%	0.6%	0.0%	13.0%	3.5%
Saskatchewan	Sq. Ft.	1,401,661	159,642	89,700	115,428	49,571	128,744	125,059	88,110	24,045	28,799	49,253
	% of GLA		11.4%	6.4%	8.2%	3.5%	9.2%	8.9%	6.3%	1.7%	2.1%	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.	3,750,373	515,408	291,011	275,726	198,162	492,027	77,436	57,660	158,859	117,036	367,389
	% of GLA		13.7%	7.8%	7.4%	5.3%	13.1%	2.1%	1.5%	4.2%	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	56,489	4,909	32,858	18,798	2,323	116,992	40,880	17,477	1,365	7,829
	% of GLA		16.8%	1.5%	9.8%	5.6%	0.7%	34.8%	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	73,725	104,560	38,576	6,477	10,674	48,825	15,935	-	-	11,373
	% of GLA		15.3%	21.7%	8.0%	1.3%	2.2%	10.1%	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.	6,986,263	923,182	651,036	497,115	393,893	685,470	385,361	236,971	271,757	210,152	483,228
	% of GLA		13.2%	9.3%	7.1%	5.7%	9.8%	5.5%	3.4%	3.9%	3.0%	6.9%

* As at December 31, 2015

Lease Expiry by Property Type and Year*

Property Type		GLA	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Enclosed Mall	Sq. Ft.	3,034,217	341,736	193,683	157,032	297,696	135,024	150,097	104,371	94,709	180,690	418,736
	% of GLA		11.3%	6.4%	5.2%	9.8%	4.5%	4.9%	3.4%	3.1%	6.0%	13.8%
Open Air Plaza	Sq. Ft.	2,123,897	381,007	212,785	228,327	181,017	249,971	107,089	71,162	97,489	101,481	190,548
	% of GLA		17.9%	10.0%	10.8%	8.5%	11.8%	5.0%	3.4%	4.6%	4.8%	9.0%
New Format	Sq. Ft.	1,828,149	123,439	96,515	75,105	55,844	137,803	143,248	15,712	69,897	13,962	111,990
	% of GLA		6.8%	5.3%	4.1%	3.1%	7.5%	7.8%	0.9%	3.8%	0.8%	6.1%
TOTAL	Sq. Ft.	6,986,263	923,182	651,036	497,115	393,893	685,470	385,361	236,971	271,757	210,152	483,228
	% of GLA		13.2%	9.3%	7.1%	5.7%	9.8%	5.5%	3.4%	3.9%	3.0%	6.9%

* As at December 31, 2015

Section III - Leasing

A. Overview of Leasing Activity

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 fourth quarter of 2015 and up to the date of this MD&A includes:

1. At Kingspoint Plaza, Giant Tiger renewed its lease for 38,223 square feet for an additional 5 year term.
2. At Burlington Shopping Centre, Ashley Furniture leased 30,323 square feet for 10 years, and is expected to open in July, 2016.
3. At South Hill Mall, Winners renewed its lease for 25,036 square feet for an additional 5 year term.
4. At Hartzel Plaza, Community Care Access Centre renewed its lease for 21,200 square feet for an additional 10 year term.
5. At Orangeville Mall, Michaels Arts & Crafts leased 18,919 square feet for 10 years, and is expected to open September, 2016.
6. At Cochrane Centre, Shoppers Drug Mart renewed its lease for 15,765 square feet for an additional 5 year term.
7. At Southland Mall, Regina Public Library renewed its lease for 13,865 square feet for an additional 10 year term, and added an additional 3,287 square feet for the same term.
8. At Scarborough Shopping Centre, Fabricland renewed its lease for 13,198 square feet for an additional 10 year term.
9. At Southland Mall, Cineplex Galaxy renewed its lease for 13,165 square feet for an additional 5 year term.
10. At Norfolk Mall, Dollarama renewed its lease for 9,500 square feet for an additional 5 year term.
11. At Lincoln Value Centre, Fabricland renewed its lease for 9,405 square feet for an additional 5 year term.
12. At Tillsonburg Town Centre, LCBO renewed its lease for 7,775 square feet for an addition 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 fourth quarter of 2015 include 14 new tenancies representing 50,535 square feet of GLA at a weighted average base rent of $14.91 per square foot. Also taking effect in the fourth quarter of 2015 were lease renewals for 37 tenants representing 174,751 square feet of GLA at a weighted average base rent of $11.55 per square foot, a $0.05 decrease over the base rents payable under the expiring leases.

Lease renewals taking effect in 2015, include 132 tenants representing 560,447 square feet of GLA at a weighted average base rent of $10.58 per square foot, a decrease of $0.02 from weighted average base rent of $10.60 payable under the expiring leases.

The REIT has entered into 40 new leases taking effect in 2015, for 135,986 square feet of GLA, at a weighted average base rent of $16.47 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 December 31, 2015 is set out in the tables below.

Leasing Activity Becoming Effective

Q1-2015	# of tenants	Square footage	Weighted avg. old base rent	Weighted avg. new base rent	Weighted avg. rent change
Renew/Amend/Month-to-month	39	101,394	$12.95	$13.42	$0.47
New Leasing	5	14,072	-	13.86	13.86
Expired	15	34,774	9.91	-	(9.91)
Absorption		**(20,702)**			

Q2-2015	# of tenants	Square footage	Weighted avg. old base rent	Weighted avg. new base rent	Weighted avg. rent change
Renew/Amend/Month-to-month	27	170,932	$9.34	$8.90	($0.44)
New Leasing	7	21,915	-	18.71	18.71
Expired	11	23,001	12.55	-	(12.55)
Absorption		**(1,086)**			

Q3-2015	# of tenants	Square footage	Weighted avg. old base rent	Weighted avg. new base rent	Weighted avg. rent change
Renew/Amend/Month-to-month	29	113,370	$8.88	$9.07	$0.19
New Leasing	14	49,464	-	17.83	17.83
Expired	7	43,133	8.58	-	(8.58)
Absorption		**6,331**			

Q4-2015	# of tenants	Square footage	Weighted avg. old base rent	Weighted avg. new base rent	Weighted avg. rent change
Renew/Amend/Month-to-month	37	174,751	$11.60	$11.55	($0.05)
New Leasing	14	50,535	-	14.91	14.91
Expired	18	44,741	14.31	-	(14.31)
Absorption		**5,794**			

2015	# of tenants	Square footage	Weighted avg. old base rent	Weighted avg. new base rent	Weighted avg. rent change
Renew/Amend/Month-to-month	132	560,447	$10.60	$10.58	($0.02)
New Leasing	40	135,986	-	16.47	16.47
Expired	51	145,649	11.28	-	(11.28)
Absorption		**(9,663)**			

2016	# of tenants	Square footage	Weighted avg. old base rent	Weighted avg. new base rent	Weighted avg. rent change
Renew/Amend/Month-to-month	26	213,782	$7.58	$15.46	$7.88
New Leasing	8	82,891	-	14.61	14.61

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)	December 31, 2015	December 31, 2014
Opening fair value	1,149,209	971,344
Acquisitions	-	183,024
Disposition	(16,050)	-
Redevelopment and portfolio improvement	23,789	15,315
Leasing costs	1,329	971
Tenant inducements	(119)	(180)
Straight line rent	343	806
Fair value losses	(5,201)	(22,071)
Closing fair value	1,153,300	1,149,209

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

	December 31, 2015	December 31, 2014
Weighted average discount rate	7.61%	7.65%
Range of discount rates	6.25% - 13.00%	6.25% - 11.00%
Weighted average terminal capitalization rate	6.86%	6.92%
Range of terminal capitalization rate	6.00% - 13.00%	6.00% - 10.0%

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 reflects any cash outflow that could be expected in respect of 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 fiscal three-year period. The value determined by the external appraisers is compared to the internally generated fair value.

For the three months ended December 31, 2015, the REIT recorded a fair value gain on investment properties of $0.3 million, compared to a fair value loss of $2.6 million for the three months ended September 30, 2015. The weighted average discount rate remained consistent at 7.61% at December 31, 2015 compared to September 30, 2015.

The REIT recorded a fair value loss of $5.2 million for the year ended December 31, 2015 compared to a fair value loss of $22.1 million for the year ended December 31, 2014. The weighted average discount rate decreased from 7.65% at December 31, 2014 to 7.61% at December 31, 2015.

Costs capitalized to investment properties

Included in investment properties are redevelopments and portfolio improvements. During year ended December 31, 2015, the REIT capitalized $16.9 million (December 31, 2014 – $7.0 million) of costs related to investment properties under development including $0.5 million (December 31, 2014 - $0.2 million) of borrowing costs and $0.2 million (December 31, 2014 - $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 December 31, 2015 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 and years ended December 31, 2015 and 2014:

	Three months ended December 31		Year ended December 31	
(all amounts in $000's)	**2015**	2014	**2015**	2014
Tenant improvements	157	774	2,256	882
Tenant inducements	-	81	37	81
Leasing commissions	322	591	1,329	899
	479	1,446	3,622	1,862

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 maintenance capital expenditures incurred during the three months and years ended December 31, 2015 and 2014:

	Three months ended December 31		Year ended December 31	
(all amounts in $000's)	**2015**	2014	**2015**	2014
Roofs	1,354	768	2,319	5,386
Heating, ventilation and air conditioning ("HVAC")	448	102	1,041	255
Parking lots	202	45	670	94
Other	363	162	399	452
	2,367	1,077	4,429	**6,187**

Section V – Financial Results

A. Selected Annual Information

(all amounts in $000's, except per unit amounts)	**December 31, 2015**	December 31, 2014	December 31, 2013
Total revenue	**123,270**	113,933	104,083
Net income	**27,209**	8,597	34,777
Total assets	**1,190,154**	1,179,651	1,009,098
Total non-current financial liabilities	**636,221**	637,543	497,001
Distributions declared per unit	**$ 0.375**	$ 0.45	$ 0.45

Growth in revenue and assets is mainly attributable to investment properties acquired in 2013 and 2014. The increase in net income is due to investment properties acquired in 2013 and 2014 and from fair value gains and losses associated with investment properties and financial instruments.

B. 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 December 31		Year ended December 31	
(all amounts in $000's, except per unit and ratio amounts)	**2015**	2014	**2015**	2014
Net income (loss) for the period	**4,929**	(2,126)	**27,209**	8,597
Fair value (gains) losses on investment properties	**(340)**	13,936	**5,201**	22,071
Fair value (gains) losses associated with financial instruments	**4,053**	(4,549)	**(67)**	(2,110)
Fair value (gains) losses from joint venture	**51**	1,504	**(222)**	805
Finance costs- distributions on Class B Units	**826**	1,240	**4,133**	4,611
Loss from sale of investment property	**-**	-	**712**	-
Tenant inducements amortized as a reduction to revenue	**24**	34	**109**	113
FFO	**9,543**	10,039	**37,075**	34,087

The comparison of the components of FFO for the three months ended December 31, 2015 and 2014 are set out below.

	Three months ended December 31			
(all amounts in $000's, except per unit and ratio amounts)	**2015**	2014	Change	% Change
Net operating income (1)	**18,807**	19,107	(300)	-1.6%
Trust expenses	**(1,156)**	(964)	(192)	19.9%
Finance cost - joint venture operations	**(191)**	(201)	10	-5.0%
Finance costs - operations	**(7,941)**	(7,937)	(4)	0.1%
Tenant inducements amortized as a reduction to revenue	**24**	34	(10)	-29.4%
FFO	**9,543**	10,039	(496)	-4.9%
Weighted average number of units (2)	**86,407**	85,319	1,088	1.3%
FFO, per unit	**$ 0.111**	$ 0.118	($ 0.007)	-6.8%
FFO, payout ratio (3)	**68.2%**			
FFO, payout ratio (historical)(4)		95.3%		

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 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 (historical) has been calculated based on the REIT's previous annualized distribution rate of $0.45 per unit.

FFO for the three months ended December 31, 2015 was $9.5 million, a decrease of $0.5 million compared to FFO of $10.0 million for the comparable period in 2014. The decrease in FFO is primarily attributable to the decreased occupancy at Golden Mile Shopping Centre to accommodate redevelopment.

FFO per unit for the three month periods ended December 31, 2015 and 2014 was $0.111 and $0.118 per unit respectively, representing a $0.007 decrease. The decrease in FFO per unit is due to more units outstanding for the three months ended December 31, 2015 compared to the same period in 2014.

The comparison of the components of FFO for the year ended December 31, 2015 and 2014 are set out below.

	Year ended December 31			
(all amounts in $000's, except per unit and ratio amounts)	**2015**	2014	Change	% Change
Net operating income (1)	**74,890**	67,634	7,256	10.7%
Trust expenses	**(4,522)**	(4,556)	34	-0.7%
Finance cost - joint venture operations	**(776)**	(816)	40	-4.9%
Finance costs - operations	**(32,626)**	(28,288)	(4,338)	15.3%
Tenant inducements amortized as a reduction to revenue	**109**	113	(4)	-3.5%
FFO	**37,075**	34,087	2,988	8.8%
Weighted average number of units (2)	**86,007**	77,015	8,992	11.7%
FFO, per unit	**$ 0.431**	$ 0.443	($ 0.012)	-2.7%
FFO, payout ratio (pro forma) (3)	**69.6%**			
FFO, payout ratio (historical) (4)		101.6%		

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 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 (historical) has been calculated based on the REIT's previous annualized distribution rate of $0.45 per unit.

FFO for the year ended December 31, 2015 was $37.1 million, an increase of $3.0 million compared to FFO of $34.1 million for the comparable period in 2014. The increase in FFO is primarily attributable to the investment properties acquired in 2014.

FFO per unit for the year ended December 31, 2015 and 2014 was $0.431 and $0.443 per unit respectively, representing a $0.012 decrease. The decrease in FFO per unit is due to more units outstanding at December 31, 2015 compared to December 31, 2014.

C. Results of Operations – Fourth Quarter

The following sets out financial results for the three months ended December 31, 2015 and the comparable period.

	Three months ended December 31			
(all amounts in $000's)	**2015**	2014	Change	% Change
Rental revenue				
Same property [1]	**26,154**	26,544	(390)	-1.5%
Acquisition and dispositions [2]	**4,588**	4,928	(340)	-6.9%
Total rental revenue	**30,742**	31,472	(730)	-2.3%
Property operating expense				
Same property [1]	**10,730**	11,021	(292)	-2.6%
Acquisition and dispositions [2]	**1,663**	1,800	(136)	-7.6%
Total property operating expense	**12,393**	12,821	(428)	-3.3%
Net operating income [3]				
Same property [1]	**15,424**	15,523	(98)	-0.6%
Acquisition and dispositions [2]	**2,925**	3,128	(204)	-6.5%
Share of joint venture net operating income	**458**	456	2	0.4%
Total net operating income	**18,807**	19,107	(300)	-1.6%
Trust expenses	**1,156**	964	192	19.9%
Finance cost - joint venture operations	**191**	201	(10)	-5.0%
Finance costs - operations	**7,941**	7,937	4	0.1%
Finance costs - distributions on Class B Units	**826**	1,240	(414)	-33.4%
Income before fair value gains (losses) and loss on sale of investment property	**8,693**	8,765	(72)	-0.8%
Fair value gains (losses) associated with financial instruments	**(4,053)**	4,549	(8,602)	
Fair value gain (losses) on investment property	**340**	(13,936)	14,276	
Fair value losses on joint venture	**(51)**	(1,504)	1,453	
Net income (loss) for the period	**4,929**	(2,126)	7,055	

NOTES
1. Same property refers to those investment properties owned by the REIT from January 1, 2014 to December 31, 2015.
2. Acquisition and dispositions refers to those investment properties acquired or sold by the REIT in 2014 and 2015.
3. 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 December 31, 2015, rental revenue was $30.7 million, $0.7 million lower than the comparative period in 2014. Rental revenue was lower due to lower occupancy at Golden Mile Shopping Centre to accommodate redevelopment and the disposition of two properties in 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 expenses fluctuate 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 December 31, 2015, property operating expenses were $12.4 million, $0.4 million lower than the comparative period in 2014 due to lower realty tax expenses.

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 December 31, 2015, NOI was $18.8 million, $0.3 million lower than for the comparative period in 2014. The change in NOI is primarily attributable to lower occupancy due to the redevelopment of Golden Mile Shopping Centre.

Trust Expenses

	Three months ended December 31			
(all amounts in $000's)	**2015**	2014	Change	% Change
Compensation costs	717	439	278	63.4%
Trustee fees	115	152	(37)	-24.3%
Professional fees	51	187	(136)	-72.7%
Other G & A	273	186	87	46.8%
Trust Expenses	1,156	964	192	19.9%
As a percentage of rental revenue	3.76%	3.06%		

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 December 31, 2015 mainly due to increased compensation expense from additional employees hired in the year compared to the same period in 2014.

Finance Costs – Operations

	Three months ended December 31			
(all amounts in $000's)	**2015**	2014	Change	% Change
Mortgage interest	5,878	6,026	(148)	-2.5%
Interest on vendor take back loan ("VTB")	646	399	247	62.0%
Interest on convertible debentures	1,043	1,251	(208)	-16.6%
Other	374	261	113	43.3%
Finance costs-operations	7,941	7,937	4	0.1%

Finance costs - operations represents costs and interest incurred on debt. Finance costs – operations for the three months ended December 31, 2015 were $7.9 million, which was consistent for the same period in 2014.

Finance Costs – Distributions on Class B Units

Finance costs – distributions on Class B Units for the three months ended December 31, 2015 were $0.8 million compared to $1.2 million for the three months ended December 31, 2014. 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 December 31, 2015, and the comparable period in 2014 reported in profit and loss were as follows:

	Three months ended December 31		
(all amounts in $000's)	2015	2014	Change
Fair value gains (losses) on convertible debentures	(1,945)	3,418	(5,363)
Fair value gains (losses) on Class B Units	(2,425)	3,856	(6,281)
Fair value gains (losses) on interest rate swaps	402	(2,748)	31,250
Fair value gains (losses) on Earnout obligations [(1)]	(85)	23	(108)
Fair value gains (losses) associated with financial instruments	(4,053)	4,549	(8,602)

NOTES

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.

Earnout Obligation

The fair value losses on the Earnout obligation is due to the change in the present value of the expected future payments pursuant to the Earnout agreement.

Fair Value Gains (Losses) on Investment Properties

Investment properties are measured at fair value. The fair value gain for the three months ended December 31, 2015 was $0.3 million compared to the fair value loss of $13.9 million for the comparative period in 2014. See "Section IV. Investment Properties" above for analysis.

D. Results of Operations – Year-to-Date

The following sets out financial results for the year ended December 31, 2015 and the comparable period in 2014.

	Year ended December 31			
(all amounts in $000's)	**2015**	2014	Change	% Change
Rental revenue				
Same property [1]	103,229	105,972	(2,743)	-2.6%
Acquisition and dispositions [2]	20,041	7,961	12,080	151.7%
Total rental revenue	123,270	113,933	9,337	8.2%
Property operating expense				
Same property [1]	42,420	44,225	(1,805)	-4.1%
Acquisition and dispositions [2]	7,782	3,924	3,858	98.3%
Total property operating expense	50,202	48,149	2,053	4.3%
Net operating income [3]				
Same property [1]	60,809	61,745	(936)	-1.5%
Acquisition and dispositions [2]	12,259	4,039	8,220	203.5%
Share of joint venture net operating income	1,822	1,850	(28)	-1.5%
Total net operating income	74,890	67,634	7,255	10.7%
Trust expenses	4,522	4,556	(34)	-0.7%
Finance cost - joint venture operations	776	816	(40)	-4.9%
Finance costs - operations	32,626	28,288	4,338	15.3%
Finance costs - distributions on Class B Units	4,133	4,611	(478)	-10.4%
Income before fair value gains (losses) and loss on sale of investment property	32,833	29,363	3,470	11.8%
Fair value gains associated with financial instruments	67	2,110	(2,043)	
Fair value (losses) on investment property	(5,201)	(22,071)	16,870	
Fair value gains (losses) on joint venture	222	(805)	1,028	
Loss on sale of investment property	(712)	-	(712)	
Net income for the period	27,209	8,597	18,612	

NOTES
1. Same property refers to those investment properties owned by the REIT from January 1, 2014 to December 31, 2015.
2. Acquisition and dispositions refers to those investment properties acquired or sold by the REIT in 2014 and 2015.
3. 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 year ended December 31, 2015, rental revenue was $123.3 million, $9.3 million higher than the comparative period in 2014. The increase in rental revenue is mainly attributable to investment properties acquired in September and October 2014. Same property revenue was lower by $2.7 million due to $0.6 million lease termination fees recorded in 2014, lower occupancy at Golden Mile Shopping Centre to accommodate redevelopment which reduced revenues by $1.0 million, and lower recoveries of operating expenses from tenants due to the reduction of operating expenses.

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 expenses fluctuate 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 year ended December 31, 2015, property operating expenses were $50.2 million, $2.1 million higher than the comparative period in 2014 attributable to the investment properties acquired in September and October 2014. Same property operating costs were lower due to lower realty tax expenses.

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 year ended December 31, 2015, NOI was $74.9 million, $7.3 million higher than for the comparative period in 2014. The change in NOI is primarily attributable to investment properties acquired in September and October 2014. Same property NOI was lower due to the vacancies to accommodate the redevelopment at Golden Mile Shopping Centre.

Trust Expenses

	Year ended December 31			
(all amounts in $000's)	**2015**	2014	Change	% Change
Compensation costs	**2,404**	2,202	202	9.2%
Trustee fees	**563**	631	(68)	-10.8%
Professional fees	**641**	867	(226)	-26.1%
Other G & A	**914**	856	58	6.8%
Trust Expenses	**4,522**	4,556	(34)	-0.7%
As a percentage of rental revenue	3.67%	4.00%		

Trust expenses are comprised of employee remuneration, trustee fees, legal, audit, insurance and administrative expenses associated with the operation of the REIT. Trust expenses remained consistent for the year ended December 31, 2015 compared to the same period in 2014 as higher compensation costs from additional employees were offset by lower trustee and professional fees.

Finance Costs – Operations

	Year ended December 31			
(all amounts in $000's)	**2015**	2014	Change	% Change
Mortgage interest	**24,660**	21,787	2,873	13.2%
Interest on vendor take back loan ("VTB")	**2,385**	399	1,986	497.7%
Interest on convertible debentures	**4,523**	5,004	(481)	-9.6%
Other	**1,058**	1,098	(40)	-3.7%
Finance costs-operations	32,626	28,288	4,338	15.3%

Finance costs - operations represents costs and interest incurred on debt. Finance costs – operations for the year ended December 31, 2015, were $32.6 million, $4.3 million higher than for the same period in 2014. The higher finance costs are due to additional interest expense related to debt associated with the investment properties acquired in September and October 2014, offset by lower convertible debt interest due to the redemption of the 6.75% convertible debentures on June 3, 2015.

Finance Costs – Distributions on Class B Units

Finance costs – distributions on Class B Units for the year ended December 31, 2015 were $4.1 million compared to $4.6 million for the year ended December 31, 2014. 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 its July 2015 distribution.

Fair Value Gains (Losses) Associated with Financial Instruments

The fair value changes for the year ending December 31, 2015, and the comparable period in 2014 reported in profit and loss were as follows:

	Year ended December 31		
(all amounts in $000's)	**2015**	2014	Change
Fair value gains (losses) on convertible debentures	**(1,247)**	1,509	(2,756)
Fair value gains (losses) on Class B Units	**6,613**	8,018	(1,405)
Fair value gains (losses) on interest rate swaps	**(5,183)**	(7,094)	1,911
Fair value gains (losses) on Earnout obligations [1]	**(116)**	(323)	207
Fair value gains associated with financial instruments	**67**	2,110	(2,043)

NOTES
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").

See above "Section B. Results of Operations – Fourth quarter" for discussion on fair value gains (losses) associated with financial instruments.

Fair Value Gains (Losses) on Investment Properties

Investment properties are measured at fair value. The fair value losses for the year ended December 31, 2015 was $5.2 million compared to $22.1 million for the comparative period in 2014. See "Section IV. Investment Properties" above for an analysis.

E. 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)	**Year ended December 31, 2015**	Year ended December 31, 2014
Total assets	120,633	116,610
Total liabilities	63,181	63,383
Net assets	57,452	53,227

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

	Three months ended December 31		Year ended December 31	
(all amounts in $000's)	**2015**	2014	**2015**	2014
Revenue	634	634	2,533	2,496
Expenses	176	178	711	646
Net operating income	458	456	1,822	1,850
Less: finance cost - operations	191	201	776	816
Add: fair value gain (loss) on investment property	(51)	(1,504)	222	(805)
Income (loss) from investment in joint venture	216	(1,249)	1,268	229

F. 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 68.2% for the three months ended December 31, 2015 and a pro forma FFO payout ratio of 69.6% for the year ended December 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 and year ended December 31, 2015 and 2014, compared to Funds From Operations and cash flows from operating activities:

	Three months ended December 31		Year ended December 31	
(all amounts in $000's)	**2015**	2014	**2015**	2014
FFO	**9,543**	10,039	**37,075**	34,087
Distributions [1]	**6,483**	9,604	**32,244**	34,758
Excess (shortfall) of FFO, over distributions	**3,060**	435	**4,831**	(671)
Distributions reinvested through the Distribution Reinvestment Plan ("DRIP")	**779**	979	**3,660**	3,444
Excess of FFO over distributions net of DRIP	**3,839**	1,414	**8,491**	2,773

	Three months ended December 31		Year ended December 31	
(all amounts in $000's)	**2015**	2014	**2015**	2014
Cash flows from operating activities	**12,229**	12,087	**31,592**	33,057
Distributions [1]	**6,483**	9,604	**32,244**	34,758
Excess (shortfall) of cash flows from operating activities over distributions to unitholders	**5,746**	2,483	**(652)**	(1,701)
Distributions reinvested through the DRIP	**779**	979	**3,660**	3,444
Excess of cash flows from operating activities over distributions to unitholders, net of DRIP	**6,525**	3,462	**3,008**	1,743

NOTES
1. Includes distribution on Class B units of subsidiary partnerships.

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 and year ended December 31, 2015 were $6.5 million and $32.2 million respectively. Distributions exceeded cash flows from operations by $0.7 million and $1.7 million for the years ended December 31, 2015 and 2014 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 years ended December 31, 2015 and 2014 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 December 31, 2015, 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 and year ended December 31, 2015 and 2014:

	Three months ended December 31		Year ended December 31	
(all amounts in $000's)	**2015**	2014	**2015**	2014
Net income (loss)	**4,929**	(2,126)	**27,209**	8,597
Distributions to Trust unitholders [1]	**5,657**	8,364	**28,111**	30,146
Shortfall of net income over distributions to Trust unitholders	**(728)**	(10,490)	**(902)**	(21,549)

NOTES
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 amounts in $000's)	**2015**	2014	2013
Cash flows from operating activities	**31,592**	33,057	28,104
Add back (deduct):			
Change in other non-cash operating items	**1,157**	1,628	4,453
Share of net earnings from joint venture	**1,045**	1,034	1,055
Distribution from joint venture	**-**	(4,200)	-
Leasing costs	**1,366**	980	1,249
Interest paid	**1,617**	858	468
Straight-line rent	**343**	806	1,353
Amortization of other assets	**(45)**	(76)	(79)
FFO	**37,075**	**34,087**	**36,603**

G. 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)	**December 31, 2015**	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Rental revenue	30,742	30,463	30,813	31,252	31,472	27,151	27,303	28,007
Property operating expenses	12,393	12,185	12,515	13,109	12,821	11,289	11,246	12,793
Property operating income	18,349	18,278	18,298	18,143	18,651	15,862	16,057	15,214
Trust expenses	1,156	1,112	1,215	1,039	964	1,137	1,372	1,083
Finance costs – operations	7,941	8,132	8,217	8,336	7,937	6,714	6,804	6,833
Finance costs – distributions on Class B Units	826	827	1,244	1,240	1,240	1,161	1,085	1,125
Income before fair value gains (losses), income (losses) from joint venture and other income	8,426	8,207	7,626	7,528	8,510	6,850	6.796	6,173
Fair value gains (losses) associated with financial instruments	(4,053)	4,725	7,876	(8,482)	4,549	3,813	(66)	(6,186)
Fair value (losses) on investment property	340	(2,571)	(2,215)	(755)	(13,936)	(5,101)	(2,323)	(711)
Loss from sale of investment property	-	(712)	–	–	–	–	–	–
Income (loss) from joint venture	216	(104)	844	312	(1,249)	581	535	362
Net income (loss)	4,929	9,546	14,131	(1,397)	(2,126)	6,143	4,942	(362)
FFO [1]	9,543	9,323	9,157	9,051	10,039	8,292	8,174	7,582
FFO per unit [1]	$0.111	$0.108	$0.107	$0.106	$0.118	$0.104	$0.114	$0.106
Weighted average number of units [2]	86,407	86,168	85,853	85,588	85,319	79,470	71,675	71,418

Other Data

(all amounts in $000's, except for unit, per unit and ratio amounts)	**December 31, 2015**	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Total assets	1,190,154	1,186,038	1,194,799	1,182,513	1,179,651	1,085,510	1,008,099	1,006,232
Mortgages payable, VTB, convertible debentures and secured bank debt	689,732	686,211	695,430	684,976	680,257	570,866	545,614	544,994
Debt to gross book value ratio (excluding convertible debentures)	52.0%	52.0%	52.2%	50.8%	50.7%	44.7%	45.5%	45.5%
Debt to gross book value ratio (including convertible debentures)	58.0%	57.9%	58.2%	57.9%	57.7%	52.6%	54.1%	54.2%
Interest coverage ratio [3]	2.05	2.07	2.10	2.13	2.14	2.36	2.35	2.37
Debt service coverage ratio [3]	1.40	1.41	1.43	1.46	1.47	1.63	1.64	1.66
Weighted average mortgage contract rate	4.56%	4.56%	4.61%	4.83%	4.83%	4.87%	4.97%	5.03%
Committed portfolio occupancy	89.2%	88.9%	88.6%	85.0%	85.7%	85.2%	85.0%	86.2%
Portfolio occupancy	88.1%	88.3%	88.1%	84.8%	85.6%	84.6%	84.3%	85.5%
Gross leasable area	6,986	6,954	6,982	7,515	7,515	6,884	6,511	6,509

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 December 31, 2015 and December 31, 2014, the REIT had the following liquidity available:

(all amounts in $000's)	**December 31, 2015**	December 31, 2014
Availability under the operating line of credit	32,750	44,281
Outstanding amount	(9,000)	(11,450)
Outstanding letters of credit	(846)	(621)
Unused operating facility (net of letters of credit)	22,904	32,210
Cash and cash equivalents	3,515	1,176
Total available liquidity	26,419	**33,386**

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 from 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)	**Year ended December 31, 2015**	Year ended December 31, 2014
Net income	27,209	8,597
Interest expense	32,626	28,288
Distribution to Class B unitholders	4,133	4,611
Loss on sale of investment property	712	-
Income from Joint Venture	(1,268)	(229)
Fair value loss on investment properties	5,201	22,071
Fair value gain on financial instruments	(67)	(2,110)
EBITDA [1]	68,546	61,228
Finance cost operations	32,626	28,288
Amortization of deferred financing charges	(689)	(536)
Amortization of mortgage premium	1,000	679
Interest capitalized to properties under development	457	155
Adjusted interest expense	33,394	28,586
Interest coverage ratio	2.05x	2.14x
Minimum covenant under Credit Facility	1.65x	1.65x
Debt repayments	15,675	12,980
Debt service coverage ratio	1.40x	1.47x
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)	December 31, 2015	December 31, 2014
Debt (per Balance Sheet):		
Mortgages	548,994	538,530
Vendor take back loan ("VTB")	40,314	40,314
Secured bank debt	29,019	18,950
Convertible debentures	71,405	82,463
Debt	689,732	680,257
Total assets (per Balance Sheet):	1,190,154	1,179,651
Gross book value	1,190,154	1,179,651
Debt to gross book value ratio including convertible debentures	58.0%	57.7%
Debt to gross book value ratio excluding convertible debentures	52.0%	50.7%

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 December 31		Year ended December 31	
(all amounts in $000's)	**2015**	2014	**2015**	2014
Cash provided by operating activities	12,229	12,081	31,592	33,057
Cash provided (used) in financing activities	(4,018)	24,843	(20,802)	77,201
Cash used in investing activities	(8,054)	(38,418)	(8,451)	(114,952)
Increase (decrease) in cash	157	**(1,494)**	2,339	**(4,694)**

Operating Activities

For the year ended December 31, 2015, operating activities provided approximately $31.6 million of cash as compared to providing $33.1 million for the comparative period in 2014. 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 year ended December 31, 2015 resulted in the use of cash of $20.8 million. Net cash of $27.2 million was provided by mortgage loan refinancing and $41.5 million drawn on the operating line. The main uses of cash were scheduled mortgage loan repayments of $15.6 million, the redemption of convertible debentures of $12.3 million, financing costs of $4.8 million, secured bank debt repayment of $31.5 million and distributions to unitholders and holders of Class B Units of $25.3 million.

Investing Activities

Investing activities for the year ended December 31, 2015, resulted in the use of cash of $8.5 million. The use of cash was due to improvements made to investment properties of $23.8 million, offset by the disposition of two properties for $15.3 million.

Section VII – Indebtedness and Other Obligations

A. Total Indebtedness

As at December 31, 2015, indebtedness totaling $686.7 million was outstanding, compared to $680.3 million as at December 31, 2014.

(all amounts in $000's)	**December 31, 2015**	December 31, 2014
Mortgages	**548,994**	538,530
Vendor take back loan	**40,314**	40,314
Convertible debentures	**71,405**	82,463
Secured bank debt	**29,019**	18,950
Total debt	**689,732**	680,257

The table below outlines the future repayments on indebtedness as at December 31, 2015:

(all amounts in $000's)	2016	2017	2018	2019	2020	Thereafter	Total
Mortgages*	87,406	54,560	29,740	23,393	48,943	304,707	548,749
Vendor take back loan	40,314		-	-	-	-	40,314
Convertible debentures	-	-	38,780	-	32,625	-	71,405
Secured bank debt	16,500	-	-	12,519	-	-	29,019
Total debt	144,220	54,560	68,520	35,912	81,568	304,707	689,487

* Balance represents principal amounts of mortgages as at December 31, 2015 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 December 31, 2015.

(all amounts in $000's)	Scheduled Mortgage Repayment	Maturing Mortgages	Total Mortgages	% of Total Mortgages	Weighted Average Mortgage Interest Rate
2016	13,703	73,703	87,406	15.93%	5.20%
2017	12,587	41,973	54,560	9.94%	5.34%
2018	12,006	17,734	29,740	5.42%	5.48%
2019	12,410	10,983	23,393	4.26%	4.45%
2020	12,320	36,623	48,943	8.92%	4.56%
Thereafter	31,602	273,105	304,707	55.53%	4.28%
Total	94,628	454,121	548,749	100.00%	
Mark to market adjustments on assumed mortgages			2,640		
Financing costs			(2,395)		
Total Mortgage Debt			**548,994**		

The mortgages bear interest at a weighted average contractual interest rate of 4.56% (December 31, 2014 – 4.83%) and mature at various dates from 2016 to 2025. As at December 31, 2015, the weighted average term to maturity was 5.7 years (December 31, 2014 – 5.1 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 October 30, 2016, and bore interest at 5.75% to October 30, 2015 and bears interest at 6.75% thereafter, and is fully open for prepayment at any time and is secured by charges over certain investment properties.

D. Convertible Debentures

At December 31, 2015, the REIT had the following convertible debentures outstanding:

(all amounts in $000's)	**December 31, 2015**		December 31, 2014	
	Principal	**Fair value**	Principal	Fair value
6.75% convertible debentures, due on July 31, 2015	-	-	12,305	12,355
5.45% convertible debentures, due on June 30, 2018	40,000	38,780	40,000	38,200
5.50% convertible debentures, due on June 30, 2020	36,250	32,625	36,250	31,908
	76,250	71,405	88,555	82,463

On June 3, 2015, the REIT redeemed all of the 6.75% convertible unsecured subordinated debentures due July 31, 2015, in accordance with their terms for $12.3 million including accrued interest.

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 December 31, 2015, the REIT had the following secured bank debt outstanding:

(all amounts in $000's)	Interest rate	Maturity	**December 31 2014**	December 31 2013
Revolving line of credit	Bank's prime rate plus 100 basis points or Bankers Acceptance plus 225 basis points	June 5, 2016	9,000	11,450
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	12,519	-
		Total secured bank debt	29,019	18,950

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 $12.0 million.

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.

On October 7, 2015, the Trust 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 December 31, 2015, the SC/MRR Group owns or controls approximately 4,929,600 Units and 11,021,730 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 December 31, 2015, the Earnout obligation was estimated to be $2.1 million, of which approximately 40% is payable to Penguin. During the year ended December 31, 2015, no 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 and year ended December 31, and summarizes related party transactions with Penguin.

	Three months ended December 31		Year ended December 31	
(all amounts in $000's)	**2015**	2014	**2015**	2014
Finance costs - distributions on Class B Units	**827**	1,240	**4,133**	4,611
Property management fees	**53**	55	**218**	223
Construction management fees	**199**	99	**623**	364
Reimbursement of property operating costs	**28**	250	**129**	320
Leasing fees	**271**	24	**1,155**	904
Rent	**55**	65	**239**	203

As at December 31, 2015, $1.8 million (December 31, 2014 - $1.7 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 December 31, 2015, 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 $17.0 million of which $1.6 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 9, 10, 11 and 12, respectively, of the REIT's consolidated financial statements for the year ended December 31, 2015. As at December 31, 2015, the REIT had:

- 75,502,924 Units outstanding;
- 706,500 Units issued under the LTIP;
- 11,021,730 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 906 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 December 31, 2015 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.

(i) Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

Quoted market prices in active markets are usually the best evidence of fair value when they are available. Market prices are usually available on marketable securities and other actively traded financial instruments. When quoted market prices are not available, estimates are based on the best information available, including comparable market data and other valuation techniques, including discounted cash flows and income capitalization methods. The REIT is required to make estimates that incorporate assumptions of economic conditions, local market conditions, potential uses of assets and other factors.

As a result, the REIT's determination of fair value could vary under differing circumstances and may result in different calculations. The most significant areas which are affected by fair value estimates in the REIT's financial statements are:

- Estimates of fair values of investment properties;
- Valuation of financial instruments both for disclosures and measurement purposes; and
- Valuation of LTIP units using an option pricing model.

The method of determination of the fair value of investment properties is discussed in detail elsewhere in this MD&A under "Investment Properties".

(ii) Fair Value of Financial Instruments

The REIT is required to determine the fair value of its mortgages payable, interest rate swaps, convertible debentures and Class B Units. The fair market value of the mortgages payable is estimated by discounting the cash flows of these mortgages, using estimated market rates determined by the yield on a Government bond with the nearest maturity date to the underlying mortgage payable, plus an estimated risk premium at the reporting date. The risk premium is determined by factors such as the location of the property, tenant profile and degree of leverage of the property. The fair value of the REIT's convertible debentures is based on current trading prices. The fair value of the Class B LP Units is based on the current trading price of the Units as they are exchangeable on a one for one basis into Units.

B. Future Changes in Significant Accounting Policies

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective and accordingly, have not been applied in preparing the consolidated financial statements.

Revenue from contracts with customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Trust intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The REIT is currently assessing the impact of the new standard on its consolidated financial statements.

Leases

On January 13, 2016, the IASB issued IFRS 16, Leases, to replace IAS 17, Leases. IFRS 16 requires an entity to record most leases in its statement of financial position, increasing the visibility of its assets and liabilities. The new standard removes the classification of leases as either operating leases or finance leases and requires all leases to be treated as finance leases. However, leases with a term of less than 12 months and leases of low-value assets are exempt from this requirement. A lessee is required to recognize a right-of-use asset representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, Leases, while requiring enhanced disclosures to be provided to lessors.

IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019. The Trust intends to adopt IFRS 16 in its consolidated financial statements beginning on January 1, 2019. The REIT is currently assessing the impact of the new standard on its consolidated financial statements.

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.

As required by National Instrument 52-109 – Certification of Disclosure In Issuers' Annual and Interim Filings ("NI 52-109"), adopted by the Canadian Securities Administrators, the REIT's Chief Executive Office and Chief Financial Officer have caused the effectiveness of the REIT's disclosure controls and procedures to be evaluated under their supervision. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 31, 2015.

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 as at December 31, 2015.

As required by NI 52-109, the REIT's Chief Executive Office and Chief Financial Officer have caused the effectiveness of the internal controls over financial reporting to be evaluated under their supervision. Based on that evaluation, they have concluded that the design and operation of the REIT's internal controls over financial reporting were effective as at December 31, 2015.

C. Changes in Internal Controls Over Financial Reporting

There were no significant changes made in internal controls over financial reporting during the period ended December 31, 2015 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.

Independent Auditors' Report

To the Unitholders of OneREIT

We have audited the accompanying consolidated financial statements of OneREIT, which comprise the consolidated balance sheets as at December 31, 2015 and 2014, the consolidated statements of net income and comprehensive income, unitholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of OneREIT as at December 31, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
March 16, 2016
Toronto, Canada

Management's Responsibility for Financial Reporting

The consolidated financial statements of OneREIT (the "Trust") were prepared by management, which is responsible for the integrity and fairness of the information presented, including the amounts that are based on estimates and judgments. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to ensure that transactions are authorized, assets are safe-guarded and proper records are maintained.

The Board of Trustees oversees management's responsibility for financial reporting through an Audit Committee, which is composed entirely of independent Trustees. This committee reviews the consolidated financial statements of the Trust and recommends them to the Board for approval. Other key responsibilities of the Audit Committee include monitoring, evaluating, advising or making recommendations on matters affecting the external audit, the financial reporting and the accounting controls, policies and practices of the Trust.

KPMG LLP, the independent auditors, have performed an independent audit of the consolidated financial statements and their report follows. The Unitholders' auditors have full and unrestricted access to, and meet at least quarterly with, the Audit Committee to discuss their audit and related findings.

Richard M. Michaeloff
President and Chief Executive Officer

Tom Wenner
Chief Financial Officer

March 16, 2016
Vaughan, Ontario, Canada

Consolidated Balance Sheets

(In thousands of dollars)

As at December 31, 2015 and 2014	Note	**2015**	2014
Assets			
Non-current assets:			
Investment property	3	$ 1,153,300	$ 1,149,209
Investment in joint venture	4	20,018	18,750
Total non-current assets		1,173,318	1,167,959
Current assets:			
Amounts receivable	5	10,161	7,829
Other assets	6	3,160	2,687
Cash		3,515	1,176
Total current assets		16,836	11,692
Total assets		$ 1,190,154	$ 1,179,651
Liabilities and Unitholders' Equity			
Non-current liabilities:			
Mortgages payable	7	$ 461,242	$ 463,517
Secured bank debt	9	12,519	11,450
Convertible debentures	12	71,405	70,108
Other liabilities	11	14,149	8,949
Class B Units	13	36,592	43,205
Total non-current liabilities		595,907	597,229
Current liabilities:			
Mortgages payable	7	87,752	75,013
Vendor take back loan ("VTB")	8	40,314	40,314
Secured bank debt	9	16,500	7,500
Convertible debentures	12	-	12,355
Accounts payable and other liabilities	10	23,967	23,536
Distributions payable		2,565	3,312
Total current liabilities		171,098	162,030
Total liabilities		767,005	759,259
Unitholders' equity		423,149	420,392
Commitments and contingencies	20		
Subsequent events	25		
Total liabilities and unitholders' equity		$ 1,190,154	$ 1,179,651

See accompanying notes to consolidated financial statements.

On behalf of the Board:

P. Lavelle

Patrick J. Lavelle
Trustee

Andrew Shapack
Trustee

Consolidated Statements of Net Income and Comprehensive Income

(In thousands of dollars)

Years ended December 31, 2015 and 2014	Note		**2015**		2014
Rental revenue:					
Minimum rent		$	81,024	$	73,029
Recoveries from tenants and other			42,246		40,904
			123,270		113,933
Property operating expense			50,202		48,149
			73,068		65,784
Other expenses:					
Finance costs:					
Long-term debt	22		31,568		27,190
Other	22		1,058		1,098
Finance costs – distributions on Class B Units	22		4,133		4,611
Trust			4,522		4,556
			41,281		37,455
IIncome before fair value gains (losses), loss from other items on disposition of investment property and income from investment in joint venture			31,787		28,329
Income from investment in joint venture	4		1,268		229
Loss from other items on disposition of investment property	24		(712)		-
Fair value losses on investment property	3		(5,201)		(22,071)
Fair value gains associated with financial instruments	22		67		2,110
Net income and comprehensive income		$	27,209	$	8,597

See accompanying notes to consolidated financial statements.

Consolidated Statements of Unitholders' Equity

(In thousands of dollars)

Years ended December 31, 2015 and 2014	Note		2015		2014
Trust Units					
Balance, beginning of year	14	$	434,513	$	381,547
Units issued – public offerings	14(a)		-		51,923
Units issue costs	14(a)		-		(2,401)
Units issued – distribution reinvestment plan ("DRIP")	14		3,660		3,444
Balance, end of year		$	438,173	$	434,513
Value associated with LTIP Units					
LTIP Units under subscription, beginning and end of year		$	6,092	$	6,092
LTIP installment loan, beginning of year		$	(3,191)	$	(3,476)
Interest on LTIP installment loan			(31)		(33)
Distributions applied against LTIP installment loan			274		318
LTIP installment loan, end of year		$	(2,948)	$	(3,191)
Contributed surplus, beginning and end of year		$	9	$	9
Cumulative net income and comprehensive income					
Balance, beginning of year		$	152,834	$	144,237
Total net income and comprehensive income			27,209		8,597
Balance, end of year		$	180,043	$	152,834
Cumulative distributions to unitholders					
Balance, beginning of year		$	(169,865)	$	(139,435)
Distributions to unitholders, net of interest on LTIP installment loan			(28,355)		(30,430)
Balance, end of year		$	(198,220)	$	(169,865)
Total unitholders' equity		$	423,149	$	420,392

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of dollars)

Years ended December 31, 2015 and 2014	Note	2015	2014
Cash provided by (used in):			
Operating activities:			
Net income		$ 27,209	$ 8,597
Adjustments for:			
Straight-line rent	3	(343)	(806)
Amortization of tenant inducements		156	189
Amortization of mortgage premium		(1,000)	(679)
Additions to leasing costs	3	(1,329)	(971)
Additions to tenant inducements		(37)	(9)
Finance costs		32,626	28,288
Finance costs – distributions on Class B Units		4,133	4,611
Finance costs paid		(33,243)	(28,467)
Income from investment in joint venture		(1,268)	(229)
Distribution from joint venture		-	4,200
Loss on disposition of investment property		712	-
Fair value loss		5,134	19,961
Change in other non-cash operating items		(1,158)	(1,628)
		31,592	33,057
Financing activities:			
Mortgage financing		80,000	109,425
Mortgage repayments		(15,675)	(12,980)
Discharge of mortgage		(52,802)	(30,094)
Financing from secured bank debt		41,519	44,352
Repayment of secured bank debt		(31,450)	(49,231)
Financing costs		(527)	(715)
Redemption of convertible debentures	12	(12,305)	-
Payment of earnout obligation	13	-	(2,196)
Issuance of equity, net of issue costs		-	49,522
Distributions to unitholders		(25,291)	(26,318)
Finance costs – distributions on Class B Units		(4,271)	(4,564)
		(20,802)	77,201
Investing activities:			
Disposition of investment property	24	15,338	-
Acquisition of investment property	23	-	(99,637)
Additions to investment property	3	(23,789)	(15,315)
		(8,451)	(114,952)
Increase (decrease) in cash		2,339	(4,694)
Cash, beginning of period		1,176	5,870
Cash, end of period		$ 3,515	$ 1,176
Supplemental cashflow information			
Issuance of Class B Units on acquisition	23	-	4,532
Units Issued as consideration of earnout obligation	13	-	1,208

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(In thousands of dollars, except per unit amounts)
Years ended December 31, 2015 and 2014

OneREIT (the "Trust") 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, and as further amended from time to time ("Declaration of Trust"). The unitholders have the right to require the Trust to redeem their Units on demand (note 14). The Trust is domiciled in Canada. The address of the Trust's registered office is 700 Applewood Crescent, Suite 300, Vaughan, Ontario, L4K 5X3.

1. Basis of presentation:

(a) Statement of compliance:
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using accounting policies described herein.

These consolidated financial statements were approved and authorized for issue by the Board of Trustees on March 16, 2016.

(b) Basis of presentation:
The consolidated financial statements have been prepared on a historical cost basis, except for investment property, convertible debentures, Class B Units, participants' rights under LTIP, deferred units, Earnout obligations, and derivative liabilities, which are stated at fair value. The consolidated financial statements are presented in Canadian dollars, which is the Trust's functional currency. All financial information presented is in Canadian dollars.

2. Significant accounting policies:

(a) Principles of consolidation:
The consolidated financial statements include the accounts of all entities that the Trust controls. Control exists when the Trust has the existing rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All material intercompany transactions and balances have been eliminated upon consolidation.

(b) Investment property:
Investment property includes commercial property held to earn rental income or for capital appreciation, or both, and property that is being developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs, if applicable. The carrying amount of investment property includes land, buildings, and components relating to lease incentives, tenant improvements and straight-line rent receivables.

Certain properties are developed by the Trust internally, and other properties are developed and leased to third parties under development management agreements with Penguin Investments Inc. ("Penguin" formerly SmartCentres) and other vendors.

Subsequent to initial recognition, investment property is measured at fair value, at the consolidated balance sheet dates, with changes in fair value recorded in profit or loss in the period they arise.

Subsequent capital expenditures are capitalized to investment property only when it is probable that future economic benefits of the expenditure will flow to the Trust and the cost can be measured reliably.

Initial direct leasing costs incurred by the Trust in negotiating and arranging tenant leases are added to the carrying amount of the investment property.

Investment property is reclassified to assets held for sale when criteria set out in IFRS 5, Non-current Assets Held For Sale and Discontinued Operations ("IFRS 5"), are met. Investment property held for sale is classified as current assets in accordance with IFRS 5.

(c) Investment property under development:
The Trust's investment property under development includes costs incurred for the redevelopment and expansion of new and existing investment properties. Development projects include capitalized construction and development costs and, where applicable, borrowing costs and realty taxes incurred on qualifying developments. Development projects are carried at fair value at each reporting date taking into account the expected cost to complete, the stage of completion, and expected underlying income and yield of the development. Any increase or decrease in the fair value of investment property under development is included in profit or loss in the year in which it arises. The assessment of fair value of investment property under development encompasses significant estimates that can change based on the Trust's assessment of the conditions affecting the fair value of the investment property.

(d) Revenue recognition:
Revenue from investment property includes rents earned from tenants under lease agreements, percentage rent, realty tax and operating cost recoveries and other incidental income.

Realty tax and operating cost recoveries are recognized in the year in which the recoverable costs are attributable to the tenant. Other incidental income is recognized at the time the service is provided.

The Trust has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for leases with tenants as operating leases. Revenue recognition under a lease commences when the tenant has the right to use the leased space. Generally, this occurs on the lease inception date or, where the Trust is required to make additions to the investment property in the form of tenant improvements which enhance the value of the investment property, upon substantial completion of those improvements.

Certain leases call for rental payments that vary significantly over their term due to changes in rates or rent inducements granted to tenants. The rental revenue from these leases is recorded on a straight-line basis, resulting in accruals for rent that are not billable or due until future years. These straight-line rent amounts are recorded as accrued rent receivable and form a component of investment property. Percentage rents are recognized only when actual sales reach the annual sales threshold as set out in the tenant's lease.

(e) Derecognition of financial instruments:
Financial assets are derecognized when the contractual rights to receive cash flows and benefits from the financial asset expire, or if the Trust transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. The difference between the assets' carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(f) Impairment of financial assets:
An assessment of whether there is objective evidence that the Trust's financial assets or a group of financial assets is impaired is performed at each consolidated balance sheet date. A financial asset or group of financial assets is considered to be impaired if one or more loss events that have an impact on the estimated future cash flows occur after their initial recognition and the loss can be reliably measured. If such objective evidence has occurred, the loss is based on the difference between the carrying amount of the financial asset, or portfolio of financial assets, and the respective estimated future cash flows discounted at the financial assets' original effective interest rate. Impairment losses are recorded in the consolidated

statements of net income and with the carrying amount of the financial assets or group of financial assets reduced through the use of impairment allowance accounts.

In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to an event occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed through the consolidated statements of net income and comprehensive income. The impairment reversal is limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

(g) Jointly-controlled entity:
Joint arrangements that involve the establishment of a separate entity in which parties to the arrangement have joint control over the economic activity of the entity and rights to the net assets are referred to as joint venture. Joint control exists when the joint arrangements require the unanimous consent of the parties sharing control for decisions about relevant activities.

The Trust recognizes its interest in joint ventures using the equity method. Interests in joint ventures accounted for using the equity method are initially recognized at cost. The carrying value of the Trust's interest in the joint venture is adjusted for the Trust's share of income, other comprehensive income and distributions to and from the joint venture.

(h) Borrowing costs:
Borrowing costs associated with the direct expenditures on properties under development or redevelopment are capitalized. Borrowing costs are also capitalized on the purchase cost of a site or property acquired specifically for redevelopment in the short term but only where activities necessary to prepare the asset for development or redevelopment are in progress. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise, by applying a weighted average cost of borrowings to eligible expenditures. Where borrowings are associated with specific developments, the amount capitalized is the total interest expense recognized on those borrowings less any investment income arising on their temporary investment before being deployed. Borrowing costs are capitalized from the commencement of the development or redevelopment until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. The Trust considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. Where the Trust has pre-leased space as of or prior to the start of the development and the lease requires the Trust to construct tenant improvements which enhance the value of the property, practical completion is considered to occur on completion of such improvements.

(i) Leasing costs:
Amounts expended to meet the Trust's obligations under lease contracts are characterized as either tenant improvements, which enhance the value of the investment property, or lease inducements. When the obligation is determined to be a tenant improvement, the Trust is considered to have acquired an asset. Accordingly, the tenant improvements are capitalized as part of the investment property. When the obligation is determined to be a lease inducement, the amount is recognized as an asset and is deferred and amortized over the term of the lease as a reduction of revenue.

Leasing commissions incurred by the Trust in negotiating and arranging tenant leases are added to the carrying amount of investment property (note 2(b)).

(j) Income taxes:
The Trust 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 Trust 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 Trust will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in these consolidated financial statements.

(k) Trust Units:
The Trust Units are redeemable at the option of the holder (note 14) and, therefore, are considered puttable instruments in accordance with International Accounting Standard ("IAS") 32, Financial Instruments – Presentation ("IAS 32"). Puttable

instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity. The Trust Units meet the conditions of IAS 32 and are, therefore, presented as equity.

(l) Class B Units:
The Class B Units of ONR Limited Partnership (“ONR LP”) and ONR Limited Partnership I (“ONR LP I”), subsidiaries of the Trust, are exchangeable into Trust Units at the option of the holder. The Class B Units are classified as financial liabilities under IAS 32. The Class B Units are designated as fair value through profit or loss (“FVTPL”) financial liabilities and are measured at fair value at each reporting period with any changes in fair value recognized in profit or loss. The fair value of the Class B Units is based on the market trading price of the Trust Units. The distributions paid on the Class B Units are accounted for as finance costs in profit and loss during the year (notes 13 and 22).

(m) Long-term incentive plan (“LTIP”):
The Trust has an LTIP, under which the participants can subscribe for Units of the Trust which are puttable. The LTIP award is accounted for as FVTPL. The fair value of the financial liability in respect of the LTIP is measured on the basis of an option pricing model that uses market-based valuation assumptions described in note 15. The liability is remeasured at each reporting date. Any changes in the fair value of the liability are recognized as compensation expense and included in Trust expenses in the consolidated statements of net income and comprehensive income and comprehensive income.

(n) Deferred unit plan
The Trust has a deferred unit plan that entitles Trustees and officers, at the participant’s option, to receive deferred units in consideration for Trustee fees and components of executive compensations with the Trust matching the number of units received. The deferred units with respect to Trustee fees or executive compensations effectively vest immediately and the matching deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units (i.e. had they instead been issued as Trust Units on the date of grant). Once vested, participants are entitled to receive an equivalent number of Trust Units for the vested deferred units and the corresponding additional deferred units.

Deferred units granted to Trustees and officers in respect of their Trustee fees or executive compensation vest immediately and are considered to be in respect of past services and are recognized as compensation expense upon grant. Deferred units granted relating to amounts matched by the Trust are considered to be in respect of future services and are recognized as compensation expense based upon the fair value of Trust Units over the vesting period of each deferred unit.

The deferred units are considered to be a financial liability because there is a contractual obligation for the Trust to deliver Trust Units upon conversion of the deferred units. As a result of this obligation, the deferred units are exchangeable into a liability (the Trust Units are a liability by definition), and accordingly the deferred units are also considered to be a liability.

The deferred units and the additional deferred units are measured at fair value using the market price of the Trust Units on each reporting date with changes in fair value recognized in the consolidated statements of net income and comprehensive income as additional compensation expense over their vesting period. Subsequent to vesting, the change in fair value is recorded in the consolidated statement of net income and comprehensive income as compensation expense.

(o) Derivative financial instruments:
The Trust uses interest rate swaps to economically hedge its risk associated with variable interest rates. Such derivative financial instruments are initially recognized at fair value on the date which a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair values of derivative financial instruments are determined using the present value of the contracted future cash flows discounted at interest rates that reflect the current market conditions. The valuation technique also takes into consideration the credit quality of counterparties.

All derivative instruments, including embedded derivatives required to be accounted for separately in accordance with IFRS, are recorded in the consolidated balance sheets at fair value. Changes in the fair value of the derivative instruments are recognized in profit or loss for the year.

(p) Financial instruments and derivatives – recognition and measurement:
The following summarizes the Trust's classification and measurement of financial assets and financial liabilities:

	Classification	Measurement
Financial assets:		
Amounts receivable	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages payable	Other financial liabilities	Amortized cost
Vendor take back loan	Other financial liabilities	Amortized cost
Secured bank debt	Other financial liabilities	Amortized cost
Convertible debentures	FVTPL	Fair value
Class B Units	FVTPL	Fair value
Derivative liabilities	FVTPL	Fair value
Accounts payable and other liabilities	Other financial liabilities	Amortized cost
Distributions payable	Other financial liabilities	Amortized cost

The Trust did not have any available-for-sale or held-to-maturity financial instruments as at or during the years ended December 31, 2015 and 2014.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities are accounted for as part of the respective asset or liability's carrying value at inception, except for those financial assets or financial liabilities classified at FVTPL, where transaction costs are expensed as incurred.

(q) Critical judgments in applying accounting policies:
The following are critical judgments that have been made in applying the Trust's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

I. **Investment property:**
The Trust's accounting policies relating to investment property are described in notes 2(b) and (c). In applying these policies, judgment is applied in determining certain costs that are additions to the carrying amount of the investment property, and for investment property under development, identifying the point at which practical completion of the investment property occurs and identifying the attributable borrowing costs to be included in the carrying value of the development property. Judgment is also applied in determining the capitalization rates that are applicable to valuing investment property.

Refer to note 3 for further information on estimates and assumptions made in the determination of the fair value of investment property.

II. **Accounting for acquisitions:**
Management must assess whether the acquisition of an investment property should be accounted for as an asset purchase or business combination. This assessment impacts the treatment of transaction costs, the allocation of the cost of the acquisition and whether or not goodwill is recognized. The Trust's acquisitions are generally determined to be asset purchases as the Trust does not acquire an integrated set of processes as part of the transaction.

III. **Income taxes:**
Under current tax legislation, a real estate investment trust is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders in the year. The Trust is a real estate investment trust if it meets prescribed conditions under the Income Tax Act (Canada) relating to the nature of its assets and revenue (the "REIT Conditions"). The Trust has reviewed the REIT Conditions and has assessed their interpretation and application to the

Trust's assets and revenue, and it has determined that it qualifies as a real estate investment trust. The Trust 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 Trust will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements. The Trust expects to continue to qualify as a real estate investment trust under the Income Tax Act (Canada); however, should it no longer qualify it would not be able to flow through its taxable income to unitholders and the Trust would therefore be subject to tax.

(r) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of income for the years. Actual results could differ from those estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relating to the valuation of investment property are set out in note 3.

(s) Future changes in accounting standards:

I. Revenue from contracts with customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Trust intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The Trust is currently assessing the impact of the new standard on its consolidated financial statements.

II. Leases

On January 13, 2016, the IASB issued IFRS 16, Leases, to replace IAS 17, Leases. IFRS 16 requires an entity to record most leases in its statement of financial position, increasing the visibility of its assets and liabilities. The new standard removes the classification of leases as either operating leases or finance leases and requires all leases to be treated as finance leases. However, leases with a term of less than 12 months and leases of low-value assets are exempt from this requirement. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, Leases, while requiring enhanced disclosures to be provided by lessors.

IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019. The Trust intends to adopt IFRS 16 in its consolidated financial statements beginning on January 1, 2019. The Trust is currently assessing the impact of the new standard on its consolidated financial statements.

3. Investment Property

	Note		**2015**		2014
Balance, beginning of period		$	1,149,209	$	971,344
Acquisitions	23		-		183,024
Dispositions	24		(16,050)		-
Capital additions			23,789		15,315
Leasing additions			1,329		971
Tenant inducements, net			(119)		(180)
Straight-line rent			343		806
Change in fair value			(5,201)		(22,071)
Balance, end of period		$	1,153,300	$	1,149,209

(a) Fair value:
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 last 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 any cash outflow that could be expected in respect of the property. To supplement the internally generated fair value, the Trust also engages external appraisers to complete appraisals for approximately one third of the portfolio by value on an annual rotation basis to ensure approximately 90% (by value) of the portfolio is appraised externally over a three-year period.

The key assumptions and inputs used in the determination of fair value of investment properties are not based on directly observable market information; therefore, the fair values of investment property are categorized as Level 3 as defined in note 18(b).

Significant unobservable inputs in valuation of investment property are as follows:

		2015		2014	
Class	**Significant Unobservable Input**	**Range**	**Weighted Average**	**Range**	**Weighted Average**
Investment property	Discount rate	6.25% - 13.00%	7.61%	6.25% - 11.00%	7.65%
	Terminal capitalization rate	6.00% - 13.00%	6.86%	6.00% - 10.00%	6.92%

The following table provides a sensitivity analysis for discount rates and terminal capitalization rates applied as at December 31, 2015:

Increase / (decrease) in				
Discount rate	**Terminal Cap Rate**	**Fair value of investment property**	**Increase (decrease) in fair value**	**% Change**
(1.00%)	(1.00%)	$ 1,372,734	$ 219,434	19%
(0.75%)	(0.75%)	1,311,329	158,029	14%
(0.50%)	(0.50%)	1,254,924	101,634	9%
(0.25%)	(0.25%)	1,202,932	49,632	4%
-	-	1,153,300	-	-
0.25%	0.25%	1,100,271	(43,029)	-4%
0.50%	0.50%	1,068,812	(84,488)	-7%
0.75%	0.75%	1,030,163	(123,137)	-11%
1.00%	1.00%	994,049	(159,251)	-14%

(b) Capitalized costs:
During the year ended December 31, 2015, the Trust capitalized $16,904 (December 31, 2014 – $6,964) of costs related to investment property under development. Included in this amount is $457 (December 31, 2014 – $155) of borrowing costs and $213 (December 31, 2014 – $237) of realty taxes. The weighted average capitalization rate used for capitalization of borrowing costs to investment property under development is 4.50% (December 31, 2014 - 4.83%).

4. Investment in joint venture:

The Trust owns a 30% interest in a limited partnership joint venture developing one investment property (“Joint Venture”).

The Trust accounts for its Joint Venture interest using the equity method. The Joint Venture was established to develop, construct, lease, operate and manage an investment property.

The Trust is contingently liable for certain obligations of the Joint Venture and all of the net assets of the Joint Venture are available for the purpose of satisfying such obligations and guarantees.

The Trust is responsible to fund its total investment in the Joint Venture for the development of the investment property. The following table highlights the significant assumptions used to determine the fair value of the Joint Venture investment property as at December 31, 2015 and 2014:

Class	**Significant Unobservable Input**	**2015**	2014
Investment property	Discount rate	6.50%	6.50%
	Terminal capitalization rate	6.00%	6.00%

The summarized information presented below are the amounts included in the financial statements of the Joint Venture (adjusted where the accounting policies differ from the Trust):

		2015		2014
Total assets		120,633		116,610
Total liabilities		63,181		63,383
Net assets	$	57,452	$	53,227
Trust share (30%)	$	17,236	$	15,968

Reconciliation of the carrying amount of the Trust's investment in the Joint Venture at the Trust's share of 30% is as follows:

		2015		2014
Trust's share (30%)	$	17,236	$	15,968
Acquisition cost and additional consideration		2,782		2,782
Investment in Joint Venture	$	20,018	$	18,750

		2015		2014
Revenue	$	8,444	$	8,319
Expenses		4,957		4,873
Income before fair value gain on investment property		3,487		3,446
Fair value gain (loss) on investment property		738		(2,682)
Net income	$	4,225	$	764
Trust share (30%)	$	1,268	$	229

5. Amounts receivable:

		2015		2014
Tenant receivables				
Billed, net of allowance for doubtful accounts	$	4,138	$	2,496
Unbilled		1,823		2,255
Tenant loans and other amounts receivable		4,200		3,078
	$	10,161	$	7,829

6. Other assets:

		2015		2014
Prepaid realty taxes	$	1,012	$	626
Financing reserves held in escrow		185		185
Leasing reserve held in escrow		196		170
Realty taxes held in escrow		625		640
Other		1,142		1,066
	$	3,160	$	2,687

7. Mortgages payable:

		2015		2014
Mortgage loans	$	548,749	$	537,227
Mark-to-market adjustments		2,640		3,658
Financing costs		(2,395)		(2,355)
		548,994		538,530
Less current portion		87,752		75,013
Non-current portion	$	461,242	$	463,517

Mortgage loans are secured by the Trust's interests in investment property and, in certain circumstances, are also guaranteed by the Trust. As at December 31, 2015, the mortgage loans have contractual interest at fixed and floating rates ranging between 2.70% and 6.70% (December 31, 2014 – 3.00% and 6.65%) per annum, with a weighted average contractual interest rate per annum of 4.56% as at December 31, 2015 (December 31, 2014 – 4.83%) and mature at various dates between 2016 and 2025.

Interest expense is recognized using the effective interest rate method and financing costs and mark-to-market adjustments are accounted for as an adjustment to the related debt.

Mortgage loans have effective interest rates between 2.70% and 6.70% (December 31, 2014 – 3.00% and 6.65%) per annum, with a weighted average effective rate per annum of 4.31% (December 31, 2014 – 4.57%). Other than one interest-only mortgage, all mortgages require monthly principal and interest payments.

Future principal repayments as at December 31, 2015 are as follows:

2016	$	87,406
2017		54,560
2018		29,740
2019		23,393
2020		48,943
Thereafter		304,707
	$	548,749

As at December 31, 2015, the estimated fair value of the mortgage loans is $559,092 (December 31, 2014 – $548,734).

The fair value of the mortgage loans has been determined by discounting the cash flows of these mortgages using estimated market rates determined by reference to the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated risk premium at the reporting date. The risk premium is determined by various factors, such as the location of the investment property, tenant profile and degree of leverage of the investment property (Note 18).

8. Vendor Take Back loan ("VTB")

The Trust issued a vendor take-back loan ("VTB") of $40,314, as part of the consideration paid for an acquisition in 2014. The VTB matures October 30, 2016, and bore interest at 5.75% to October 30, 2015 and bears interest at 6.75% thereafter, and is fully open for prepayment at any time and is secured by charges over certain investment properties.

9. Secured bank debt:

(a) Revolving line of credit:
As at December 31, 2015, the revolving line of credit facility limit was $32,750 (December 31, 2014 - $44,281) 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 revolving line of credit facility had an original maturity on March 31, 2016 and was extended to June 5, 2016 subsequent to year end. The Trust is in the process of renewing the facility. An amount of $846 (December 31, 2014 - $612) was reserved for letters of credit (note 20(b)). The amount outstanding under the revolving line of credit as at December 31, 2015 was $9,000 (December 31, 2014 – $11,450).

(b) Non-revolving line of credit:
As at December 31, 2015, the Trust has a non-revolving credit facility from a Canadian chartered bank secured by specific charges on certain investment properties, bearing interest at prime plus 125 basis points or at Bankers' Acceptance plus 250 basis points. The non-revolving credit facility is open for repayment, contains certain repayment obligations from the net proceeds of property sales and financings and matures on June 5, 2016 following its extension. The amount outstanding under the non-revolving line of credit as at December 31, 2015 was $7,500 (December 31, 2014 – $7,500).

On October 7, 2015, the Trust obtained a non-revolving credit facility with a Canadian chartered bank to finance the redevelopment of a property in the amount of $35,500. 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 December 31, 2015, $12,519 has been drawn on the facility.

10. Accounts payable and other liabilities:

		2015		2014
Accounts payable and accrued liabilities	$	18,673	$	18,718
Other tenant payables		1,660		1,460
Earnout Obligations (a)		2,146		2,030
Tenant deposits		1,488		1,328
	$	23,967	$	23,536

(a) Earnout Obligations
Pursuant to development agreements, Penguin retained the responsibility for completing the development and leasing with respect to certain properties on behalf of the Trust. The Trust is obligated to pay the vendors, on completion of each Earnout, a total price calculated by a formula based on net operating rent and a predetermined capitalization rate less the associated land and development costs incurred by the Trust (the "Earnout Obligations").

11. Other liabilities:

	Note		2015		2014
Interest rate swap obligation		$	$ 14,148	$	$ 8,941
Participants' right under long-term incentive plan ("LTIP")	15		1		8
		$	$14,149	$	$ 8,949

12. Convertible debentures:

The Trust has designated all its convertible debentures as financial liabilities measured at FVTPL.

	2015		2014	
	Principal	Fair value	Principal	Fair value
6.75% convertible debentures, due on July 31, 2015	$ -	$ -	$ 12,305	$ 12,355
5.45% convertible debentures, due on June 30, 2018	40,000	38,780	40,000	38,200
5.50% convertible debentures, due on June 30, 2020	36,250	32,625	36,250	31,908
	$ 76,250	$ 71,405	$ 88,555	$ 82,463

(a) 6.75% convertible debentures:
On June 3, 2015 (the "Redemption Date"), the Trust redeemed its 6.75% convertible unsecured subordinated debentures in accordance with their terms for $12,305 including accrued interest.

For the year ended December 31, 2015, interest costs totaled $349 (December 31, 2014 – $832).

(b) 5.45% convertible debentures:
These unsecured, convertible, subordinated debentures bear interest at 5.45% per annum, payable semi-annually on June 30 and December 31 each year and mature on June 30, 2018 ("5.45% Debentures"). The 5.45% Debentures are convertible at the debenture holder's option into fully paid Units at any time prior to the earlier of the maturity date and the date fixed for redemption at a conversion price of $8.10 per Unit. The 5.45% Debentures are not redeemable prior to June 30, 2014. On or after June 30, 2014, but prior to June 30, 2016, the 5.45% Debentures may be redeemed, in whole or in part, at the Trust's option, provided that the market price for the Units is not less than 125% of the conversion price. On or after June 30, 2016, but prior to the maturity date, the 5.45% Debentures may be redeemed in whole or in part, at the Trust's option, at a price equal to their principal amount plus accrued interest. The Trust may satisfy its obligation to repay the principal amounts of the 5.45% Debentures, in whole or in part, by delivering Units of the Trust. In the event the Trust elects to satisfy its obligation to repay the principal with Units of the Trust, it must deliver that number of Units equal to 95% of the market price for the Units at that time.

For the year ended December 31, 2015, interest costs totaled $2,180 (December 31, 2014 – $2,180).

(c) 5.50% convertible debentures:
These debentures bear interest at 5.50% per annum, payable semi-annually on June 30 and December 31 each year and mature on June 30, 2020 ("5.50% Debentures"). The 5.50% Debentures are convertible at the debenture holder's option into fully paid Units at any time prior to the earlier of maturity date and the date fixed for redemption at a conversion price of $7.20 per Unit. The 5.50% Debentures are not redeemable prior to June 30, 2016. On or after June 30, 2016, but prior to June 30, 2018, the 5.50% Debentures may be redeemed, in whole or in part, at the Trust's option, provided that the market price for the Units is not less than 125% of the conversion price. On or after June 30, 2018, but prior to the maturity date, the 5.50% Debentures may be redeemed in whole or in part, at the Trust's option, at a price equal to their principal amount plus accrued interest. The Trust may satisfy its obligation to repay the principal amounts of the 5.50% Debentures, in whole or in part, by delivering Units of the Trust. In the event the Trust elects to satisfy its obligation to repay the principal with Units of the Trust, it must deliver that number of Units equal to 95% of the market price for the Units at that time.

For the year ended December 31, 2015, interest costs totaled $1,994 (December 31, 2014 - $1,994).

13. Class B Units:

The Trust owns 100% of the outstanding Class A limited partnership units of ONR Limited Partnership ("ONR LP"), and ONR Limited Partnership I ("ONR LP I"), limited partnerships created under the laws of the Province of Ontario.

Class B Units of ONR LP and Class B Units of ONR LP I (collectively "Class B Units") are exchangeable on a one-for-one basis into Trust Units at the option of the holder and meet the definition of a financial liability. Distributions paid on the Class B Units are accounted for as finance costs. The Trust has designated the Class B Units as a financial liability measured at FVTPL.

	Note	2015			2014		
		Class B Units		Amount	Class B Units		Amount
Balance, beginning of period		11,021,730	$	43,205	9,760,269	$	45,483
Units Issued (net of issue costs)		-		-	996,000		4,532
Units Issued on completion of Earnouts		-		-	265,461		1,208
Fair value (loss) on Class B Units	16	-		(6,613)	-		(8,018)
Balance, end of period		11,021,730	$	36,592	11,021,730	$	43,205

14. Trust Units:

The Trust is authorized to issue an unlimited number of Units. Each Unit represents a single vote at any meeting of unitholders of the Trust and the unitholder is to receive a pro rata share of all distributions.

The unitholders have the right to require the Trust to redeem their Units on demand. Upon receipt of the redemption notice by the Trust, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit ("Redemption Price"), as determined by a market formula. The Redemption Price will be satisfied by way of a cash payment to the unitholder or, in certain circumstances, including where such payment would cause the Trust's monthly cash redemption obligations to exceed $50, by a special distribution of in specie of certain securities issued or held by the Trust or a subsidiary of the Trust, as determined by the Trustees.

(a) Units issued and outstanding:

	2015			2014		
	Units		Amount	Units		Amount
Balance, beginning of period	74,429,531	$	434,513	61,571,962	$	381,547
Units issued (public offering), net of issue costs	-		-	12,075,000		49,522
Units issued under DRIP	1,073,393		3,660	782,569		3,444
Balance, end of period	75,502,924	$	438,173	74,429,531	$	434,513

On August 6, 2014, the Trust completed a public offering of 12,075,000 units (including 1,575,000 Units issued pursuant to the full exercise of the underwriters' over-allotment option) at a price of $4.30 per Unit for gross proceeds of $51,922.

(b) DRIP:
The Trust has a DRIP that allows unitholders to use monthly cash distributions paid on their existing Units to purchase additional Units directly from the Trust. Unitholders who elect to participate in the DRIP receive bonus Units equal in value to 4% of each cash distribution reinvested.

(c) Special Voting Units:
In conjunction with the issuance of Class B Units, 11,021,730 (December 31, 2014 – 11,021,730) special voting units ("Special Voting Units") were issued (note 13). The Special Voting Units are not transferable separately from the Class B Units to which they relate and will automatically be redeemed for no consideration and cancelled upon surrender or exchange of the Class B Units. Each Special Voting Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of Trust Units which may be obtained upon the surrender or exchange of the Class B Units. The Special Voting Units have a carrying value of nil.

Special Voting Units are also issued pursuant to the SC/MRR Group's minimum voting entitlement (note 16).

(d) 2015 NCIB Program:
The Trust established a normal course issuer bid ("NCIB"), whereby between September 1, 2015 and August 31, 2016, the Trust may purchase on the Toronto Stock Exchange, up to 3,794,715 units, being 5% of the issued and outstanding units. All units

purchased by the REIT will be cancelled. As at December 31, 2015, no units have been purchased through the 2015 NCIB program.

15. LTIP:

Certain trustees of the Trust and certain former trustees and employees are participants in the Trust's LTIP. Under the terms of the LTIP, the participants subscribed for Units of the Trust. The purchase price is payable in installments over the term of the LTIP. Participants are required to pay interest at a rate of 1% and to apply cash distributions received by them, in respect of the LTIP, toward payments of that interest and installments. Participants may prepay any remaining installments at their discretion and/or remove any fully paid Units. If a participant fails to pay interest and/or any remaining installments, the Trust may elect to reacquire or sell the Units in satisfaction of the outstanding amounts.

The Trust has no recourse to a participant's assets, except such participant's LTIP Units. An aggregate of 825,000 Units are reserved for issuance pursuant to the LTIP. As at December 31, 2015, an aggregate of 706,500 (December 31, 2014 – 706,500) Units remain subscribed under the LTIP.

The fair value of the LTIP award is determined using an option pricing model that uses market-based inputs and valuation assumptions. The significant inputs and assumptions used in the option pricing model include: (i) market trading price of the Trust Units; (ii) risk free rate; (iii) distribution yield on Trust units; (iv) term to maturity and (v) volatility of the market trading price of the Trust units. The fair value of the LTIP is remeasured at each reporting date. Any changes in the fair value of LTIP is recognized as compensation expense and included in Trust expenses in the consolidated statements of net income and comprehensive income. The fair value of the LTIP as at December 31, 2015 amounts to $1 (December 31, 2014 – $8).

16. Related party transactions and agreements:

(a) SC/MRR Group's minimum voting entitlement:
Pursuant to the Trust's Seventh Amended and Restated Declaration of Trust dated October 2, 2014, if in any given 365-day period commencing on July 8, 2008 and ending on January 4, 2015, the average weighted aggregate number of Special Voting Units plus Units held or controlled by Mitchell Goldhar, entities controlled by Mr. Mitchell Goldhar or affiliates of such entities is equal to or greater than 9,110,269, then so long as a nominee of Mr. Mitchell Goldhar remains a trustee of the Trust 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 Trust, the Trust 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 Trust at a meeting of the holders of Units and Special Voting Units (the "Minimum Voting Entitlement"). The Minimum Voting Entitlement was extended for an additional period commencing on January 4, 2015 and ending on July 8, 2018 as a result of the SC/MRR Group having sold or originated in aggregate at least $300,000 of freehold or leasehold interests in assets to the Trust or its affiliates during the period commencing on July 8, 2008, and ending on January 4, 2015, provided that the number of Units and Special Voting Units held or controlled by the SC/MRR Group is not less than 9,110,269 of the aggregate issued and outstanding Units plus Special Voting Units representing no less than 10% of the voting rights attached to all voting securities of the Trust and provided that a nominee of Mr. Mitchell Goldhar remains a trustee of the Trust.

The Trust completed the acquisition of two investment properties from Walmart and Penguin and seven investment properties from SmartREIT (formerly Calloway REIT) on September 16, 2014 and October 31, 2014 ("the Acquisitions"). As a result of completion of the acquisitions and the satisfaction of the Extension Conditions, the Minimum Voting Entitlement has been extended to July 8, 2018.

(b) Related party transactions and balances:
Pursuant to the terms of the original purchase transaction completed with Penguin in July 2008, Mitchell Goldhar would continue to have an ongoing right to appoint: (i) three of the board members of the Trust while the SC/MRR Group holds at least 25% of the Trust's total aggregate issued and outstanding Units and Special Voting Units; (ii) two of the board members of the Trust 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 Trust 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.

Pursuant to development and management agreements with Penguin entered into in 2013 and 2014 in connection with the acquisition of properties from Walmart Canada Realty Inc. and Penguin, Penguin retained the responsibility for completing the development and leasing with respect to certain premises, on behalf of the Trust. As part of the consideration for the Earnouts, the Trust granted Penguin the option to receive cash or up to 1,090,000 Class B units in satisfaction of the Earnout Obligations.

As at December 31, 2015, the fair value of the Earnout Obligations were estimated to be $2,146 of which approximately 40% is payable to Penguin. During the year ended December 31, 2015, no Class B Units were issued at a pursuant to the development and management agreement. As at December 31, 2015, upon completion of the Earnouts, Penguin has the option to acquire an additional 824,539 (December 31, 2014 – 824,539) Class B Units.

Mitchell Goldhar, Penguin and SC/MRR Group are related parties of the Trust through ownership of Trust Units, Class B Units and Special Voting Units, as described above. Transactions with related parties are conducted in the normal course of operations and have been recorded at amounts agreed between the related parties.

The Trust has entered into agreements with Penguin for leasing, management and construction services. Penguin manages three investment properties on behalf of the Trust and provides leasing and construction services for all investment properties.

The Trust has an agreement with Penguin for the use of office space at the Penguin's building in Vaughan, Ontario and a support service agreement for the sharing of corporate services. The fees, rents and recovery of costs payable under the agreements with Penguin are subject to an agreement which was agreed to between the parties.

In addition to the related party transactions and balances disclosed elsewhere in the consolidated financial statements, including the investment in the Joint Venture (note 4), the following summarizes other related party transactions with Penguin:

	2015	2014
Property management fees	$ 218	$ 223
Construction fees	623	364
Reimbursement of property operating costs	129	320
Leasing fees	1,155	904
Rent	239	203

As at December 31, 2015 an amount of $1,814 (December 31, 2014 – $1,692) payable to Penguin was included in accounts payable and other liabilities.

As at December 31, 2015, $1,628 (December 31, 2014 - $1,263) was included in commitments (note 20).

Key management personnel compensation
Included in Trust expenses are salaries and benefits of $2,404 (December 31, 2014 - $2,202), and included in the Trust expenses is an amount of $1,708 (December 31, 2014 - $1,782) in respect of salaries, incentives and other short-term employee benefits to key management personnel and remuneration to trustees.

17. Segment Disclosure

The Trust owns, manages and operates shopping centres located throughout Canada. The Trust has a single reportable segment for disclosure purposes in accordance with IFRS 8 Operating Segments.

18. Risk management and fair values:

(a) Risk management:
In the normal course of business, the Trust is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them, are as follows:

I. Credit risk:
The Trust's exposure to credit risk is limited to carrying amounts of cash on deposit, amounts receivable and interest rate swaps at the consolidated balance sheet dates.

Credit risk arises from the possibility that the Trust's tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Trust mitigates the risk of credit loss by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. Thorough credit assessments are conducted in respect of all new leasing.

The following is a reconciliation of the change in allowance for doubtful accounts:

		2015		2014
Balance, beginning of year	$	905	$	1,256
Provisions, net of write offs		775		(351)
Balance, end of year	$	1,680	$	905

An allowance is provided for when collection is no longer reasonably assured, including bankruptcy, abandonment by tenants and certain tenant disputes.

The following is an aging analysis of rents receivable, including the allowance for doubtful accounts:

		2015		2014
Tenants receivable due:				
Less than 30 days	$	423	$	604
Between 31 and 60 days		323		147
Between 61 and 90 days		129		286
More than 90 days		3,263		1,459
	$	4,138	$	2,496

The credit risk on cash on deposit and derivatives relating to interest rate swaps is limited because the counterparties are Canadian chartered banks with high credit ratings assigned by international credit-rating agencies.

II. Liquidity risk:
Liquidity risk is the risk that the Trust will not be able to meet its obligations as they fall due. The Trust's principal liquidity needs arise from working capital requirements for operating its investment properties, debt servicing and repayment obligations, funding requirements for leasing, capital and development expenditures and distributions to unitholders.

As at December 31, 2015, the Trust had cash of $3,515 (December 31, 2014 - $1,176) and unused credit facilities of $22,904 (December 31, 2014 – $32,210).

There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the Trust or on any terms at all. The Trust manages its liquidity risk by monitoring its debt to gross book value ratio, staggering the maturity dates of its long-term debt, forecasting cash flows from operations, and estimating leasing renewals and property acquisitions and dispositions.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Face amount	Contractual cash flows	2016	2017	2018	2019	2020	Thereafter
Mortgage loans [1]	$ 548,749	$ 668,711	$ 101,850	73,691	46,279	39,214	63,618	344,059
VTB	40,314	42,577	42,577	-	-	-	-	-
5.45% Debenture	40,000	45,450	2,180	2,180	41,090	-	-	-
5.50% Debenture	36,250	45,223	1,994	1,994	1,994	1,994	37,247	-
Accounts payable and other liabilities	23,967	23,967	21,821	2,146	-	-	-	-
Secured bank debt	29,019	30,661	17,094	463	463	12,641	-	-
Distribution payable	2,565	2,565	2,565	-	-	-	-	-
	$ 720,864	$ 859,154	$ 190,081	$ 80,474	$ 89,826	$ 53,849	$ 100,865	$ 344,059

NOTES

1. Includes interest rate swap contracts associated with variable rate mortgages.

III. Market risk:

The Trust is exposed to market risk as a result of changes in factors such as interest rates and the market price of the Trust Units.

The Trust is exposed to interest rate risk on its borrowings. The Trust minimizes this risk by primarily obtaining fixed rate debt. As at December 31, 2015, unhedged floating rate debt consists of two mortgages totaling $14,266 (December 31, 2014 –$15,029) and secured bank debt of $29,019 (December 31, 2014 – $18,950). If the interest rate had been 100 basis points lower, with all other variables held constant, the interest expense for the year ended December 31, 2015 would have been $433 lower. If the interest rate had been 100 basis points higher, with all other variables held constant, interest expense for the year ended December 31, 2015 would have been $433 higher. The Trust also structures its financings so as to stagger the maturities of its mortgages, thereby minimizing exposure to future interest rate fluctuations.

The Trust has entered into interest rate swap contracts which are designated as economic hedges of interest rate exposure associated with variable rate mortgages. As at December 31, 2015, the Trust had entered into interest rate swaps for a notional principal amount of $176,239 (December 31, 2014 - $155,776) to hedge the interest rate associated with $176,239 (December 31, 2014 - $155,776) variable rate mortgages at a weighted average interest rate of 4.58% (December 31, 2014 – 4.62%) with maturity dates from 2020 to 2024.

(b) Fair values:

The fair values of the Trust's financial assets and financial liabilities, except as noted below, approximate their carrying values due to their short-term nature.

The Trust uses a fair value hierarchy to categorize the type of active markets valuation techniques from which fair values are derived. The Trust's use of quoted market prices (unadjusted) in active markets for identical assets or liabilities (Level 1), internal models using observable market information as inputs, other than quoted prices included within Level 1 (Level 2) and internal models without observable market information as inputs (Level 3) for the following financial instruments recorded or disclosed at fair value as at December 31, 2015 and 2014 was as follows:

	2015			2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Mortgage loans	$ -	$ 559,092	$ -	$ -	$ 548,734	$ -
VTB	-	40,314	-	-	40,314	-
Secured bank debt	-	29,019	-	-	18,950	-
Interest rate swap	-	14,148	-	-	8,941	-
Class B Units	36,592	-	-	43,205	-	-
Convertible debentures	71,405	-	-	82,463	-	-
LTIP	-	1		-	8	
	$ 107,997	$ 642,574	$ -	$ 125,668	$ 616,947	$ -

The carrying amounts for mortgage loans as at December 31, 2015, is $548,994 (December 31, 2014 - $538,530). The carrying values of the VTB and the secured bank debt approximate their fair values as at December 31, 2015 and 2014. The interest rate swap, Class B Units, convertible debentures and LTIP are recorded and disclosed at fair value.

19. Capital management:

The Trust's objectives in managing capital are:

a. to ensure sufficient liquidity to enable the refinancing of debt, and the financing of investment property improvements, tenant improvements and developments;
b. to maintain a strong capital base of debt and equity to maintain investor, creditor and market confidence;
c. to provide an adequate return to unitholders; and
d. to enable future growth through accessing debt and equity.

The Trust's capital is composed of mortgages, line of credit draws, convertible debentures, Class B Units and unitholders' equity. The Trust's current uses of capital are to make scheduled principal repayments, finance capital expenditures for tenants, redevelopment and renovation projects and future acquisitions. The Trust currently funds these requirements out of its property cash flows, financing of properties, draws on the line of credit and financings from equity and convertible debt offerings. To assist in managing its capital, the Trust maintains secured lines of credit, of which $21,140 was available as at December 31, 2015 (December 31, 2014 - $29,774).

The Trust will endeavour to invest in new investment properties that present growth opportunities. These acquisitions will be financed with both debt and equity while adhering to the Trust's investment and operating policies.

Pursuant to the Declaration of Trust, the Trust is required to operate and invest within certain policies which mandate debt and investment covenants and criteria. The debt criterion includes debt limits on each investment property and overall debt limits of the Trust. The investment criteria include tests to ensure that any one acquisition is within a size limitation, has an environmental assessment and is restricted as to asset type.

The Trust monitors its capital structure based on an interest coverage ratio and a debt-to-gross book value ratio. These ratios are used by the Trust to manage an acceptable level of leverage and are calculated in accordance with the terms of the specific agreements with creditors and are not considered measures in accordance with IFRS; nor is there an equivalent IFRS measure.

A significant policy requirement of the Declaration of Trust is to not exceed a debt-to-gross book value ratio of 70%. Subject to the Trustee's unanimous approval, the 70% threshold set fourth in the Declaration of Trust may be exceeded as a result of an acquisition for no more than a year. Debt includes convertible debentures and secured bank debt but excludes liabilities, such as accounts payable and other liabilities, and liabilities not representing an obligation for borrowed money. As at December 31, 2015, the debt-to-gross book value ratio was 57.95% (December 31, 2014 – 57.67%). A lower than 70% debt-to-gross book value ratio permits the Trust to borrow additional funds, if available, and subject to other covenants outlined below, to achieve its investment strategies as opportunities arise.

In addition, the Trust is required under certain property mortgages to maintain up to 1.30 times interest coverage from the property operating income and loan-to-value ratios of not more than 60% of property value, both as defined in the agreements. These property mortgage covenants were met as at December 31, 2015 and 2014.

Under the credit agreement for the operating line, the Trust is required to maintain up to 1.65 times interest coverage and 1.25 times debt service coverage ratios on a 12-month rolling basis, a debt-to-gross book value ratio of less than 65%, including convertible debentures and less than 60%, excluding the convertible debentures. These covenants were met as at December 31, 2015 and 2014.

20. Commitments and contingencies:

Other than as disclosed elsewhere in these consolidated financial statements, the Trust has the following commitments and contingencies:

a. The Trust is involved in litigation and claims in relation to investment property that arises from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial position of the Trust.
b. As at December 31, 2015, the Trust was contingently liable for letters of credit in the amount of $846 (December 31, 2014 – $612).
c. As at December 31, 2015, the Trust has entered into commitments with respect to leasing costs, capital expenditures and development contracts totaling $17,048 (December 31, 2014 - $6,551) of which $1,628 (December 31, 2014 - $1,142) is committed to be paid to Penguin.

21. Operating leases

As a lessor:
Future minimum rental income under non-cancellable leases is as follows:

2016	$	73,390
2017		64,290
2018		57,452
2019		50,711
2020		44,216
Thereafter		206,454

As a lessee:
Operating lease payments representing rental payments by the Trust are as follows:

2016	$	nil

22. Finance costs:

		2015		2014
Finance costs - operations:				
Mortgage interest	$	25,117	$	21,942
Less: finance costs capitalized to property under development		(457)		(155)
Convertible debenture interest		4,523		5,004
VTB interest		2,385		399
Other Interest		1,058		1,098
Finance costs - distributions on Class B Units		4,133		4,611
	$	36,759	$	32,899
Fair value gains (losses) associated with financial instruments:				
Fair value gains Class B Units	$	6,613	$	8,018
Fair value gains (losses) on convertible debentures		(1,247)		1,509
Fair value (losses) on interest rate swap		(5,183)		(7,094)
Fair value (losses) on Earnout Obligations		(116)		(323)
	$	67	$	2,110

23. Acquisitions

On September 16, 2014, the Trust acquired two investment properties from Walmart Canada Realty Inc. and Penguin. Pursuant to development agreements, Penguin retained the responsibility for completing the development and leasing with respect to certain premises located on the two investment properties, on behalf of the Trust.

The Trust is obligated to pay the vendors, on completion of each Earnout, a total price calculated by a formula based on net operating rent and a predetermined capitalization rate less the associated land and development costs incurred by the Trust.

The Trust granted Penguin the option to receive up to 540,000 Class B Units at a value of $4.55 per Class B Unit (the "Earnout Option") or receive cash consideration, in order to fund the Earnout Obligations.

The acquisitions of the investment properties have been recognized as asset acquisitions.

The net assets acquired have been allocated to the assets and liabilities as follows:

Investment property, including transaction costs	$	69,919
Issuance of Class B Units		(4,532)
Other assets and liabilities, net		(202)
Purchase price paid in cash	$	65,185

On October 30, 2014, the Trust acquired seven investment properties for approximately $111,100 from Smart Real Estate Investment Trust (formerly Calloway Real Estate Investment Trust). The purchase price was funded by the assumption of existing mortgage debt secured by three of the investment properties in an aggregate amount of approximately $38,840, additional mortgage debt of $24,000 secured by the other four investment properties, a VTB of $40,314 and cash on hand.

The acquisitions of the investment properties have been recognized as an asset acquisition. The net assets acquired have been allocated to the assets and liabilities as follows:

Investment property, including transaction costs	$	113,105
Assumed mortgages		(38,840)
VTB		(40,314)
Other assets and liabilities, net		501
Purchase price paid in cash	$	34,452

24. Dispositions

On August 26, 2015, the Trust completed the sale of Kenora Shoppers Mall, located in Kenora, Ontario and Mountain view Mall, located in Midland, Ontario for cash consideration of $16,050, before transaction costs of $712.

25. Subsequent events

On January 28, 2016, Penguin completed the development and leasing with respect to a certain premise under an Earnout Obligation (note 10). Cash consideration of $277 was paid and 49,830 Class B Units were issued pursuant to the development and management agreement.

On March 8, 2016, the Trust refinanced a maturing mortgage loan of $7,714 bearing an interest rate of 6.5% on Plaza Don Quichotte, in Ile-Perrot, Quebec, with a new mortgage loan of $15,000 bearing an interest rate of 3.63%.

Senior Management, Board of Trustees and Unitholder Information

Senior Management

Richard Michaeloff, MBA, LLB, President and Chief Executive Officer
Tom Wenner, CPA, CA, Chief Financial Officer

Board of Trustees

1 - Audit Committee
2 - Governance and Compensation Committee
3 - Investment Committee

Unitholder Information

Head Office
OneREIT
700 Applewood Crescent, Suite 300
Vaughan, ON L4K 5X3
Tel: 416-741-7999
Fax: 416-741-7993
Website: www.onereit.ca

Unitholder and Investor Contact
Richard Michaeloff, President and Chief Executive Officer
Tel: 416-741-7999
Email: rmichaeloff@onereit.ca

Auditors

KPMG LLP Chartered Accountants
Toronto, ON

Legal Counsel

Fasken Martineau DuMoulin LLP
Toronto, ON

Registrar and Transfer Agent

Canadian Stock Transfer Company Inc.
P.O. Box 700, Station B
Montreal, QC H3B 3K3
Tel: 416-682-3860 or 1-800-387-0825
Fax: 1-888-249-6189
Email: inquiries@canstockta.com
Website: www.canstockta.com

Toronto Stock Exchange (TSX) Listing

OneREIT units: ONR.UN
5.45% convertible unsecured subordinated debentures: ONR.DB.B
5.50% convertible unsecured subordinated debentures: ONR.DB.C

Website

www.onereit.ca

Tillsonburg Town Centre Entrance

Beer Store - Creekside Crossing

Visit OneREIT's website for more comprehensive information on our performance, business strategies and financial information.

www.onereit.ca

Bowmanville Mall Entrance

Escents – Southland Mall

ONE REIT™

700 Applewood Crescent, Suite 300
Vaughan, ON L4K 5X3

Tel: (416) 741-7999
Fax: (416) 741-7993

www.onereit.ca