

**CT REAL ESTATE INVESTMENT TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Forward-looking Disclaimer

This Management's Discussion and Analysis ("MD&A") contains statements that are forward-looking. Actual results or events may differ materially from those forecasted in this disclosure because of the risks and uncertainties associated with the business of CT Real Estate Investment Trust and its subsidiaries, (referred to herein as "CT REIT", the "Trust" or the "REIT", unless the context requires otherwise), and the general economic environment. CT REIT cannot provide any assurance that any forecasted financial or operational performance will actually be achieved or, if achieved, that it will result in an increase in the price of CT REIT's units. See section 13.0 in this MD&A for a more detailed discussion of the REIT's use of forward-looking statements.

1.0 Preface

1.1 Basis of Presentation

The following MD&A is intended to provide readers with an assessment of the performance of CT REIT for the year ended December 31, 2017 (also referred to as "2017") and should be read in conjunction with the REIT's audited consolidated financial statements ("consolidated financial statements") and accompanying notes for 2017 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In addition, the following MD&A should be read in conjunction with CT REIT's forward-looking information found in section 13.0 of this MD&A. Information about CT REIT, including the Annual Information Form ("AIF"), Annual Report and all other continuous disclosure documents required by the Canadian securities regulators, can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and on CT REIT's website in the Investors section at ctreit.com.

1.2 Definitions

In this document, the terms "CT REIT", "the REIT" and "the Trust" refer to CT Real Estate Investment Trust and its subsidiaries unless the context requires otherwise. In addition, "the Company", "CTC" and the "Corporation" refer to Canadian Tire Corporation, Limited, entities that it controls and their collective businesses unless the context requires otherwise. For commonly used defined terms refer to the glossary of terms in CT REIT's Annual Report.

1.3 Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Refer to section 9.0 in this MD&A for further information.

Financial data included in this MD&A includes material information as of February 12, 2018. Disclosure contained in this document is current to that date, unless otherwise noted.

1.4 Quarterly and Annual Comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for Q4 2017 (three months ended December 31, 2017) are against results for Q4 2016 (three months ended December 31, 2016) and comparisons of results for the year ended 2017 are against results for the year ended 2016. Certain of the prior period figures have been aligned to management's current view of CT REIT's operations.

All amounts in this MD&A are in thousands of Canadian dollars, except per unit, unit, square foot amounts or unless otherwise indicated. Rounded numbers are used in this MD&A and, as such, totals may not add up to 100 percent.

1.5 Key Operating Performance Measures and Additional Non-GAAP Measures

The key operating performance measures used by management may not be comparable to similar measures presented by other real estate investment trusts or enterprises. Net income prepared in accordance with IFRS is also subject to varying degrees of judgment, and some meaningful differences in accounting policies exist between publicly traded entities in Canada. Accordingly, net income as presented by CT REIT may not be comparable to net income presented by other real estate investment trusts or enterprises.

Net operating income ("NOI"), same store NOI, same property NOI, funds from operations ("FFO"), FFO per unit - basic, FFO per unit - diluted (non-GAAP), adjusted funds from operations ("AFFO"), AFFO per unit - basic, AFFO per unit - diluted (non-GAAP), AFFO payout ratio, adjusted cashflow from operations ("ACFO") and earnings before interest and other financing costs, taxes and fair value adjustments ("EBITFV") are measures used by management to track and assess CT REIT's performance in meeting its principle objective of creating Unitholder value (referred to as "non-GAAP measures"). These non-GAAP measures are not defined by IFRS, also referred to as generally accepted accounting principles ("GAAP"), and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS.

For further information on the non-GAAP measures used by management and for reconciliations to the nearest GAAP measures, refer to section 10.0.

1.6 Review and Approval by the Board of Trustees

The Board of Trustees (the "Board"), on the recommendation of its Audit Committee, approved for issuance the contents of this MD&A on February 12, 2018.

1.7 Nature and Formation

CT REIT is an unincorporated, closed-end real estate investment trust established on July 15, 2013 pursuant to a declaration of trust under, and governed by, the laws of the Province of Ontario as amended and restated as at October 22, 2013 (the "Declaration of Trust"). CT REIT commenced operations on October 23, 2013. The principal, registered and head office of CT REIT is located at 2180 Yonge Street, Toronto, Ontario M4P 2V8. CTC owned an 85.5% effective interest in CT REIT as of December 31, 2017, consisting of 59,711,094 of the issued and outstanding units of CT REIT ("Units") and all of the issued and outstanding Class B limited partnership units ("Class B LP Units") of CT REIT Limited Partnership (the "Partnership"), which are economically equivalent to and exchangeable for Units. CTC also owns all of the Class C limited partnership units ("Class C LP Units") of the Partnership. The Units are listed on the Toronto Stock Exchange ("TSX") under the symbol CRT.UN.

CT REIT has one segment which comprises the ownership and operation of primarily retail investment properties located in Canada.

2.0 Growth Strategy and Objectives

The following section contains forward-looking information and users are cautioned that actual results may vary.

The principal objective of CT REIT is to create Unitholder value over the long-term by generating reliable, durable and growing monthly distributions on a tax-efficient basis. To achieve this objective, management is focused on expanding the REIT's asset base while also increasing its AFFO¹ per unit.

Future growth is expected to continue to be achieved from a number of sources including:

1. The portfolio of Canadian Tire store leases generally contains contractual rent escalations of approximately 1.5% per year, on average, over the initial term of the leases and have a weighted average remaining lease term of 11.7 years;
2. CT REIT has contractual arrangements with CTC whereby CT REIT has a right of first offer² ("ROFO") on all CTC properties which meet the REIT's investment criteria and preferential rights, subject to certain exceptions, to participate in the development of, and to acquire, certain new retail properties; and
3. CT REIT will continue to seek to use its relationship with CTC to obtain insights into potential real estate acquisitions and development opportunities in markets across Canada.

¹Non-GAAP measure. Refer to section 10.0 for further information.

²The ROFO Agreement shall continue in effect until the later of October 2023 and such time as CTC ceases to hold a majority of the voting units, being the Units and Special Voting Units (as defined in section 7.0).

3.0 Summary of Selected Financial and Operational Information

Summary of Selected Financial and Operational Information

Readers are reminded that certain key performance measures may not have standardized meanings under GAAP. For further information on the REIT's operating measures and non-GAAP measures, refer to sections 1.0 and 10.0.

The following table provides selected annual consolidated financial and operational information for the last three fiscal periods completed.

(in thousands of Canadian dollars, except unit, per unit and square footage amounts) For the year ended December 31,	Year Ended		
	2017	2016	2015
Property revenue	\$ 443,303	\$ 407,165	\$ 378,180
Income before interest and other financing charges, taxes and fair value adjustments ¹	\$ 334,193	\$ 300,275	\$ 281,968
Net operating income ¹	\$ 322,253	\$ 287,089	\$ 265,350
Net income	\$ 317,277	\$ 259,079	\$ 234,480
Net income per unit (basic) ²	\$ 1.501	\$ 1.293	\$ 1.251
Net income per unit (diluted) ⁴	\$ 1.232	\$ 1.079	\$ 0.972
Funds from operations ¹	\$ 237,617	\$ 214,877	\$ 194,711
FFO per unit (diluted, non-GAAP) ^{1,2,3}	\$ 1.124	\$ 1.071	\$ 1.038
Adjusted funds from operations ¹	\$ 194,371	\$ 172,794	\$ 151,660
AFFO per unit (diluted, non-GAAP) ^{1,2,3}	\$ 0.919	\$ 0.862	\$ 0.808
Distributions per unit - paid ²	\$ 0.700	\$ 0.680	\$ 0.663
AFFO payout ratio ¹	76%	79%	82%
Excess of AFFO over distributions:			
Cash retained from operations before distribution reinvestment ⁶	\$ 46,795	\$ 37,449	\$ 27,588
Per unit (diluted, non-GAAP) ^{1,2,3}	\$ 0.221	\$ 0.187	\$ 0.147
Adjusted cashflow from operations ^{1,7}	\$ 195,723	\$ 176,355	N/A
Weighted average number of units outstanding ²			
Basic	211,310,245	200,439,916	187,511,930
Diluted ⁴	313,338,770	307,219,806	321,729,709
Diluted (non-GAAP) ^{1,3}	211,456,486	200,558,552	187,607,169
Period-end units outstanding ²	213,738,161	206,846,799	189,600,687
Total assets	\$ 5,455,398	\$ 5,014,601	\$ 4,350,903
Total indebtedness	\$ 2,544,972	\$ 2,383,123	\$ 2,095,045
Book value per unit ²	\$ 13.39	\$ 12.52	\$ 11.67
Market price per Unit - Close (end of period)	\$ 14.50	\$ 15.00	\$ 13.00
OTHER DATA			
Weighted average interest rate ⁸	4.08%	4.06%	4.24%
Indebtedness ratio	46.7%	47.5%	48.2%
Interest coverage (times)	3.46	3.49	3.23
Weighted average term to debt maturity (in years) ⁸	10.0	10.6	11.2
Gross leasable area (square feet) ⁵	25,849,773	24,659,316	21,512,053
Occupancy rate ^{5,9}	98.6%	99.7%	99.9%

¹ Non-GAAP measure. Refer to section 10.0 for further information.

² Total units means Units and Class B LP Units outstanding.

³ Diluted units used in calculating non-GAAP measures include restricted and deferred units issued under various plans and exclude the effect of assuming that all of the Class C LP Units will be settled with Class B LP Units.

⁴ Diluted units determined in accordance with IFRS includes restricted and deferred units issued under various plans and the effect of assuming that all of the Class C LP Units will be settled with Class B LP Units. Refer to section 7.0.

⁵ Refers to retail, mixed-use commercial and distribution centre properties and excludes properties under development.

⁶ Refer to section 7.0 for further information.

⁷ New non-GAAP measure adopted in 2017. Refer to section 10.0 for further information.

⁸ Excludes the credit facilities.

⁹ Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2017, December 31, 2016 and December 31, 2015.

4.0 Overview of the Property Portfolio

4.1 Property Profile

The property portfolio as at December 31, 2017 consists of 319 properties, four distribution centres ("DC"), one mixed-use commercial property and seven properties under development (collectively, the "Properties"). The Properties are located in each of the provinces and in two territories across Canada. The properties, DC's and mixed-use commercial property contain approximately 25.8 million square feet of gross leasable area ("GLA").

CT REIT's consolidated financial position, results of operations and property portfolio analyses include the REIT's one-third interest in Canada Square, a mixed-use commercial property in Toronto, Ontario. CTC is CT REIT's largest tenant. At December 31, 2017, CTC represented 95.3% of total GLA (December 31, 2016 - 94.2%) and 93.2% of annualized base minimum rent (December 31, 2016 - 93.8%).

CT REIT's property portfolio's occupancy, excluding properties under development, is as follows:

(in square feet)	As at December 31, 2017		
	GLA	Occupied GLA	Occupancy rate ²
Property Type			
Canadian Tire stores	20,016,117	20,016,117	100%
Distribution centres	3,914,871	3,682,834	94.1%
Mixed-use property	281,280	274,921	97.7%
Third party tenants	1,189,102	1,074,854	90.4%
Other CTC Banners ¹	448,403	448,403	100%
Total	25,849,773	25,497,129	98.6%

¹ Includes Mark's Work Wearhouse® and L'Équipeur® and various FGL Sports® stores, including Sport Chek, Sports Experts and Atmosphere (referred to herein as "Other CTC Banners").

² Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2017.

(in square feet)	As at December 31, 2016		
	GLA	Occupied GLA	Occupancy rate ²
Property Type			
Canadian Tire stores	19,329,513	19,329,513	100%
Distribution centres	3,920,269	3,920,269	100%
Mixed-use property	281,199	275,781	98.1%
Third party tenants	705,491	629,453	89.2%
Other CTC Banners ¹	422,844	422,844	100%
Total	24,659,316	24,577,860	99.7%

¹ Includes Mark's Work Wearhouse® and L'Équipeur® and various FGL Sports® stores, including Sport Chek, Sports Experts and Atmosphere (referred to herein as "Other CTC Banners").

² Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2016.

The occupancy rate as at December 31, 2017 declined by 1.1% compared to December 31, 2016 primarily as a result of changes in existing lease arrangements at CT REIT's DCs located in Calgary, Alberta. Refer to section 4.10 - Leasing Activities, for further details.

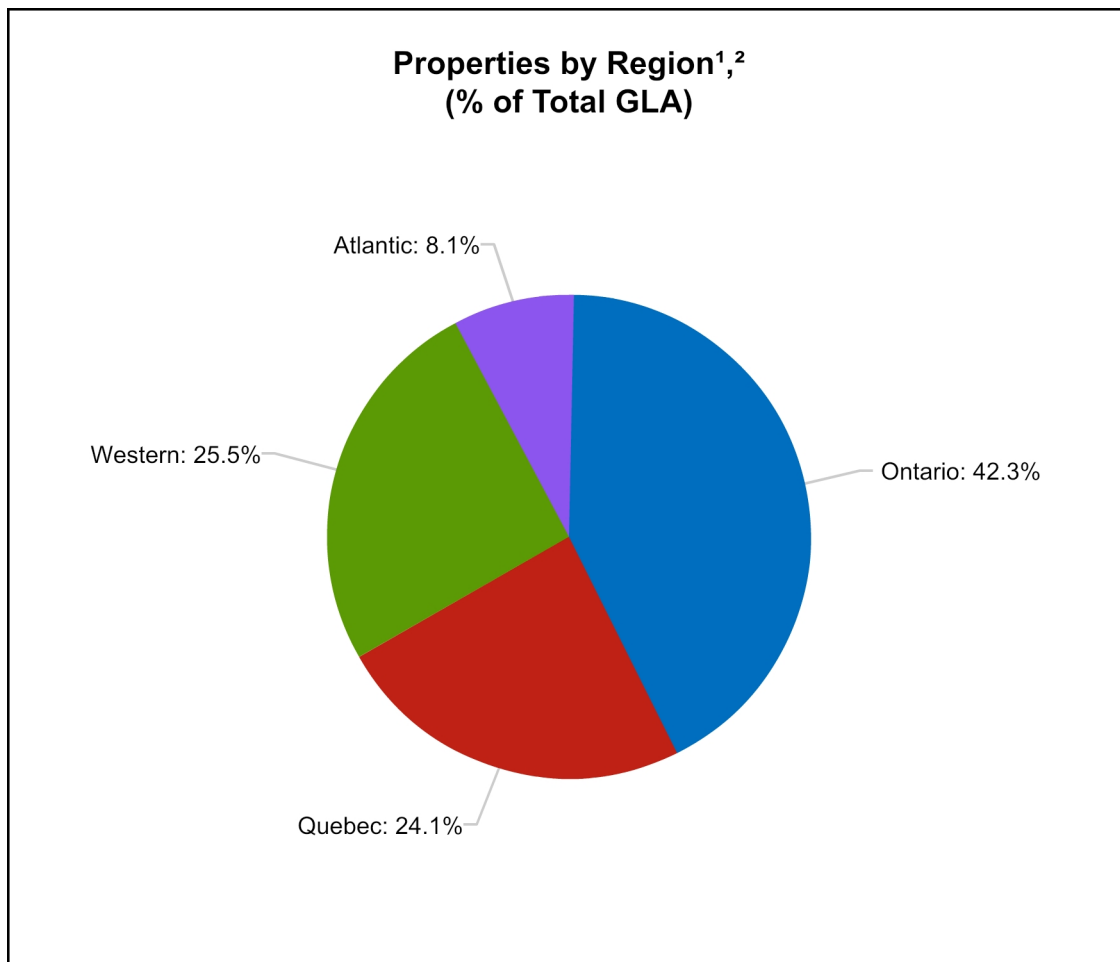
The REIT's property portfolio consists of:

As at	December 31, 2017 ¹	December 31, 2016
Canadian Tire single tenant properties	254	254
Other single tenant properties	12	—
Multi-tenant properties anchored by Canadian Tire store	49	37
Multi-tenant properties not anchored by Canadian Tire store	4	4
Distribution centres	4	4
Mixed-use property	1	1
Total operating properties	324	300
Development properties	7	3
Total Properties	331	303

¹Included in the Canadian Tire single tenant properties is one income-producing property subject to a ground lease.

As at	December 31, 2017	December 31, 2016
Gas bars at retail properties	99	96

CT REIT's Properties by region, as a percentage of total GLA as at December 31, 2017 are as follows:



¹ Excluding properties under development.

² Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2017.

4.2 Six Largest Urban Markets

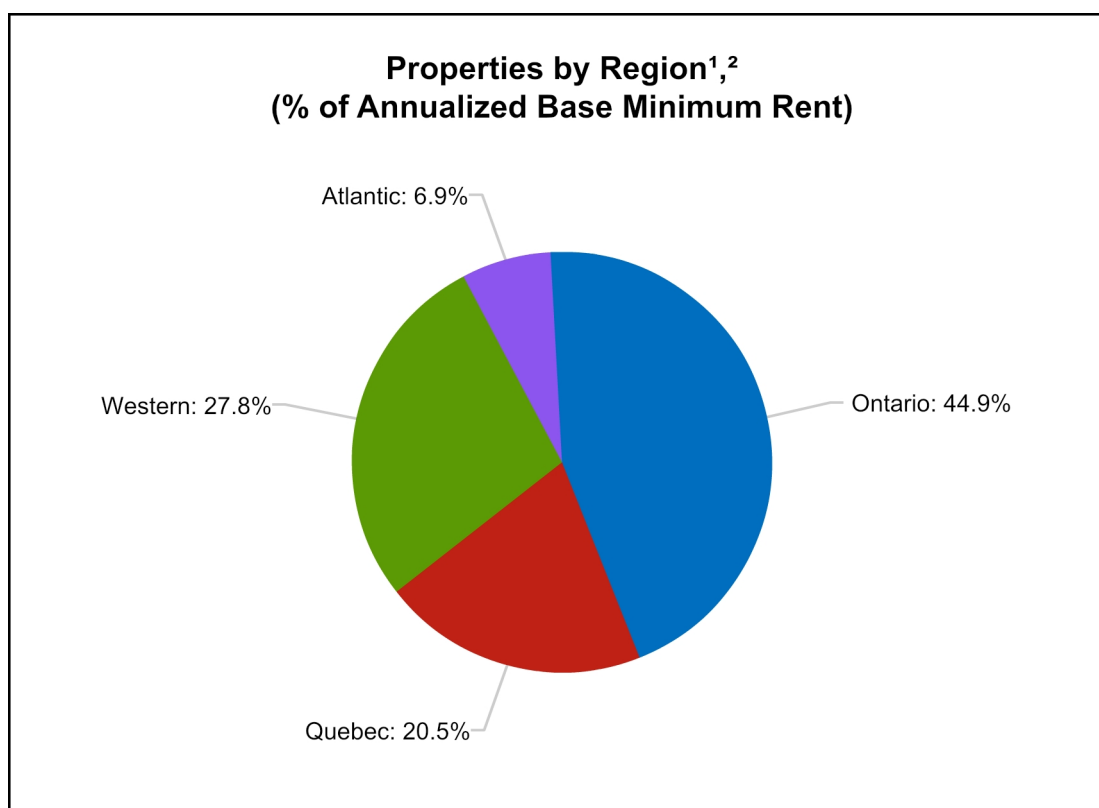
A significant portion of CT REIT's Properties, excluding properties under development, are located in the following large urban markets:

As at	December 31, 2017	December 31, 2016
Vancouver	3.3%	3.4%
Calgary	2.4%	2.9%
Edmonton	4.1%	4.2%
Toronto	22.5%	22.6%
Ottawa	4.3%	4.5%
Montreal	11.9%	12.2%
Percentage of Annualized Base Minimum Rent¹	48.5%	49.8%

¹Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2017 and December 31, 2016.

4.3 Revenue by Region

CT REIT's Properties are located across Canada with approximately 65.4% of annualized base minimum rent in respect of properties in Ontario and Quebec.



¹Excluding properties under development.

²Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2017.

4.4 Fair Value of Property Portfolio

The fair value of the Properties represents 99.7% of the total assets of CT REIT as at December 31, 2017.

(in thousands of Canadian dollars)	December 31, 2017			December 31, 2016		
	Income-producing properties	Properties under development	Total investment properties	Income-producing properties	Properties under development	Total investment properties
Balance, beginning of period	\$ 4,979,231	\$ 21,124	\$ 5,000,355	\$ 4,304,838	\$ 14,223	\$ 4,319,061
Property acquisitions (including transaction costs)	209,677	—	209,677	214,225	—	214,225
Intensifications	—	24,893	24,893	—	10,852	10,852
Developments	—	64,882	64,882	—	356,943	356,943
Development land	—	13,380	13,380	—	8,744	8,744
Capitalized interest and property taxes	—	1,957	1,957	—	6,895	6,895
Transfers	27,154	(27,154)	—	376,533	(376,533)	—
Fair value adjustment on investment properties	79,687	—	79,687	44,549	—	44,549
Straight-line rent	22,822	—	22,822	23,774	—	23,774
Recoverable capital expenditures	18,962	—	18,962	15,570	—	15,570
Dispositions	(18)	—	(18)	(258)	—	(258)
Balance, end of period¹	\$ 5,337,515	\$ 99,082	\$ 5,436,597	\$ 4,979,231	\$ 21,124	\$ 5,000,355

¹Includes purchased lands for \$9,209 (December 31, 2016 - \$6,505) held for development.

Properties under development include:

- the development of vacant land and building construction;
- intensification activities, consisting of the construction of additional buildings on existing assets, and modifications to existing stores; and
- the redevelopment of a property.

At December 31, 2017, management's determination of fair value was updated for current market assumptions, utilizing market capitalization rates provided by independent valuation professionals.

On a periodic basis, CT REIT obtains independent valuations such that substantially all of the properties will be externally appraised over a four-year period. During 2017 independent appraisals were completed on 71 properties (2016 - 65 properties) having a fair value of \$1,612,230 (2016 - \$880,630).

Valuations determined by the overall capitalization rate ("OCR") method are most sensitive to changes in capitalization rates. Valuations determined by the discounted cash flow ("DCF") method are most sensitive to changes in discount rates.

The significant inputs used to determine the fair value of CT REIT's income-producing properties are as follows:

	Properties valued by the OCR method	Properties valued by the DCF method
Number of properties	271	53
Value at December 31, 2017	\$ 3,970,673	\$ 1,310,843
Discount rate	—%	6.96%
Terminal capitalization rate	—%	6.52%
Overall capitalization rate	6.18%	—%
Hold period (years)	—	10

The following table summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate and discount rate, respectively:

Rate sensitivity	OCR Sensitivity		DCF Sensitivity	
	Fair value	Change in fair value	Fair value	Change in fair value
+ 75 basis points	\$ 3,544,119	\$ (426,554)	\$ 1,188,649	\$ (122,194)
+ 50 basis points	3,675,416	(295,257)	1,226,451	(84,393)
+ 25 basis points	3,817,117	(153,556)	1,267,045	(43,799)
December 31, 2017	\$ 3,970,673	\$ —	\$ 1,310,843	\$ —
- 25 basis points	4,137,243	166,569	1,358,324	47,480
- 50 basis points	4,318,875	348,202	1,409,895	99,052
- 75 basis points	\$ 4,517,559	\$ 546,886	\$ 1,466,122	\$ 155,278

Included in CT REIT's Properties are nine buildings which are situated on ground leases with remaining initial terms of between one and 38 years, and an average remaining initial term of 16 years. Assuming all extensions are exercised, the ground leases have remaining terms between 25 and 73 years with an average remaining lease term of 40 years.

4.5 2017 Investment Activities

The following table presents income-producing properties acquired, intensified or developed during the year ended December 31, 2017.

(in thousands of Canadian dollars, except for GLA amounts)	Transaction date	GLA	Total investment cost
Property Location			
Martensville, SK ¹	January 2017	10,380	
Cambridge, ON ²	February 2017	90,862	
Sainte-Agathe-des-Monts, QC ²	February 2017	77,541	
Victoria (View Royal), BC ²	February 2017	49,707	
Dartmouth, NS ²	March 2017	62,565	
Bradford, ON ¹	April 2017	14,539	
Athabasca, AB ¹	April 2017	7,249	
Picton, ON ⁴	April 2017	-	
Edmundston, NB ¹	June 2017	2,885	
Marathon, ON ¹	June 2017	3,770	
Maniwaki, QC ²	June 2017	27,131	
Elmira, ON ³	June 2017	34,784	
Victoria (Langford), BC ²	June 2017	67,687	
CIBC Portfolio ²	August 2017	89,453	
Quesnel, BC ¹	December 2017	2,500	
Martensville, SK ¹	December 2017	8,000	
New Liskeard, ON ¹	December 2017	17,584	
Oliver, BC ²	December 2017	73,052	
Hamilton, ON ²	December 2017	126,252	
Sudbury, ON ²	December 2017	147,885	
Yorkton, SK ²	December 2017	264,045	
Miscellaneous free standing retail buildings	December 2017	9,240	
Total		1,187,111	\$ 236,831

¹ Intensification of an existing income-producing property.

² Acquisition of income-producing property(ies).

³ Development project.

⁴ Acquisition of an income-producing property subject to a ground lease.

In Q1 2017, CT REIT completed the acquisition from CTC of one single tenant property with a Canadian Tire store located in Dartmouth, Nova Scotia and three multi-tenant properties which are anchored by existing Canadian Tire stores located in Cambridge, Ontario, Sainte-Agathe-des-Monts, Quebec and Victoria (View Royal), British Columbia. During Q1 2017, CT REIT also completed a third party tenant intensification at an existing income-producing property in Martensville, Saskatchewan.

In Q2 2017, CT REIT completed intensifications of existing Canadian Tire stores in Bradford and Marathon, Ontario, Athabasca, Alberta and Edmundston, New Brunswick and completed the development of a single tenant Canadian Tire store in Elmira, Ontario. During Q2 2017, the REIT also acquired, from a third party, a property in Picton, Ontario that is subject to a ground lease with Canadian Tire. It is expected that the Canadian Tire store in Picton, Ontario will be expanded and once completed will also be acquired by CT REIT. In Q2 2017, CT REIT also completed the acquisition from CTC of two single tenant Canadian Tire stores in Maniwaki, Quebec and Victoria (Langford), British Columbia.

In Q3 2017 CT REIT completed the acquisition, from a third party, of an income-producing real estate portfolio consisting of 12 free standing Canadian Imperial Bank of Commerce bank branches ("CIBC") located across Canada.

In Q4 2017, CT REIT completed the intensifications of existing Canadian Tire stores in Quesnel, British Columbia and New Liskeard, Ontario and the development of a free standing building for a CTC Banner store at an existing income-producing property in Martensville, Saskatchewan. During Q4 2017, the REIT also acquired, from a third party, four multi-tenant properties which are anchored by existing Canadian Tire stores located in Oliver, British Columbia, Hamilton and Sudbury, Ontario and Yorkton, Saskatchewan.

During 2017, CT REIT completed the development of four free standing buildings comprised of 9,240 square feet of GLA and one land lease. The developments occurred at CT REIT's existing retail properties in Winnipeg, Manitoba, High River and Lethbridge, Alberta and Leamington, Ontario. These new retail units are primarily occupied by third party tenants in the quick service restaurant industry.

The following section contains forward-looking information and users are cautioned that actual results may vary.

4.6 Development Activities

The following table provides details of the REIT's development activities as at December 31, 2017. The total building area represents the maximum anticipated area of the developments. The "Not committed to lease" column includes area which may be under construction but not committed to lease. The "Committed additional investment" column represents the approximate financial commitment required to complete the "Committed to lease" area and related site works. The "Potential future investment" column is an estimate and represents the remaining costs to complete the entire development assuming the "Not committed to lease" area is leased and fully constructed.

Property	Anticipated date of completion	Building area (in square feet)			Total investment (in thousands of Canadian dollars)			
		Committed to lease	Not committed to lease	Total	Incurred to-date ⁵	Committed additional investment ⁶	Potential future investment ⁶	Total
La Sarre, QC ^{1,6}	Q1 2018	—	—	—				
Listowel, ON ¹	Q1 2018	20,000	—	20,000				
Amos, QC ²	Q1 2018	49,000	24,000	73,000				
Antigonish, NS ³	Q2 2018	150,500	28,500	179,000				
Sudbury, ON ³	Q3 2018	82,800	—	82,800				
High River, AB ¹	Q3 2018	—	5,900	5,900				
Martensville, SK ¹	Q3 2018	—	4,800	4,800				
Bradford, ON ^{1,6}	Q3 2018	—	—	—				
Hamilton Rymal, ON ^{1,6}	Q4 2018	—	—	—				
Arnprior, ON ¹	Q4 2018	—	18,000	18,000				
Toronto (Leslie Lakeshore), ON ¹	Q4 2018	20,000	—	20,000				
Sherwood Park North, AB ²	Q4 2018	93,000	20,000	113,000				
Calgary, AB ³	Q1 2019	47,000	—	47,000				
Orillia, ON ⁴	Q4 2020	193,000	125,000	318,000				
Calgary, AB ⁷	TBD	TBD	TBD	TBD				
Toronto (Canada Square), ON ⁴	TBD	TBD	TBD	TBD				
TOTAL		655,300	226,200	881,500	\$ 99,082	\$ 39,227	\$ 12,890	\$ 151,199

¹ Intensification of an existing income-producing property.

² Development property.

³ Redevelopment property.

⁴ Redevelopment property. Potential building area and investment costs to be determined ("TBD").

⁵ Includes amounts related to projects in early stages of development.

⁶ Land lease.

⁷ Development land. Potential building area and investment costs to be determined ("TBD").

As at December 31, 2017, CT REIT had committed lease agreements for 655,300 square feet, of which 50% has been leased to CTC. A total of \$99,082 has been expended to date on the developments described above, and CT REIT anticipates investing an additional \$39,227 to complete the committed developments. Included in the commitment is \$31,372 due to CTC. These commitments exclude the redevelopment at the Canada Square and Orillia, Ontario and Calgary, Alberta properties.

In Q1 2017, CT REIT acquired development lands in New Liskeard, Ontario for the expansion of an existing Canadian Tire store. During Q1 2017, CT REIT also incurred its proportionate share of the costs to improve property development rights for the Canada Square property. The potential building area and investment costs for the Canada Square property are still to be determined.

In Q2 2017, CT REIT acquired a redundant Canadian Tire store from CTC located in Calgary, Alberta for redevelopment, which is expected to be completed by Q1 2019.

In Q3 2017, CT REIT acquired development lands in Sherwood Park North, Alberta from CTC on which a 93,000 square foot Canadian Tire store is expected to be constructed by Q4 2018. During Q3 2017, CT REIT also acquired two redundant properties from CTC located in Sudbury and Arnprior, Ontario for redevelopment. The Sudbury redevelopment property is expected to be completed by Q3 2018.

In Q4 2017, CT REIT acquired an enclosed shopping centre, from a third party, located in Orillia, Ontario with an existing GLA of approximately 318,000 square feet and an occupancy rate of 61% including third party tenants and a CTC store of approximately 131,000 square feet and 62,000 square feet, respectively. CT REIT is assessing potential future development opportunities for this property. CT REIT also acquired, from a third party, development lands in Calgary, Alberta adjacent to industrial properties owned by CT REIT.

4.7 Investment and Development Funding

Funding of investment and development activities for the three months and year ended December 31, 2017 was as follows:

Q4 2017 Investment and Development Activity					
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ —	\$ —	\$ 2,425	\$ 10,296	\$ 12,721
Funded with working capital to third parties ¹	7,547	4,719	3,481	4,752	20,499
Funded with Bridge Facility	102,382	—	23,618	—	126,000
Capitalized interest and property taxes	—	—	837	—	837
Issuance of Class B LP Units to CTC	—	—	—	—	—
Mortgages payable	—	—	—	—	—
Total costs	\$ 109,929	\$ 4,719	\$ 30,361	\$ 15,048	\$ 160,057

¹ Includes \$870 for the construction of Other CTC Banner stores.

2017 Investment and Development Activity					
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 28,800	\$ 6,640	\$ 14,623	\$ 16,453	\$ 66,516
Funded with working capital to third parties ¹	40,907	4,980	7,566	8,253	61,706
Funded with Bridge Facility	102,382	—	23,618	—	126,000
Capitalized interest and property taxes	—	—	1,957	—	1,957
Issuance of Class B LP Units to CTC	37,588	1,760	13,075	187	52,610
Mortgages payable	—	—	6,000	—	6,000
Total costs	\$ 209,677	\$ 13,380	\$ 66,839	\$ 24,893	\$ 314,789

¹Includes \$1,839 for the construction of Other CTC Banner stores.

Funding of investment and development activities for the year ended December 31, 2016 was as follows:

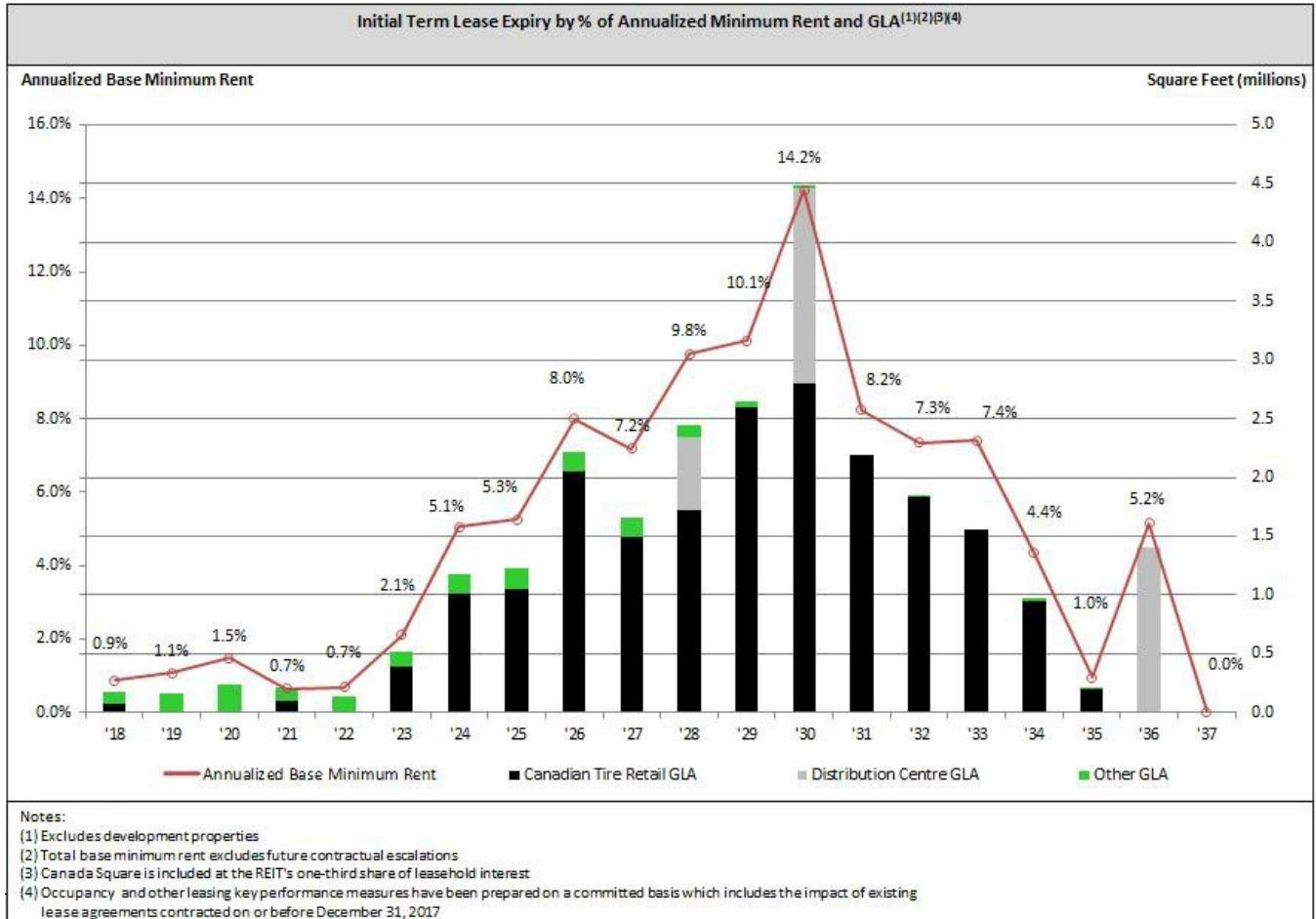
2016 Investment and Development Activity					
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 5,790	\$ 1,184	\$ 328,039	\$ 6,442	\$ 341,455
Funded with working capital to third parties ¹	135,265	2,660	18,904	4,410	161,239
Capitalized interest and property taxes	—	—	6,895	—	6,895
Issuance of Class B LP Units to CTC	53,070	—	—	—	53,070
Issuance of Class C LP Units to CTC	20,100	4,900	10,000	—	35,000
Total costs	\$ 214,225	\$ 8,744	\$ 363,838	\$ 10,852	\$ 597,659

¹Includes \$2,000 for the construction of Other CTC Banner stores.

4.8 Lease Maturities

CTC is CT REIT's largest tenant. As at December 31, 2017, CTC, including Canadian Tire stores and Other CTC Banners, had leased 24.3 million square feet of GLA, with approximately 84.8% and 15.2% of the GLA attributable to retail and office, and DC properties, respectively. The weighted average term of the retail leases with CTC, including Canadian Tire stores and Other CTC Banners, was 11.6 years, excluding the exercise of any renewals. The weighted average term of the Canadian Tire store leases was 11.7 years, with a weighted average rental rate of \$13.41 per square foot. The weighted average lease term for CTC DC's was 15.8 years. The weighted average lease term of all tenants in the REIT's portfolio, excluding those in development properties, was 11.5 years.

The following graph presents the lease maturity profile from 2017 to 2037 (assuming tenants do not exercise renewal options or termination rights, if any) as a percentage of annualized base minimum rent and GLA as of the time of the lease expiry.



4.9 Top 10 Tenants Excluding CTC Banners

CT REIT's 10 largest tenants, excluding all CTC Banners and those located in properties under development, as represented by the percentage of total annualized base rental revenue, are:

Rank	Tenant Name	Percentage of total annualized base minimum rent ¹
1	Canadian Imperial Bank of Commerce	0.52%
2	Shoppers Drug Mart	0.37%
3	Metro	0.34%
4	Overwaitea Foods	0.28%
5	Best Buy	0.26%
6	Precise Parklink	0.20%
7	Marshalls	0.20%
8	Royal Bank of Canada	0.18%
9	Winners	0.17%
10	Dollarama	0.14%
		2.7%

¹ Occupancy and other leasing key performance measures have been prepared on a committed basis which includes the impact of existing lease agreements contracted on or before December 31, 2017.

4.10 Leasing Activities

The future financial performance of CT REIT will be impacted by occupancy rates, trends in rental rates achieved on leasing or renewing currently leased space, and contractual increases in rent. At December 31, 2017, the REIT's occupancy rate was 98.6% (Q4 2016 - 99.7%), excluding properties under development, refer to section 4.1 - Property Profile for further details. The REIT continues to actively pursue tenants for occupancy of development properties.

Distribution Centres: 11 and 25 Dufferin Place SE, Calgary

In 2016, the REIT completed a sale and leaseback transaction with Sears Canada Inc. ("Sears") for its DC in Calgary, which included – a 625,000 square foot distribution centre located at 25 Dufferin Place SE ("25 Dufferin Place SE") and a 30,000 square foot ancillary building located at 5500 Dufferin Boulevard SE ("5500 Dufferin Boulevard SE") (the "Sears Lease"). On June 22, 2017 Sears obtained creditor protection under the *Companies' Creditors' Arrangement Act* (Canada). In January 2018, the court extended Sears' creditor protection until April 27, 2018 and approved the liquidation of the Sears business. The REIT has received a notice to disclaim the Sears Lease effective as of February 3, 2018.

In December 2017, CT REIT entered into a 10-year lease with CTC for 25 Dufferin Place SE commencing May 1, 2018. CTC also currently leases 11 Dufferin Place SE, a 201,000 square foot building, next to 25 Dufferin Place SE, from the REIT. As a condition of CTC entering into the new lease for 25 Dufferin Place SE, CTC required that the lease for 11 Dufferin Place SE be terminated. 11 Dufferin Place SE will be available for lease. In February 2018, CT REIT entered into an offer to lease with a third party for the premise located at 5500 Dufferin Boulevard SE.

4.11 Recoverable Capital Costs

Many of the capital costs that will be incurred by CT REIT are recoverable from tenants pursuant to the terms of their leases. The recoveries will occur either in the year in which such expenditures are incurred or, in the case of a major item of repair, maintenance or replacement, on a straight-line basis over the expected useful life thereof together with an imputed rate of interest on the unrecovered balance at any point in time. Capital expenditures of \$4,862 and \$18,962 were incurred during the three months and year ended December 31, 2017, (Q4 2016 - \$1,862 and YTD 2016 - \$15,570) respectively. Most of the REIT's recoverable capital expenditures relate to parking lots, roofs and heating, ventilation and air conditioning, activities that are typically seasonal.

5.0 Results of Operations

5.1 Financial Results for the Three Months and Year Ended December 31, 2017

CT REIT's financial results for the three months and year ended December 31, 2017 and December 31, 2016 are summarized below:

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2017	2016	Change ¹	2017	2016	Change
Property revenue	\$ 111,264	\$ 104,230	6.7 %	\$ 443,303	\$ 407,165	8.9%
Property expense	(23,724)	(24,537)	(3.3)%	(98,290)	(96,388)	2.0%
General and administrative expense	(2,722)	(2,496)	9.1 %	(11,045)	(10,332)	6.9%
Net interest and other financing charges	(24,425)	(20,620)	18.5 %	(96,378)	(85,915)	12.2%
Fair value adjustment on investment properties	36,701	8,878	NM	79,687	44,549	78.9%
Net income and comprehensive income	\$ 97,094	\$ 65,455	48.3 %	\$ 317,277	\$ 259,079	22.5%
Net income per unit - basic	\$ 0.454	\$ 0.317	43.2 %	\$ 1.501	\$ 1.293	16.1%
Net income per unit - diluted	\$ 0.364	\$ 0.269	35.3 %	\$ 1.232	\$ 1.079	14.2%

¹NM - Not meaningful.

Property Revenue

Property revenue includes all amounts earned from tenants pursuant to lease agreements including property taxes, operating costs and other recoveries. Many of CT REIT's expenses are recoverable from tenants pursuant to their leases, with CT REIT absorbing these expenses to the extent that vacancies exist.

Total revenue for the three months ended December 31, 2017 increased \$7,034 (6.7%) compared to the same period in the prior year primarily due to base rent related to properties acquired and intensification activities completed during 2017 and 2016. Total revenue included expense recoveries in the amount of \$21,769 (Q4 2016 - \$22,678).

Total revenue for the year ended December 31, 2017 was \$443,303 which was \$36,138 (8.9%) higher compared to the same period in the prior year primarily due to base rent related to properties acquired and intensification activities completed during 2017 and 2016. Total revenue included expense recoveries in the amount of \$90,376 (2016 - \$89,438).

The total amount of base rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. For the three months ended December 31, 2017, straight-line rent of \$5,648 (Q4 2016 - \$6,036) was included in total property revenue. For the year ended December 31, 2017, straight-line rent of \$22,822 (2016 - \$23,774) was included in total property revenue.

Property Expense

The components of property expense consist primarily of property taxes, other recoverable operating expenses, property management (including the outsourcing of property management services pursuant to the Property Management Agreement) and ground rent. The majority of expenses are recoverable from tenants, with CT REIT absorbing these expenses to the extent that vacancies exist. Refer to section 8.0 for additional information on the Property Management Agreement.

Property expenses for the three months ended December 31, 2017 decreased \$813 (3.3%) compared to the same period in the prior year primarily due to reduced property taxes partially offset by property acquisitions completed during 2017 and 2016.

Property expenses for the year ended December 31, 2017 increased \$1,902 (2.0%) compared to the same period in the prior year primarily due to property acquisitions completed during 2017 and 2016 partially offset by reduced property taxes.

General and Administrative Expense

CT REIT has two broad categories of general and administrative expenses: (i) personnel and public entity and other costs, including external audit fees, trustee compensation expense, legal and professional fees, travel, income tax expense (recovery) related to CT REIT GP Corp.'s ("GP") activities, and land transfer tax; and (ii) outsourced costs, which may fluctuate depending on when such costs are incurred. The personnel, public entity and other costs reflect the expenses related to ongoing operations of CT REIT. The outsourced costs are largely related to the services provided by CTC pursuant to the Services Agreement. Under the Services Agreement, CTC provides the REIT with certain administrative, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "Services"). CTC provides these Services to the REIT on a cost recovery basis pursuant to which CT REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services, plus applicable taxes. The Services Agreement is automatically renewable for one year terms, unless otherwise terminated in accordance with its terms. The Services Agreement was automatically renewed for 2018 and CTC will continue to provide such Services on a cost recovery basis. Refer to section 8.0 for additional information on the Services Agreement.

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2017	2016	Change	2017	2016	Change
Personnel expense	\$ 1,435	\$ 1,165	23.2 %	\$ 5,291	\$ 4,539	16.6 %
Services Agreement with CTC	763	779	(2.1)%	3,014	3,116	(3.3)%
Public entity and other	524	552	(5.1)%	2,740	2,677	2.4 %
General and administrative expense	\$ 2,722	\$ 2,496	9.1 %	\$ 11,045	\$ 10,332	6.9 %
As a percent of property revenue	2.4%	2.4%		2.5%	2.5%	

General and administrative expenses amounted to \$2,722 or 2.4% of property revenue for the three months ended December 31, 2017 which is \$226 (9.1%) higher compared to the same period in the prior year primarily due to:

- increased personnel expense due to the variable components of compensation awards.

General and administrative expenses amounted to \$11,045 or 2.5% of property revenue for the year ended December 31, 2017 which is \$713 (6.9%) higher compared to the same period in the prior year primarily due to:

- increased personnel expense due to the variable component of compensation awards and increased headcount;
- increased income tax expense recorded in connection with GP's activities which resulted in a drawdown of the REIT's deferred tax assets; partially offset by
- decreased compensation costs due to the fair value adjustment on unit based awards; and
- decreased land transfer tax expense; and
- decreased trustee fees as a result of the fair value adjustments on unit awards.

Net Interest and Other Financing Charges

As at December 31, 2017 the Partnership had 1,451,550 Class C LP Units outstanding with a face value of \$1,451,550 and bearing a weighted average distribution rate of 4.7% per annum. The Class C LP Units are subject to redemption rights. Accordingly, the Class C LP Units are classified as financial liabilities and distributions on the Class C LP Units are presented in the net interest and other financing charges in the consolidated statements of income and comprehensive income.

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2017	2016	Change ³	2017	2016	Change
Interest on Class C LP Units ¹	\$ 17,055	\$ 17,419	(2.1)%	\$ 68,826	\$ 72,405	(4.9)%
Interest and financing costs - debentures	7,010	5,453	28.6 %	25,207	17,641	42.9 %
Interest and financing costs - Bank Credit Facility	317	459	(30.9)%	1,972	1,242	58.8 %
Interest on mortgages payable	511	391	30.7 %	1,777	1,591	11.7 %
Interest costs - Bridge Facility ²	126	—	— %	126	—	— %
	\$ 25,019	\$ 23,722	5.5 %	\$ 97,908	\$ 92,879	5.4 %
Less: capitalized interest	(562)	(3,088)	(81.8)%	(1,365)	(6,752)	(79.8)%
Interest and other financing charges less capitalized interest	\$ 24,457	\$ 20,634	18.5 %	\$ 96,543	\$ 86,127	12.1 %
Less: interest income	(32)	(14)	NM	(165)	(212)	(22.2)%
Net interest and other financing charges	\$ 24,425	\$ 20,620	18.5 %	\$ 96,378	\$ 85,915	12.2 %

¹ CTC elected to defer receipt of distributions on the Series 3-12 and Series 16 and Series 19 Class C LP Units for the three months and year ended December 31, 2017 in the amount of \$16,917 (Q4 2016 - \$17,181) and \$62,380 (YTD 2016 - \$65,807), respectively, until the first business day following the end of the fiscal year and receive a loan in lieu thereof. The deferred distributions have been netted against interest payable on Class C LP Units and are included under the heading "other liabilities" on the consolidated balance sheets.

² Paid or payable to CTC.

³ NM - not meaningful.

Net interest and other financing charges for the three months ended December 31, 2017 was \$3,805 (18.5%) higher compared to the same period in the prior year largely due to decreased interest capitalization as a result of the completion of the Bolton Distribution Centre located in the town of Caledon, Ontario ("Bolton DC") in 2016, increased interest on the debentures issued in June 2017 which replaced draws on the Bank Credit Facility, partially offset by the redemption of Series 10-15 Class C LP Units in May 2017 which were partially replaced with new equity.

Net interest and other financing charges for the year ended December 31, 2017 was \$10,463 (12.2%) higher compared to the same period in the prior year largely due to increased interest on the debentures issued in June 2017 and May 2016, decreased interest capitalization as a result of the completion of the Bolton DC in 2016 and increased utilization on the Bank Credit Facility, partially offset by the redemption of Series 10-15 Class C LP Units in May 2017 and the redemption of Series 2 Class C LP Units in June 2016.

Fair Value Adjustment on Investment Properties

The fair value gain on investment properties for the three months ended December 31, 2017 increased by \$27,823 compared to the same period in the prior year. There was an increase in value of the Bolton DC as a result of a decrease in the capitalization rate used in the valuation. This increase was partially offset by a decrease in value of the REIT's two distribution centres located in Calgary, Alberta due to changes in existing lease arrangements, as discussed in Section 4.10 - Leasing Activities.

The fair value gain on investment properties for the year ended December 31, 2017 increased by \$35,138 compared to the same period in the prior year primarily due to the fair value gain recorded for the Bolton DC and an industrial property in Montreal, Quebec.

Income Tax Expense

Management operates CT REIT in a manner that enables the REIT to continue to qualify as a real estate investment trust pursuant to the Income Tax Act (Canada) ("ITA"). CT REIT distributes 100% of its taxable income to Unitholders and therefore does not incur income tax expense in relation to its activities.

If CT REIT fails to distribute the required amount of taxable income to Unitholders, or if CT REIT fails to qualify as a REIT under the ITA, substantial adverse tax consequences may occur. Refer to section 11.0 for further information.

Net Income

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2017	2016	Change	2017	2016	Change
Net income and comprehensive income	\$ 97,094	\$ 65,455	48.3%	\$ 317,277	\$ 259,079	22.5%
Net income per unit - basic	\$ 0.454	\$ 0.317	43.2%	\$ 1.501	\$ 1.293	16.1%
Net income per unit - diluted	\$ 0.364	\$ 0.269	35.3%	\$ 1.232	\$ 1.079	14.2%

Net income increased by \$31,639 (48.3%) for the three months ended December 31, 2017 compared to the same period in the prior year for the reasons discussed above.

Net income increased by \$58,198 (22.5%) for the year ended December 31, 2017 compared to the same period in the prior year for the reasons discussed above.

Net income per unit - basic increased by \$0.137 (43.2%) for the three months ended December 31, 2017 compared to the same period in the prior year primarily due to increased net income, as discussed above, partially offset by an increase in the weighted average number of units outstanding - basic. For the year ended December 31, 2017 the net income per unit - basic increased by \$0.208 (16.1%) compared to the same period in the prior year primarily due to increased net income, as discussed above, partially offset by an increase in the weighted average number of units outstanding - basic.

Net income per unit - diluted increased by \$0.095 (35.3%) for the three months ended December 31, 2017 compared to the same period in the prior year primarily due to increased net income, as discussed above, partially offset by an increase in the weighted average number of units outstanding - basic. For the year ended December 31, 2017 net income per unit - diluted increased by \$0.153 (14.2%) compared to the same period in the prior year. The increase is primarily due to increased net income, as discussed above, partially offset by an increase in the weighted average number of units outstanding - basic.

5.2 Non-GAAP Measures

In addition to the GAAP measures already described, CT REIT management uses non-GAAP measures in assessing the financial performance of CT REIT. Refer to section 1.0 and 10.0 in this MD&A for further information.

(in thousands of Canadian dollars, except per unit amounts)	Three Months Ended			Year Ended		
For the periods ended December 31,	2017	2016	Change	2017	2016	Change
Net operating income	\$ 81,908	\$ 73,675	11.2 %	\$ 322,253	\$ 287,089	12.2 %
Same store NOI	\$ 74,145	\$ 72,660	2.0 %	\$ 281,916	\$ 276,607	1.9 %
Same property NOI	\$ 74,318	\$ 72,710	2.2 %	\$ 282,520	\$ 276,702	2.1 %
Funds from operations	\$ 60,441	\$ 56,765	6.5 %	\$ 237,617	\$ 214,877	10.6 %
FFO per unit - basic	\$ 0.283	\$ 0.274	3.3 %	\$ 1.124	\$ 1.072	4.9 %
FFO per unit - diluted (non-GAAP)	\$ 0.283	\$ 0.274	3.3 %	\$ 1.124	\$ 1.071	4.9 %
Adjusted funds from operations	\$ 49,636	\$ 46,006	7.9 %	\$ 194,371	\$ 172,794	12.5 %
AFFO per unit - basic	\$ 0.232	\$ 0.222	4.5 %	\$ 0.920	\$ 0.862	6.7 %
AFFO per unit - diluted (non-GAAP)	\$ 0.232	\$ 0.222	4.5 %	\$ 0.919	\$ 0.862	6.6 %
AFFO payout ratio	75%	77%	(2.6)%	76%	79%	(3.8)%
ACFO ¹	\$ 53,119	\$ 47,179	12.6 %	\$ 195,723	\$ 176,355	11.0 %
EBITFV	\$ 84,674	\$ 77,168	9.7 %	\$ 334,193	\$ 300,275	11.3 %

¹New non-GAAP measure adopted for 2017. Refer to section 10.0 for further information.

Net Operating Income

NOI for the three months ended December 31, 2017 increased \$8,233 (11.2%) compared to the same period in the prior year primarily due to the acquisition of income-producing properties and properties under development completed in 2017 and 2016, which contributed \$6,625 to NOI growth. NOI for properties under development for the three months ended December 31, 2017 was \$485.

Same store NOI and same property NOI for the three months ended December 31, 2017 increased \$1,485 (2.0%) and \$1,608 (2.2%), respectively, when compared to the prior year primarily due to the following reasons:

- contractual rent escalations of approximately 1.5% per year, on average, contained within the Canadian Tire store and CTC's DC leases, which are generally effective January 1st, contributed \$1,163 to NOI growth;
- recovery of capital expenditures and interest earned on the unrecovered balance contributed \$397 to NOI growth; and
- intensifications completed in 2017 and 2016 contributed \$123 to NOI growth.

NOI for the year ended December 31, 2017 increased \$35,164 (12.2%) compared to the same period in the prior year primarily due to the acquisition of income-producing properties and properties under development completed in 2017 and 2016, which contributed \$29,346 to NOI growth. NOI for properties under development during the year ended December 31, 2017 was \$3,374.

Same store NOI and same property NOI for the year ended December 31, 2017 increased \$5,309 (1.9%) and \$5,818 (2.1%), respectively, when compared to the prior year for the following reasons:

- contractual rent escalations of approximately 1.5% per year, on average, contained within the Canadian Tire store and CTC's DC leases, which are generally effective January 1st, contributed \$4,046 to NOI growth;
- recovery of capital expenditures and interest earned on the unrecovered balance contributed \$1,759 to NOI growth; and
- intensifications completed in 2017 and 2016 contributed \$509 to NOI growth, partially offset by
- an increase in property management service expenses, pursuant to the Property Management Services Agreement, which decreased NOI by \$258.

Funds From Operations

FFO for the three months ended December 31, 2017 amounted to \$60,441 or \$0.283 per unit (diluted non-GAAP) which was \$3,676 (6.5%) and \$0.009 (3.3%), respectively, higher than the same period in 2016 primarily due to the impact of NOI variances, partially offset by higher interest expense, discussed earlier.

FFO for the year ended December 31, 2017 amounted to \$237,617 or \$1.124 per unit (diluted non-GAAP) which was \$22,740 (10.6%) and \$0.053 (4.9%), respectively, higher than the same period in 2016 primarily due to the impact of NOI variances, partially offset by higher interest expense, discussed earlier.

Adjusted Funds From Operations

AFFO for the three months ended December 31, 2017 amounted to \$49,636 or \$0.232 per unit (diluted non-GAAP) which was \$3,630 (7.9%) and \$0.010 (4.5%), respectively, higher than the same period in 2016 primarily due to the impact of NOI variances, partially offset by higher interest expense, discussed earlier.

AFFO for the year ended December 31, 2017 amounted to \$194,371 or \$0.919 per unit (diluted non-GAAP) which was \$21,577 (12.5%) and \$0.057 (6.6%), respectively, higher than the same period in 2016 primarily due to the impact of NOI variances, as discussed earlier, partially offset by higher interest expense and an increase in the normalized capital expenditure reserve.

Adjusted Funds From Operations Payout Ratio

The AFFO payout ratio for the three months ended December 31, 2017 decreased by 2.6% compared to the same period in 2016 primarily due to an increase in AFFO per unit diluted (non-GAAP) resulting from NOI variances, discussed earlier, partially offset by higher interest expense and an increase in the monthly distribution rate which commenced January 1, 2017.

The AFFO payout ratio for the year ended December 31, 2017 decreased by 3.8% compared to the same period in 2016 primarily due to an increase in AFFO per unit diluted (non-GAAP) resulting from NOI variances, discussed earlier, partially offset by higher interest expense, an increase in the normalized capital expenditure reserve and an increase in the monthly distribution rate which commenced January 1, 2017.

Adjusted Cashflow From Operations

ACFO for the three months ended December 31, 2017 increased by \$5,940 or 12.6% over the same period in 2016 primarily due to the impact of NOI variances, discussed earlier, partially offset by higher interest expense.

ACFO for the year ended December 31, 2017 increased by \$19,368 or 11.0% over the same period in 2016 primarily due to the impact of NOI variances, discussed earlier, partially offset by higher interest expense and an increase in the normalized capital expenditure reserve.

Earnings Before Interest and Other Financing Costs, Taxes and Fair Value Adjustments

EBITFV for the three months ended December 31, 2017 increased by \$7,506 or 9.7% over the same period in 2016 primarily due to the impact of NOI variances, discussed earlier.

EBITFV for the year ended December 31, 2017 increased by \$33,918 or 11.3% over the same period in 2016 primarily due to the impact of NOI variances, discussed earlier.

6.0 Liquidity and Financial Condition

The following section contains forward-looking information and users are cautioned that actual results may vary.

6.1 Liquidity

CT REIT intends to fund capital expenditures for acquisitions and development activities through a combination of (i) cash on hand, (ii) issuances of Class B LP Units and/or Class C LP Units, (iii) draws on the Bank Credit Facility and the Bridge Facility, (iv) assumption of existing debt, and/or (v) new public debt or equity financings.

(in thousands of Canadian dollars)			
As at	December 31, 2017		December 31, 2016
Cash and cash equivalents	\$	10,902	\$ 6,369
Unused portion of credit facilities ^{1,2}		267,994	188,949
Liquidity	\$	278,896	\$ 195,318

¹See section 6.10 for details on credit facilities.

²The Bridge Facility is for the sole purpose of acquiring, from a third party, a portfolio of certain investment properties.

Cash flow generated from operating the property portfolio represents the primary source of liquidity to service debt and to fund planned maintenance expenditures, leasing costs, general and administrative expenses and distributions (other sources being interest income as well as cash on hand).

(in thousands of Canadian dollars)			
For the periods ended December 31,	Year Ended		
	2017	2016	Change ¹
Cash generated from operating activities	\$ 317,154	\$ 275,584	15.1 %
Cash used for investing activities	(279,163)	(522,061)	(46.5)%
Cash (used for)/generated from financing activities	(33,458)	228,166	NM
Cash generated from/(used for) the period	\$ 4,533	\$ (18,311)	NM

¹NM - not meaningful.

6.2 Discussion of Cash Flows

Cash generated for the year ended December 31, 2017 is primarily the result of cash generated from operating activities, the issuance of Debentures and borrowings drawn on the credit facilities, partially offset by cash used in investing activities and distributions.

6.3 Credit Ratings

The senior unsecured debt of CT REIT is rated by S&P Global Ratings acting through Standard and Poor's Rating Services (Canada), a business unit of S&P Global Canada Corp. ("S&P") and by DBRS Limited ("DBRS"), two independent credit rating agencies which provide credit ratings of debt securities for commercial entities. A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally "AAA") to default in payment (generally "D").

These ratings are related to and currently equivalent to those of CTC, as CTC holds a significant ownership position in CT REIT and has a strategic relationship with CT REIT. CTC is expected to continue to be CT REIT's most significant tenant for the foreseeable future.

The following table sets out the current credit ratings of CT REIT's senior unsecured debt:

	DBRS		S&P	
	Credit Rating	Trend	Credit Rating	Trend
Credit Ratings (Canadian Standards)	BBB (high)	Stable	BBB+	Stable

6.4 Debt and Capital Structure

CT REIT's debt and capital structure is as follows:

(in thousands of Canadian dollars)	December 31, 2017		December 31, 2016	
As at				
Class C LP Units	\$	1,451,550	\$	1,521,968
Mortgages payable		44,010		55,995
Debentures		869,471		695,336
Credit facilities		179,941		109,824
Total indebtedness	\$	2,544,972	\$	2,383,123
Unitholders' equity		1,168,777		1,094,207
Non-controlling interests		1,692,664		1,496,377
Total capital under management	\$	5,406,413	\$	4,973,707

CT REIT's total indebtedness at December 31, 2017 was higher than at December 31, 2016 primarily due to the issuance of Series E debentures in June 2017, an increase in borrowings drawn on the credit facilities partially offset by the the redemption of Series 10-15 Class C LP Units and the repayment of CT REIT's maturing mortgages.

CT REIT's Unitholders' equity and non-controlling interests at December 31, 2017 increased as compared to December 31, 2016 primarily as a result of net income exceeding distributions and due to the issuance of Class B LP Units during the period.

Future payments in respect of CT REIT's indebtedness are as follows:

(in thousands of Canadian dollars)	Mortgages payable		Class C LP Units	Debentures	Credit facilities	Total
	Principal amortization	Maturities				
For the period ending December 31:						
2018	\$ 422	\$ —	\$ —	\$ —	\$ 179,941	\$ 180,363
2019	36	43,590	—	—	—	43,626
2020	—	—	251,550	—	—	251,550
2021	—	—	—	150,000	—	150,000
2022	—	—	—	150,000	—	150,000
2023 and thereafter	—	—	1,200,000	575,000	—	1,775,000
Total contractual obligation	\$ 458	\$ 43,590	\$ 1,451,550	\$ 875,000	\$ 179,941	\$ 2,550,539
Unamortized portion of mark to market on mortgages payable assumed in connection with the acquisition of properties	—	31	—	—	—	31
Unamortized transaction costs	—	(69)	—	(5,529)	—	(5,598)
	\$ 458	\$ 43,552	\$ 1,451,550	\$ 869,471	\$ 179,941	\$ 2,544,972

Interest rates on CT REIT's indebtedness range from 2.16% to 5.00%. The maturity dates on the indebtedness range from January 2019 to May 2038. Total indebtedness at December 31, 2017 had a weighted average interest rate of 4.08% and a weighted average term to maturity of 10.0 years, excluding the credit facilities, which is consistent with the rate and term as at December 31, 2016. At December 31, 2017, floating rate and fixed rate indebtedness were \$217,074 and \$2,327,898, respectively.

As at	December 31, 2017	December 31, 2016
Variable rate debt	\$ 217,074	\$ 140,957
Total indebtedness	2,544,972	2,383,123
Variable rate debt / total indebtedness	8.53%	5.91%

CT REIT's variable rate debt to total indebtedness ratio at December 31, 2017 increased as compared to December 31, 2016 primarily due to the an increase in the borrowings drawn on the credit facilities, partially offset by the issuance of Series E debentures in 2017.

The following table presents the contractual obligations of CT REIT:

	Payments Due by Period						
	Total	2018	2019	2020	2021	2022	2023 and thereafter
Class C LP Units ¹	\$ 1,451,550	\$ —	\$ —	\$ 251,550	\$ —	\$ —	\$ 1,200,000
Debentures	875,000	—	—	—	150,000	150,000	575,000
Payments on Class C LP Units ¹	852,862	68,219	68,219	62,258	58,000	58,000	538,166
Interest on debentures	197,076	27,219	27,219	27,219	25,600	21,842	67,977
Credit facilities ²	179,941	126,000	—	—	—	53,941	—
Obligation for the acquisition of two investment properties	66,500	66,500	—	—	—	—	—
Operating ground lease commitments	47,193	3,704	3,474	3,421	3,123	2,846	30,625
Mortgages payable	44,048	422	43,626	—	—	—	—
Obligations for the completion of developments	39,227	39,227	—	—	—	—	—
Other liabilities	28,558	25,148	3,410	—	—	—	—
Distributions payable ³	12,967	12,967	—	—	—	—	—
Payable on Class C LP Units, net of loans receivable	5,685	5,685	—	—	—	—	—
Interest on Bank Credit Facility	5,329	1,122	1,122	1,122	1,122	841	—
Interest on mortgages payable	5,303	2,762	2,541	—	—	—	—
Interest on Bridge Facility	3,276	3,276	—	—	—	—	—
Total	\$3,814,515	\$ 382,251	\$ 149,611	\$ 345,570	\$ 237,845	\$ 287,470	\$ 2,411,768

¹Assume redemption on Initial Fixed Rate Period for each series.

²The Bank Credit Facility matures in September 2022. However, the borrowings drawn against the Bank Credit Facility as at December 31, 2017 of \$53,941 is classified as a current liability as management expects to repay this amount within the next twelve months.

³On Units and Class B LP Units.

The table below presents CT REIT's interest in investment properties at fair value that are available to it to finance and/or refinance its debt as at December 31, 2017:

(in thousands of Canadian dollars, except percentage amounts)	Number of Properties	Fair Value of Investment Properties	Percentage of Total Assets	Mortgages Payable	Loan to Value Ratio
Unencumbered investment properties	329	\$ 5,340,892	97.9%	\$ —	—
Encumbered investment properties	2	95,704	1.8%	44,010	46.0%
Total	331	\$ 5,436,596	99.7%	\$ 44,010	0.8%

The table below presents CT REIT's secured debt as a percentage of total indebtedness:

(in thousands of Canadian dollars)	December 31, 2017		December 31, 2016
As at			
Secured debt	\$	44,010	\$ 55,995
Total indebtedness		2,544,972	2,383,123
Secured debt / total indebtedness		1.73%	2.35%

CT REIT's secured debt to total indebtedness ratio at December 31, 2017 decreased as compared to December 31, 2016, primarily due to the repayment of its maturing mortgages of approximately \$16,600, partially offset by the issuance of Series E debentures in 2017.

The table below presents CT REIT's indebtedness to EBITFV ratio:

(in thousands of Canadian dollars)			
As at	December 31, 2017		December 31, 2016
Total indebtedness	\$	2,544,972	\$ 2,383,123
EBITFV ¹		334,193	300,275
Total indebtedness / EBITFV		7.62	7.94

¹ Non-GAAP measure. Refer to section 10.0 for further information.

CT REIT's indebtedness to EBITFV ratio at December 31, 2017 improved as compared to the indebtedness to EBITFV ratio at December 31, 2016 primarily due to the growth of EBITFV exceeding the growth of CT REIT's total indebtedness. The growth in EBITFV was primarily due to increased NOI, as discussed earlier.

6.5 Interest Coverage Ratio

Interest coverage ratios are used to measure an entity's ability to service its debt. Generally, the higher the ratio is, the lower the risk of default on debt. The ratio is calculated as follows:

(in thousands of Canadian dollars)				
For the periods ended December 31,	Three Months Ended		Year Ended	
	2017	2016	2017	2016
EBITFV¹ (A)	\$ 84,674	\$ 77,168	\$ 334,193	\$ 300,275
Interest and other financing charges (B)	\$ 24,457	\$ 20,634	\$ 96,543	\$ 86,127
Interest coverage ratio (A)/(B)	3.46	3.74	3.46	3.49

¹ Non-GAAP measure. Refer to section 10.0 for further information.

The fluctuations in the interest coverage ratios for the three months and year ended December 31, 2017, as compared to the same periods in 2016, are primarily due to the capitalization of interest on the Bolton DC development property in 2016 and the recognition of NOI on the Bolton DC in 2017.

6.6 Indebtedness Ratio

CT REIT has adopted an indebtedness ratio guideline which management uses as a measure to evaluate its leverage and the strength of its equity position, expressed as a percentage of financing provided by debt. CT REIT's Declaration of Trust limits its indebtedness (plus the aggregate par value of the Class C LP Units) to a maximum of 60% of the gross book value, excluding convertible debentures, and 65% including convertible debentures. Gross book value is defined as total assets as reported on the latest consolidated balance sheet.

CT REIT calculates its indebtedness ratio as follows:

(in thousands of Canadian dollars)			
As at	December 31, 2017		December 31, 2016
Total indebtedness¹ (A)	\$	2,544,972	\$ 2,383,123
Total assets (B)	\$	5,455,398	\$ 5,014,601
Indebtedness ratio (A)/(B)		46.7%	47.5%

¹ Total indebtedness reflects the value of the Class C LP Units, mortgages payable, debentures and draws on the credit facilities.

The indebtedness ratio at December 31, 2017 decreased compared to the indebtedness ratio at December 31, 2016 primarily due to CT REIT's 2017 acquisition, intensification and development activities and fair value adjustments made to its investment property portfolio in 2017, partially offset by the issuance of Series E debentures.

6.7 Class C LP Units

At December 31, 2017 there were 1,451,550 Class C LP Units outstanding, all of which were held by CTC. The Class C LP Units are designed to provide CTC with an interest in the Partnership that entitles holders to a fixed cumulative monthly payment, during the initial fixed rate period for each series of Class C LP Units (the "Initial Fixed Rate Period"), equal to a weighted average rate of 4.70% of the aggregate capital amount ascribed to the Class C LP Units. Such payments are made in priority to distributions made to holders of Class B LP Units and GP Units (subject to certain exceptions) if, as and when declared by the Board of Directors of the GP and are payable monthly at an annual distribution rate for each series as set out in the table below. In addition, the Class C LP Units are entitled to receive Special Voting Units in certain limited circumstances.

On expiry of the Initial Fixed Rate Period applicable to each series of Class C LP Units, and each five-year period thereafter, each such series of Class C LP Units is redeemable at par (together with all accrued and unpaid payments thereon) at the option of the Partnership or the holder, upon giving at least 120 days' prior notice. The Partnership further has the ability to settle any of the Class C LP Units at any time after January 1, 2019 at a price equal to the greater of par and a price to provide a yield equal to the then equivalent Government of Canada bond yield plus a spread, so long as such redemption is in connection with a sale of properties.

Such redemptions of Class C LP Units (other than upon a change of control at CT REIT) can be settled, at the option of the Partnership, in cash or Class B LP Units of equal value.

During the five-year period beginning immediately following the completion of the Initial Fixed Rate Period, and each five-year period thereafter, if not redeemed, the fixed payment rate for Class C LP Units will be reset, and the holders of Class C LP Units will be entitled, subject to certain conditions, to elect either a fixed rate or floating rate option.

The following table presents the details of the Class C LP Units:

Series of Class C LP Units	Initial subscription price (\$000)	Annual distribution rate during initial fixed rate period	Expiry of initial fixed rate period	% of Total Class C LP Units
Series 3	\$ 200,000	4.50%	May 31, 2020 (2.4 years)	13.78%
Series 4	200,000	4.50%	May 31, 2024 (6.4 years)	13.78%
Series 5	200,000	4.50%	May 31, 2028 (10.4 years)	13.78%
Series 6	200,000	5.00%	May 31, 2031 (13.4 years)	13.78%
Series 7	200,000	5.00%	May 31, 2034 (16.4 years)	13.78%
Series 8	200,000	5.00%	May 31, 2035 (17.4 years)	13.78%
Series 9	200,000	5.00%	May 31, 2038 (20.4 years)	13.78%
Series 16	16,550	2.42%	May 31, 2020 (2.4 years)	1.14%
Series 17	18,500	2.39%	May 31, 2020 (2.4 years)	1.27%
Series 18	4,900	2.28%	May 31, 2020 (2.4 years)	0.34%
Series 19	11,600	2.28%	May 31, 2020 (2.4 years)	0.80%
Total / weighted average	\$ 1,451,550	4.70%	12.1 years	100.0%
Current	\$ —			
Non-current	1,451,550			
Total	\$ 1,451,550			

On May 31, 2017, Series 10-15 Class C LP Units were redeemed through the issuance to CTC of \$47,279 of Class B LP Units and the payment of \$23,139 in cash.

6.8 Debentures

Series	December 31, 2017		December 31, 2016	
	Face value	Carrying amount	Face value	Carrying amount
A, 2.85%, June 9, 2022	\$ 150,000	\$ 149,277	\$ 150,000	\$ 149,123
B, 3.53%, June 9, 2025	200,000	198,739	200,000	198,588
C, 2.16%, June 1, 2021	150,000	149,270	150,000	149,058
D, 3.29%, June 1, 2026	200,000	198,717	200,000	198,567
E, 3.47%, June 16, 2027	175,000	173,468	—	—
	\$ 875,000	\$ 869,471	\$ 700,000	\$ 695,336

Debentures at December 31, 2017 had a weighted average interest rate of 3.11% (December 31, 2016 - 3.02%).

On June 16, 2017, CT REIT issued \$175,000 aggregate principal amount of senior unsecured debentures, with an interest rate of 3.47%, under CT REIT's short form base shelf prospectus dated April 5, 2017. The proceeds, net of issuance costs of \$1,150, were used to pay down certain amounts outstanding under the Bank Credit Facility and the balance of the proceeds was retained for general business purposes.

For the three months and year ended December 31, 2017, amortization of the transaction costs of \$205 (Q4 2016 - \$166) and \$756 (YTD 2016 - \$548) is included in net interest and other financing charges on the consolidated statement of income and comprehensive income (refer to Note 14 to the interim consolidated financial statements).

The debentures have been rated "BBB+" by S&P and "BBB (high)" by DBRS, both with a stable outlook. The debentures are direct senior unsecured obligations of CT REIT, refer to section 6.3 for further details.

On February 7, 2018, CT REIT issued \$200,000 aggregate principal amount of senior unsecured debentures. The debentures have a coupon rate of 3.865%, were priced at a yield to maturity of 3.866%, and have a maturity date of December 7, 2027. The proceeds, net of issuance costs of \$1,330, were used to pay down certain amounts outstanding under the credit facilities and the balance of the proceeds were retained for general business purposes.

6.9 Mortgages Payable

Mortgages payable, secured by certain of CT REIT's investment properties, include the following:

(in thousands of Canadian dollars)				
As at	December 31, 2017		December 31, 2016	
	Face value	Carrying amount	Face value	Carrying amount
Current	\$ 422	\$ 415	\$ 1,241	\$ 1,318
Non-current	43,626	43,595	54,708	54,677
Total	\$ 44,048	\$ 44,010	\$ 55,949	\$ 55,995

Mortgages payable at December 31, 2017 had a weighted average interest rate of 3.07% (December 31, 2016 – 3.16%). During December 2017, CT REIT repaid maturing mortgages of approximately \$16,600.

6.10 Credit Facilities

Bank Credit Facility

CT REIT has a \$300 million unsecured revolving credit facility with a syndicate of major Canadian third party banks ("Bank Credit Facility") available until September 2022. The Bank Credit Facility bears interest at a rate based on the bank's prime rate of interest or bankers' acceptances plus a margin. A standby fee is charged on the Bank Credit Facility.

As at December 31, 2017, \$53,941 (December 31, 2016 - \$109,824) of borrowings were drawn on the Bank Credit Facility. At December 31, 2017, the Bank Credit Facility had a weighted average interest rate of 2.33% (December 31, 2016 - 1.88%).

Bridge Facility

In Q4 2017, CT REIT entered into a loan agreement with CTC for a maximum amount of \$150 million and a term of one year ("Bridge Facility"). The use of proceeds from the Bridge Facility is for the sole purpose of acquiring, from a third party, a portfolio of certain investment properties. The unsecured Bridge Facility bears interest at a rate based on bankers' acceptance rate and is repayable on or before December 2018.

As at December 31, 2017, \$126,000 of borrowings were drawn on the Bridge Facility. At December 31, 2017, the Bridge Facility had a weighted average interest rate of 2.6%.

The table below summarizes the details of the credit facilities as at December 31, 2017:

(in thousands of Canadian dollars)					
Credit facility		Maximum loan amount	Cash advances	Letters of credit	Available to be drawn
Bank Credit Facility	\$	300,000	\$ 53,941	\$ 2,065	\$ 243,994
Bridge Facility		150,000	126,000	—	24,000
Total	\$	450,000	\$ 179,941	\$ 2,065	\$ 267,994

The following section contains forward-looking information and users are cautioned that actual results may vary.

6.11 Capital Strategy

Management expects the REIT's future debt will be in the form of:

- Class C LP Units (treated as debt for accounting purposes);
- funds drawn on the Bank Credit Facility;
- funds drawn on the Bridge Facility;
- unsecured public debt; and
- limited use of secured debt.

Management's objectives are to access the lowest cost of capital with the most flexible terms, to have a maturity/redemption schedule (for fixed term obligations) spread over a time horizon so as to manage refinancing risk and to be in a position to finance acquisition and development opportunities when they become available. The Declaration of Trust and the Trust Indenture, dated June 9, 2015, as supplemented by supplemental indentures thereto (the "Trust Indenture") pursuant to which the debentures were issued, limit the REIT's overall indebtedness ratio to 60% of total aggregate assets, excluding convertible debentures, and 65% including convertible debentures.

CT REIT's indebtedness ratio was 46.7% as at December 31, 2017. Refer to section 6.6 for the definition and calculation of CT REIT's indebtedness ratio.

At December 31, 2017, CT REIT was in compliance with the financial and non-financial covenants contained in the Declaration of Trust, the Trust Indenture, the Bank Credit Facility, the Bridge Facility and the mortgages payable agreements.

CT REIT has also adopted interest coverage guidelines which provide an indication of the REIT's ability to service or pay the interest charges relating to the underlying debt.

CT REIT will generally operate its affairs and manage its capital structure so that its interest coverage ratio is in a range of 2.4 to 3.8 times. For the three months ended December 31, 2017, CT REIT's interest coverage ratio was 3.5 times. Refer to section 6.5 for the definition and calculation of CT REIT's interest coverage ratio.

Assuming a future economic environment that is substantially similar to the current environment, management does not foresee any material impediments to refinancing future debt maturities.

The following section contains forward-looking information and users are cautioned that actual results may vary.

6.12 Commitments and Contingencies

As at December 31, 2017, CT REIT had obligations of \$39,227 (December 31, 2016 - \$30,470) in future payments for the completion of developments, which are expected to be incurred in 2018, as described in section 4.6. Included in the commitment is \$31,372 due to CTC.

CT REIT has an obligation of \$66,500 (December 31, 2016 - \$nil) to a third party for the acquisition of two investment properties which is expected to be settled in Q1 2018.

CT REIT has sufficient liquidity to fund these future commitments as a result of (i) its conservative use of leverage on the balance sheet, (ii) liquidity on hand, (iii) its Bank Credit Facility and the Bridge Facility, (iv) an investment grade credit rating, (v) unencumbered assets, and (vi) sufficient operating cash flow retained in the business.

6.13 Base Shelf Prospectus

During Q2 2017, CT REIT renewed its short form base shelf prospectus under which it may raise up to \$2.0 billion of debt and equity capital over the 25 month period ending May 3, 2019 (the "Base Shelf Prospectus"). The Base Shelf Prospectus also qualifies the sale of Units by CTC. In Q2 2017, the REIT issued \$175,000 of debentures and in Q1 2018 the REIT issued a further \$200,000 of debentures, as described in section 6.8.

7.0 Equity

7.1 Authorized Capital and Outstanding Units

CT REIT is authorized to issue an unlimited number of Units. As of December 31, 2017, CT REIT had a total of 90,645,295 Units outstanding, 59,711,094 of which were held by CTC and 123,092,866 Class B LP Units outstanding (together with a corresponding number of Special Voting Units), all of which were held by CTC.

Class B LP Units are economically equivalent to Units, are accompanied by a Special Voting Unit and are exchangeable at the option of the holder for Units (subject to certain conditions). Holders of the Class B LP Units are entitled to receive distributions when declared by the Partnership equal to the per Unit amount of distributions payable on the Units. However, Class B LP Units have limited voting rights over the Partnership.

The following tables summarize the total number of Units issued:

As at December 31, 2017			
	Units ¹	Class B LP Units	Total
Total outstanding at beginning of year	90,479,102	116,367,697	206,846,799
Issued	166,193	6,725,169	6,891,362
Total outstanding at end of the year	90,645,295	123,092,866	213,738,161

¹166,193 issued pursuant to the REIT's distribution reinvestment plan.

As at December 31, 2016			
	Units ¹	Class B LP Units	Total
Total outstanding at beginning of year	90,337,358	99,263,329	189,600,687
Issued	141,744	17,104,368	17,246,112
Total outstanding at end of year	90,479,102	116,367,697	206,846,799

¹141,744 issued pursuant to the REIT's distribution reinvestment plan.

Each Unit is transferable and represents an equal, undivided beneficial interest in the REIT and in any distributions from the REIT. Each Unit entitles the holder to one vote at all meetings of Unitholders.

Special Voting Units are only issued in tandem with Class B LP Units or in limited circumstances, to holders of the Class C LP Units and are not transferable separately from the Class B LP Units or Class C LP Units to which they relate. Each Special Voting Unit entitles the holder thereof to one vote at all meetings of Unitholders or with respect to any written resolution of Unitholders. Except for the right to attend meetings and vote on resolutions, Special Voting Units do not confer upon the holders thereof any other rights.

Net income attributable to Unitholders and weighted average units outstanding used in determining basic and diluted net income per unit are calculated as follows:

Year ended December 31, 2017			
(in thousands of Canadian dollars, except unit amounts)	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 135,822	\$ 181,455	\$ 317,277
Income effect of settling Class C LP Units with Class B LP Units			68,826
Net income attributable to Unitholders - diluted			\$ 386,103

Weighted average units outstanding - basic	90,561,829	120,748,416	211,310,245
Dilutive effect of other Unit plans			146,241
Dilutive effect of settling Class C LP Units with Class B LP Units			101,882,284
Weighted average units outstanding - diluted			313,338,770

Year ended December 31, 2016			
(in thousands of Canadian dollars, except unit amounts)	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 116,625	\$ 142,454	\$ 259,079
Income effect of settling Class C LP Units with Class B LP Units			72,405
Net income attributable to Unitholders - diluted			\$ 331,484

Weighted average units outstanding - basic	90,409,304	110,030,612	200,439,916
Dilutive effect of other Unit plans			118,636
Dilutive effect of settling Class C LP Units with Class B LP Units			106,661,254
Weighted average units outstanding - diluted			307,219,806

7.2 Equity

(in thousands of Canadian dollars)				
As at		December 31, 2017		December 31, 2016
Equity - beginning of the year	\$	2,590,584	\$	2,213,363
Net income and comprehensive income for the year		317,277		259,079
Issuance of Class B LP Units, net of issue costs		99,705		252,799
Distributions to non-controlling interests		(84,873)		(75,030)
Distributions to Unitholders		(63,606)		(61,636)
Issuance of Units under distribution reinvestment plan		2,354		2,009
Equity - end of the period	\$	2,861,441	\$	2,590,584

The following section contains forward-looking information and users are cautioned that actual results may vary.

7.3 Distributions

CT REIT's primary business goal is to accumulate a portfolio of high-quality real estate assets and deliver the benefits of such real estate ownership to Unitholders. The primary benefit to Unitholders is expected to be reliable, durable and growing distributions over time.

In determining the amount of the monthly distributions paid to Unitholders, the Board applies discretionary judgment to forward-looking cash flow information, such as forecasts and budgets, and many other factors including provisions in the Declaration of Trust, the macro-economic and industry-specific environment, debt maturities, covenants and taxable income.

The Board regularly reviews CT REIT's rate of distributions to ensure an appropriate level of distributions.

On November 6, 2017 the Board reviewed the current rate of distribution of \$0.700 per Unit per year and approved an increase in the annual rate of distribution to \$0.728 per Unit per year, or \$0.06067 per Unit monthly, commencing with the December 31, 2017 record date.

On December 15, 2017, CT REIT's Board declared a distribution of \$0.06067 per Unit paid on January 15, 2018 to holders of Units and Class B LP Units of record as of December 31, 2017.

On January 15, 2018, CT REIT's Board declared a distribution of \$0.06067 per Unit payable on February 15, 2018 to holders of Units and Class B LP Units of record as of January 31, 2018.

One of CT REIT's objectives is to grow monthly distributions. The distribution payments and increases since December 31, 2014 are as follows:

Year ended December 31,	Monthly distribution per Unit ¹	% increase	Annualized distribution per Unit	Annualized increase per Unit
2018 ²	\$ 0.06070	4.0%	\$ 0.728	\$ 0.0280
2017	\$ 0.05833	2.9%	\$ 0.700	\$ 0.0200
2016	\$ 0.05667	2.6%	\$ 0.680	\$ 0.0170
2015	\$ 0.05525	2.0%	\$ 0.663	\$ 0.0130
2014	\$ 0.05417	—	\$ 0.650	—

¹ The Board has discretion over the determination of monthly and annual distributions.

² Approved by the Board on November 6, 2017.

Net income prepared in accordance with IFRS recognizes certain revenues and expenses at time intervals that do not match the receipt or payment of cash. Therefore, in applying judgment, consideration is given to AFFO (a non-GAAP measure of recurring economic earnings used to assess distribution capacity, refer to section 10.0) and other factors when establishing distributions to Unitholders.

(in thousands of Canadian dollars, except per unit amounts)	Three Months Ended		Year Ended	
For the periods ended December 31,	2017	2016	2017	2016
Distributions before distribution reinvestment - paid	\$ 37,397	\$ 35,162	\$ 147,576	\$ 135,345
Distribution reinvestment	592	527	2,354	2,009
Distributions net of distribution reinvestment - paid	\$ 36,805	\$ 34,635	\$ 145,222	\$ 133,336
Distributions per unit - paid	\$ 0.175	\$ 0.170	\$ 0.700	\$ 0.680

Distributions for the three months and year ended December 31, 2017 are higher than the same period in the prior year due to the increase in the annual rate of distributions effective with the first distribution paid in 2017 and higher weighted average number of units outstanding in 2017.

CT REIT's distributions for the three months and year ended December 31, 2017 are less than the REIT's cash generated from operating activities, cash generated from operating activities reduced by net interest and other financing charges, and AFFO, a non-GAAP measure which is an indicator of CT REIT's distribution capacity.

(in thousands of Canadian dollars, except per unit amounts)	Three Months Ended		Year Ended	
For the periods ended December 31,	2017	2016	2017	2016
AFFO ¹	\$ 49,636	\$ 46,006	\$ 194,371	\$ 172,794
Distributions before distribution reinvestment - paid	37,397	35,162	147,576	135,345
Excess of AFFO over distributions paid (A)	\$ 12,239	\$ 10,844	\$ 46,795	\$ 37,449
Weighted average units outstanding - diluted (non-GAAP) ¹ (B)	213,879,775	206,949,852	211,456,486	200,558,552
Excess of AFFO over distributions paid per unit (A)/(B)¹	\$ 0.057	\$ 0.052	\$ 0.221	\$ 0.187

¹ Non-GAAP measure. Refer to section 10.0 for further information.

7.4 Book Value per Unit

Book value per unit represents total equity from the consolidated balance sheets divided by the sum of the period end Units and Class B LP Units outstanding. It is an indication of the residual book value available to Unitholders. As well, book value per unit is compared to the REIT's Unit trading price in order to measure a premium or discount.

(in thousands of Canadian dollars, except for per Unit amounts)	December 31, 2017		December 31, 2016	
As at				
Total equity (A)	\$	2,861,441	\$	2,590,584
Period-end Units and Class B LP Units outstanding (B)		213,738,161		206,846,799
Book value per unit (A)/(B)	\$	13.39	\$	12.52

CT REIT's book value per unit at December 31, 2017 increased from the book value per unit at December 31, 2016 primarily due to net income exceeding distributions and the issuance of new equity at a price exceeding the book value per unit.

8.0 Related Party Transactions

Related Party Transactions

CT REIT's controlling Unitholder is CTC, which, on December 31, 2017, held an 85.5% effective interest in the REIT, through the ownership of 59,711,094 Units and all of the issued and outstanding Class B LP Units.

In addition to its ownership interest, CTC is CT REIT's largest tenant representing approximately 93.2% of the annualized base minimum rent earned by CT REIT and occupying 95.3% of its GLA as at December 31, 2017.

In the normal course of its operations, CT REIT enters into various transactions with related parties that have been valued at amounts agreed to between the parties and recognized in the consolidated financial statements. Investment property transactions with CTC amounted to \$245,126 (2016 - \$377,693) for the year ended December 31, 2017. Refer to Note 4 to the consolidated financial statements for additional information.

CT REIT and CTC are parties to a number of commercial agreements which govern the relationships among such parties, including the Services Agreement and the Property Management Agreement which are described below.

Services Agreement

Under the Services Agreement, CTC provides the REIT with certain administrative, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "Services"). CTC provides these Services to the REIT on a cost recovery basis pursuant to which CT REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services, plus applicable taxes. The Services Agreement is automatically renewable for one year terms, unless otherwise terminated in accordance with its terms. The Services Agreement was automatically renewed for 2018 and CTC will continue to provide such Services on a cost recovery basis.

Property Management Agreement

Under the Property Management Agreement, CTC provides the REIT with certain customary property management services (the "Property Management Services"). CTC provides Property Management Services to the REIT on a cost recovery basis pursuant to which the REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Property Management Services, plus applicable taxes. The Property Management Agreement is automatically renewable for one year terms, unless earlier terminated in accordance with its terms. The Property Management Agreement was automatically renewed for 2018 and CTC will continue to provide such Services on a cost recovery basis.

Refer to CT REIT's 2017 AIF available on SEDAR at www.sedar.com for additional information on related party agreements and arrangements with CTC.

CT REIT's policy is to conduct all transactions and settle all balances, with related parties, on market terms and conditions. Pursuant to the Declaration of Trust all related party transactions are subject to the approval of the Independent Trustees of CT REIT.

The following table summarizes CT REIT's related party transactions as of December 31, 2017, excluding acquisition, intensification and development activities which are contained in section 4.0:

(in thousands of Canadian dollars)	Year Ended	
For the periods ended December 31,	2017	2016
Rental revenue	\$ 408,487	\$ 382,278
Property Management and Services Agreements expense	\$ 5,666	\$ 5,510
Distributions on Units	\$ 41,935	\$ 40,705
Distributions on Class B LP Units ¹	\$ 84,873	\$ 75,030
Interest expense on Class C LP Units	\$ 68,826	\$ 72,405
Interest expense on the Bridge Facility	\$ 126	\$ —

¹ Includes distributions deferred at the election of the holders of the Class B LP Units.

The net balance due to CTC is comprised of the following:

(in thousands of Canadian dollars)		
As at	December 31, 2017	December 31, 2016
Tenant and other receivables	\$ (1,758)	\$ (404)
Class C LP Units	1,451,550	1,521,968
Amounts payable on Class C LP Units	68,065	71,613
Loans receivable in lieu of payments on Class C LP Units	(62,380)	(65,807)
Other liabilities	6,556	5,199
Distributions payable on Units and Class B LP Units ¹	26,551	18,581
Loans receivable in lieu of distributions on Class B LP Units	(15,460)	(8,311)
Bridge Facility	126,000	—
Net balance due to CTC	\$ 1,599,124	\$ 1,542,839

¹ Includes distributions deferred at the election of the holders of the Class B LP Units.

9.0 Accounting Policies and Estimates

9.1 Significant Areas of Estimation

The preparation of the consolidated financial statements requires management to apply judgments, and to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates are based upon historical experience and on various other assumptions that are reasonable under the circumstances. The result of ongoing evaluation of these estimates forms the basis for applying judgment with regards to the carrying values of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from estimates. CT REIT's critical judgments and estimates in applying significant accounting policies are described in Note 2 of the consolidated financial statements, the most significant of which is the fair value of investment properties.

Fair Value of Investment Properties

To determine fair value, CT REIT uses the income approach. Fair value is estimated by capitalizing the cash flows that a property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate ("OCR") method, whereby the net operating income, a non-GAAP measure, is capitalized at the requisite OCR, or the discounted cash flow ("DCF") method, in which the cash flows are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate.

Properties under development are recorded at cost and are adjusted to fair value at each balance sheet date with the fair value adjustment recognized in earnings.

9.2 Standards, Amendments and Interpretations Issued and Adopted

The following amendments have been issued and are effective for the fiscal year ended December 31, 2017, and accordingly, have been applied in preparing these consolidated financial statements.

Disclosure initiative (IAS 7)

In January 2016, the IASB issued Disclosure Initiative Amendments to IAS 7 - *Statement of Cash Flows* as part of the IASB's Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statements users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

These amendments were effective for annual periods beginning on or after January 1, 2017. The implementation of these amendments has not had a significant impact on CT REIT other than increased disclosure in the annual financial statements.

Income Taxes (IAS 12)

In January 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealised Losses as an amendment to IAS 12 - *Income Taxes*. These amendments address the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

These amendments were effective for annual periods beginning on or after January 1, 2017. The implementation of these amendments did not have an impact on CT REIT.

9.3 Standards, Amendments and Interpretations Issued but Not Yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2017, and, accordingly, have not been applied in preparing these consolidated financial statements.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 - *Financial Instruments* ("*IFRS 9*"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("*IAS 39*").

Classification and measurement - Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in a company's own credit risk recognized in other comprehensive income instead of net income, unless this would create an accounting mismatch.

Impairment - The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting - The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

In October 2017, the IASB issued "*Prepayment Features with Negative Compensation (Amendments to IFRS 9)*" with an effective date of January 1, 2019. The component of the amendments relevant to CT REIT relates to clarifying the accounting for the modification of financial liabilities and requires CT REIT to recognize any adjustments to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange, regardless of whether the changes are substantial and result in derecognition of the financial liability. CT REIT expects to adopt these amendments together with other IFRS 9 requirements for the 2018 annual fiscal period.

The implementation of IFRS 9 will be applied for annual periods beginning on or after January 1, 2018 and is not expected to have a significant impact on CT REIT.

Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15"), which will replace IAS 11 - *Construction Contracts*, and IAS 18 - *Revenue*, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

In April 2016, the IASB published clarifications to IFRS 15 which addressed three topics (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts.

The implementation of IFRS 15 will be applied for annual periods beginning on or after January 1, 2018 and is not expected to have a significant impact on CT REIT.

Leases

In January 2016, the IASB issued IFRS 16 - *Leases* ("IFRS 16"), which will replace IAS 17 - *Leases* ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. CT REIT is the lessee for certain ground leases, disclosed in Note 17, which are in scope for IFRS 16. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. CT REIT is assessing the potential impact of this standard.

IASB Annual Improvements

In December 2017, the IASB issued amendments aimed at clarifying four standards, including IFRS 3 - *Business Combinations*, IFRS 11 - *Joint Arrangements*, IAS 12 - *Income Taxes* and IAS 23 - *Borrowing Costs*.

These amendments will be effective for annual periods beginning on or after January 1, 2019. CT REIT is currently assessing the potential impacts of these amendments.

10.0 Non-GAAP Measures

CT REIT uses non-GAAP measures including NOI, same store NOI, same property NOI, FFO, FFO per unit - basic, FFO per unit - diluted (non-GAAP), AFFO, AFFO per unit - basic, AFFO per unit - diluted (non-GAAP), AFFO payout ratio, ACFO and EBITFV. CT REIT believes these non-GAAP measures and ratios provide useful supplemental information to both management and investors in measuring the financial performance of CT REIT in meeting its principle objective of the creation of Unitholder value by generating reliable, durable and growing monthly distributions. When calculating diluted FFO and AFFO per unit, management excludes the effect of settling the Class C LP Units with Class B LP Units, which is required when calculating diluted units in accordance with IFRS.

These measures and ratios do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures and ratios presented by other publicly traded entities, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

10.1 Net Operating Income

CT REIT defines NOI as property revenue less property expense adjusted further for straight-line rent and land lease expense. Management believes that NOI is a useful key indicator of performance as it represents a measure of property operations over which management has control. NOI is also a key input in determining the value of the portfolio.

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2017	2016	Change	2017	2016	Change
Property revenue	\$ 111,264	\$ 104,230	6.7 %	\$ 443,303	\$ 407,165	8.9 %
Less:						
Property expense	(23,724)	(24,537)	(3.3)%	(98,290)	(96,388)	2.0 %
Property straight-line rent revenue	(5,648)	(6,036)	(6.4)%	(22,822)	(23,774)	(4.0)%
Add:						
Straight-line ground lease expense	16	18	(11.1)%	62	86	(27.9)%
Net operating income	\$ 81,908	\$ 73,675	11.2 %	\$ 322,253	\$ 287,089	12.2 %

Same Store NOI

Same store NOI is a non-GAAP financial measure which reports the period-over-period performance of the same asset base having consistent gross leasable area in both periods. To calculate same store NOI growth, NOI is further adjusted to remove the impact of lease cancellation fees and other non-recurring items. CT REIT management uses this measure to gauge the change in asset productivity and asset value.

Same Property NOI

Same property NOI is a non-GAAP financial measure that is consistent with the definition of same store NOI above, except that same property includes the NOI impact of intensifications. CT REIT management uses the measure to gauge the change in asset productivity and asset value, as well as measure the additional return earned by incremental capital investments in existing assets.

The following table summarizes the same store and same property components of NOI:

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2017	2016	Change ¹	2017	2016	Change ¹
Same store	\$ 74,145	\$ 72,660	2.0%	\$ 281,916	\$ 276,607	1.9%
Intensifications						
2017	102	—	NM	261	—	NM
2016	71	50	42.0%	343	95	NM
Same property	\$ 74,318	\$ 72,710	2.2%	\$ 282,520	\$ 276,702	2.1%
Acquisitions and developments						
2017	1,952	—	—%	4,392	—	—%
2016	5,638	965	NM	35,341	10,387	NM
Net operating income	\$ 81,908	\$ 73,675	11.2%	\$ 322,253	\$ 287,089	12.2%

¹ NM - not meaningful.

10.2 Funds From Operations and Adjusted Funds From Operations

The following table reconciles GAAP net income and comprehensive income to FFO and further reconciles FFO to AFFO:

(in thousands of Canadian dollars, except per unit amounts) For the periods ended December 31,	Three Months Ended			Year Ended		
	2017	2016	Change ¹	2017	2016	Change ¹
Net income and comprehensive income	\$ 97,094	\$ 65,455	48.3 %	\$ 317,277	\$ 259,079	22.5 %
Fair value adjustment on investment property	(36,701)	(8,878)	NM	(79,687)	(44,549)	78.9 %
Deferred taxes	(176)	(43)	NM	60	(382)	NM
Fair value adjustment of unit based compensation	224	231	(3.0)%	(33)	729	NM
Funds from operations	\$ 60,441	\$ 56,765	6.5 %	\$ 237,617	\$ 214,877	10.6 %
Property straight-line rent revenue	(5,648)	(6,036)	(6.4)%	(22,822)	(23,774)	(4.0)%
Straight-line ground lease expense	16	18	(11.1)%	62	86	(27.9)%
Normalized capital expenditure reserve	(5,173)	(4,741)	9.1 %	(20,486)	(18,395)	11.4 %
Adjusted funds from operations	\$ 49,636	\$ 46,006	7.9 %	\$ 194,371	\$ 172,794	12.5 %
FFO per unit - basic	\$ 0.283	\$ 0.274	3.3%	\$ 1.124	\$ 1.072	4.9%
FFO per unit - diluted (non-GAAP) ²	\$ 0.283	\$ 0.274	3.3%	\$ 1.124	\$ 1.071	4.9%
AFFO per unit - basic	\$ 0.232	\$ 0.222	4.5%	\$ 0.920	\$ 0.862	6.7%
AFFO per unit - diluted (non-GAAP) ²	\$ 0.232	\$ 0.222	4.5%	\$ 0.919	\$ 0.862	6.6%
Weighted average units outstanding - basic	213,717,596	206,829,040	3.3%	211,310,245	200,439,916	5.4%
Weighted average units outstanding - diluted (non-GAAP)	213,879,775	206,949,852	3.3%	211,456,486	200,558,552	5.4%
Number of units outstanding, end of period	213,738,161	206,846,799	3.3%	213,738,161	206,846,799	3.3%

¹NM - not meaningful.

²For the purposes of calculating diluted per unit amounts, diluted units includes restricted and deferred units issued under various plans and excludes the effects of settling the Class C LP Units with Class B LP Units.

10.2(i) Funds From Operations

FFO is a non-GAAP financial measure of operating performance used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO should not be considered as an alternative to net income or cash flows provided by operating activities determined in accordance with IFRS. CT REIT calculates its FFO in accordance with *Real Property Association of Canada's ("REALPAC") "White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS"* ("*White Paper on FFO & AFFO*") issued in February 2017 which replaced REALPAC's "*White Paper on FFO*" issued in April 2014. The White Paper on FFO & AFFO did not impact the calculation of FFO for CT REIT. The purpose of the White Paper on FFO & AFFO is to provide reporting issuers and investors with greater guidance on the definition of FFO and to help promote more consistent disclosure amongst reporting issuers. The use of FFO, together with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results of CT REIT.

Management believes that FFO provides an operating performance measure that, when compared period-over-period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and property taxes, acquisition activities and interest costs, and provides a perspective of the financial performance that is not immediately apparent from net income determined in accordance with IFRS.

FFO adds back to net income items that do not arise from operating activities, such as fair value adjustments. FFO, however, still includes non-cash revenues related to accounting for straight-line rent and makes no deduction for the recurring capital expenditures necessary to sustain the existing earnings stream.

10.2(ii) Adjusted Funds From Operations

AFFO is a non-GAAP measure of recurring economic earnings used in the real estate industry to assess an entity's distribution capacity. AFFO should not be considered as an alternative to net income or cash flows provided by operating activities determined in accordance with IFRS. CT REIT calculates its AFFO in accordance with REALPAC's White Paper on FFO & AFFO. The White Paper on FFO & AFFO did not impact the calculation of AFFO for CT REIT.

CT REIT calculates AFFO by adjusting FFO for non-cash income and expense items such as amortization of straight-line rents. FFO is also adjusted for a reserve for maintaining productive capacity required for sustaining property infrastructure and revenue from real estate properties and direct leasing costs. As property capital expenditures do not occur evenly during the fiscal year or from year to year, the property capital reserve in the AFFO calculation is intended to reflect an average annual spending level. The reserve is primarily based on a 15-year average expenditure as initially determined by building condition reports prepared during 2013 by an independent consultant for Canadian Tire stores and Other CTC Banners.

The following table compares capital expenditures during the period 2014-2017 to the normalized capital expenditure reserve used in the calculation of AFFO:

(in thousands of Canadian dollars) For the quarter ended and year to date	Normalized capital expenditure reserve	Capital expenditures	Variance
2014			
Q1	\$ 3,661	\$ 110	3,551
Q2	3,703	866	2,837
Q3	3,989	9,888	(5,899)
Q4	4,112	6,188	(2,076)
YTD	\$ 15,465	\$ 17,052	(1,587)
2015			
Q1	\$ 4,168	\$ 1,025	3,143
Q2	4,230	2,834	1,396
Q3	4,327	7,384	(3,057)
Q4	4,352	3,591	761
YTD	\$ 17,077	\$ 14,834	2,243
2016			
Q1	\$ 4,407	\$ 259	4,148
Q2	4,581	4,898	(317)
Q3	4,666	8,551	(3,885)
Q4	4,741	1,862	2,879
YTD	\$ 18,395	\$ 15,570	2,825
2017			
Q1	\$ 5,065	\$ 348	4,717
Q2	5,109	5,445	(336)
Q3	5,139	8,307	(3,168)
Q4	5,173	4,862	311
YTD	\$ 20,486	\$ 18,962	1,524

The normalized capital expenditure reserve varies from the capital expenditures incurred due to the seasonal nature of the expenditures. As such, CT REIT views the normalized capital expenditure reserve as a more meaningful measure. Refer to section 4.11 for additional information.

10.3 AFFO Payout Ratio

The AFFO payout ratio is a non-GAAP measure of the sustainability of the REIT's distribution payout. CT REIT uses this metric to provide transparency on performance and the overall management of the existing portfolio assets. Management considers the AFFO payout ratio the best measure of the REIT's distribution capacity.

For the periods ended December 31,	Three Months Ended			Year Ended		
	2017	2016	Change	2017	2016	Change
Distribution per unit - paid (A)	\$ 0.175	\$ 0.170	2.9 %	\$ 0.700	\$ 0.680	2.9 %
AFFO per unit - diluted (non-GAAP)¹ (B)	\$ 0.232	\$ 0.222	4.5 %	\$ 0.919	\$ 0.862	6.6 %
AFFO payout ratio (A)/(B)	75%	77%	(2.6)%	76%	79%	(3.8)%

¹For the purposes of calculating diluted per unit amounts, diluted units includes restricted and deferred units issued under various plans and excludes the effects of settling the Class C LP Units with Class B LP Units.

10.4 Diluted Non-GAAP per Unit Calculations

Management views the diluted non-GAAP per unit measure as a meaningful measure as the full conversion of the Class C LP Units with Class B LP Units is not considered a likely scenario. As such, management calculates the REIT's fully diluted per unit FFO and AFFO amounts excluding the effects of settling the Class C LP Units with Class B LP Units.

The following table reconciles the calculation of the weighted average diluted units non-GAAP:

For the periods ended December 31,	Three Months Ended		Year Ended	
	2017	2016	2017	2016
Weighted average units outstanding - diluted (non-GAAP)	213,879,775	206,949,852	211,456,486	200,558,552
Dilutive effect of settling Class C LP Units with Class B LP Units	99,877,790	101,739,744	101,882,284	106,661,254
Weighted average units outstanding - diluted	313,757,565	308,689,596	313,338,770	307,219,806

10.5 Adjusted Cashflow From Operations

ACFO is a new non-GAAP financial measure developed by REALPAC for use by the real estate industry as a sustainable economic cash flow metric. ACFO should not be considered as an alternative to cash flows provided by operating activities determined in accordance with IFRS. CT REIT calculates its ACFO in accordance with REALPAC's "White Paper on Adjusted Cashflow from Operations for IFRS" issued in February 2017. The purpose of this white paper is to provide guidance on the definition of ACFO to promote consistent disclosure amongst reporting issuers. Management believes that the use of ACFO, combined with the required IFRS presentations, improves the understanding of the operating cash flow of CT REIT.

CT REIT calculates ACFO from cash flow generated from operating activities adjusting for non-operating adjustments to changes in working capital and other, net interest and other financing charges and normalized capital expenditure reserve.

A reconciliation from the IFRS term "Cash Generated from Operating Activities" (refer to the consolidated statements of cash flow for the year ended December 31, 2017 and December 31, 2016) to ACFO is as follows:

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2017	2016	Change ¹	2017	2016	Change ¹
Cash generated from operating activities	\$ 85,472	\$ 68,618	24.6 %	\$ 317,154	\$ 275,584	15.1 %
Non-operating adjustments to changes in working capital and other	(2,755)	3,922	NM	(4,567)	5,081	NM
Net interest and other financing charges	(24,425)	(20,620)	18.5 %	(96,378)	(85,915)	12.2 %
Normalized capital expenditure reserve	(5,173)	(4,741)	9.1 %	(20,486)	(18,395)	11.4 %
Adjusted cashflow from operations	\$ 53,119	\$ 47,179	12.6 %	\$ 195,723	\$ 176,355	11.0 %

¹NM - not meaningful.

The non-operating adjustments to changes in working capital and other for three months ended and year ended December 31, 2017 is primarily due to an increase in liabilities as a result of a reduction in property taxes and related commodity taxes payable.

10.6 Earnings Before Interest and Other Financing Costs, Taxes and Fair Value Adjustments

EBITFV is a non-GAAP measure of a REIT's operating cash flow and it is used in addition to IFRS net income because it excludes major non-cash items (including fair value adjustments on investment properties), interest expense and other financing costs, income tax expense, losses or gains on disposition of property, and other non-recurring items that may occur under IFRS that management considers non-operating in nature. EBITFV should not be considered as an alternative to net income or cash flows provided by operating activities determined in accordance with IFRS.

EBITFV is used as an input in some of CT REIT's debt metrics, providing information with respect to certain financial ratios that CT REIT uses in measuring its debt profile and assessing the REIT's ability to satisfy its obligations, including servicing its debt.

For the three months and year ended December 31, 2017, EBITFV was calculated as follows:

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2017	2016	Change ¹	2017	2016	Change ¹
Net income and comprehensive income	\$ 97,094	\$ 65,455	48.3%	\$ 317,277	\$ 259,079	22.5%
Fair value adjustment on investment properties	(36,701)	(8,878)	NM	(79,687)	(44,549)	78.9%
Interest expense and other financing charges	24,457	20,634	18.5%	96,543	86,127	12.1%
Deferred taxes	(176)	(43)	NM	60	(382)	NM
EBITFV	\$ 84,674	\$ 77,168	9.7%	\$ 334,193	\$ 300,275	11.3%

¹NM - Not meaningful

10.7 Selected Quarterly Consolidated Information

(in thousands of Canadian dollars, except per unit amounts)	2017				2016			
As at and for the quarter ended	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Property revenue	\$ 111,264	\$ 109,290	\$ 111,609	\$ 111,140	\$ 104,230	\$ 102,932	\$ 101,507	\$ 98,496
Net income	\$ 97,094	\$ 70,562	\$ 74,299	\$ 75,322	\$ 65,455	\$ 72,124	\$ 60,347	\$ 61,153
Net income per unit								
- basic	\$ 0.454	\$ 0.330	\$ 0.354	\$ 0.362	\$ 0.317	\$ 0.349	\$ 0.306	\$ 0.321
- diluted	\$ 0.364	\$ 0.275	\$ 0.292	\$ 0.300	\$ 0.269	\$ 0.290	\$ 0.256	\$ 0.260
FFO per unit - diluted, non-GAAP ¹	\$ 0.283	\$ 0.279	\$ 0.283	\$ 0.279	\$ 0.274	\$ 0.273	\$ 0.263	\$ 0.260
AFFO per unit - diluted, non-GAAP ¹	\$ 0.232	\$ 0.229	\$ 0.231	\$ 0.227	\$ 0.222	\$ 0.222	\$ 0.210	\$ 0.206
Total assets	\$ 5,455,398	\$ 5,265,077	\$ 5,213,930	\$ 5,109,718	\$ 5,014,601	\$ 4,915,172	\$ 4,874,626	\$ 4,433,104
Total indebtedness	\$ 2,544,972	\$ 2,394,785	\$ 2,381,895	\$ 2,393,983	\$ 2,383,123	\$ 2,290,422	\$ 2,288,626	\$ 2,112,726
Total distributions, net of distribution reinvestment, to Unitholders - paid	\$ 36,805	\$ 36,767	\$ 35,940	\$ 35,710	\$ 34,635	\$ 34,657	\$ 32,190	\$ 31,854
Total distributions per unit - paid	\$ 0.175	\$ 0.175	\$ 0.175	\$ 0.175	\$ 0.170	\$ 0.170	\$ 0.170	\$ 0.170
Book value per unit	\$ 13.39	\$ 13.11	\$ 12.95	\$ 12.73	\$ 12.52	\$ 12.38	\$ 12.20	\$ 11.84
Market price per unit								
- high	\$ 14.96	\$ 14.70	\$ 15.19	\$ 15.60	\$ 15.65	\$ 15.76	\$ 15.60	\$ 14.76
- low	\$ 13.68	\$ 13.61	\$ 14.01	\$ 14.55	\$ 14.54	\$ 14.55	\$ 14.17	\$ 12.46
- close (end of period)	\$ 14.50	\$ 13.89	\$ 14.38	\$ 15.04	\$ 15.00	\$ 15.40	\$ 14.80	\$ 14.45

¹Non-GAAP measure. Refer to 10.0 section for further information.

Refer to CT REIT's respective annual and interim MD&A's issued for a discussion and analysis relating to those periods.

11.0 Enterprise Risk Management

Enterprise Risk Management

To preserve and enhance Unitholder value over the long term, CT REIT approaches the management of risk strategically through its enterprise risk management program ("ERM Program"). The ERM Program provides an integrated approach to the management of risks, through a disciplined manner that:

- aligns key strategies, objectives and related risks;
- considers all forms of risk, specifically strategic, financial and operational risks;
- requires the application of risk mitigation practices which are designed to help support and optimize risk/reward related decisions; and
- integrates with the strategic, planning and reporting processes.

The REIT continues to further develop and refine processes and tools underlying the ERM Program.

Risk Governance

The mandate of the Board includes the responsibility to monitor the REIT's ERM Program and oversee management's implementation of appropriate systems to effectively identify, manage, mitigate and monitor risks inherent in the REIT's business and operations. The Board has delegated primary responsibility to the Audit Committee to:

- consider the Principal Risks of the REIT as identified by management and ensure appropriate policies and systems have been implemented to manage these risks;
- review the REIT's ERM Program, including its policies and processes with respect to risk identification, assessment, and management of the REIT's risks;
- receive periodic reporting from the head of the risk management function; and
- periodically report to the Board on any major issues arising from the ERM Program.

Principal Risks

A key element of the REIT's ERM Program is the periodic review, identification and assessment of Principal Risks. The REIT defines a Principal Risk as one that, alone or in combination with other interrelated risks, could have a significant adverse impact on the REIT's financial position, and/or ability to achieve its strategic objectives. These Principal Risks are enterprise-wide in scope and represent strategic, financial and operational risks. Management has completed its formal annual review of its Principal Risks, which has been presented to the Audit Committee and approved by the Board of Trustees. The mitigation and management of Principal Risks is approached holistically with a view to ensuring all risk exposures associated with a Principal Risk are considered.

The following table provides a high-level perspective on each of the identified eight Principal Risks and describes the main strategy that the REIT has in place to mitigate the potential impacts of these risks on its business objectives. For further disclosure of the REIT's financial instruments, their impact on financial statements, and determination of fair value refer to Note 19 of the REIT's consolidated financial statements. More information on the REIT's risk factors is presented in the REIT's AIF.

Principal Risks	Risk Management Strategy
<p>Marketplace</p> <p>Risk due to fluctuations or fundamental changes in the external business environment resulting in financial loss. Fluctuations or fundamental shifts in the market place could include:</p> <ul style="list-style-type: none"> - Changes in macroeconomic conditions (including recession, depression, high inflation, increased unemployment, and increased interest rates) resulting in a reduction in consumer spending; - Changes in the competitive landscape in the retail or real estate sectors impacting the attractiveness and the value of real estate holdings; - Changes in the domestic or international political environments (including new legislation) impacting the ability to do business; and - Shifts in the demographics of the Canadian population reducing the relevance of the products and services offered by key tenants, which may result in a negative impact on the valuation of the REIT or the ability to achieve its strategic objectives. 	<p>The REIT regularly monitors and analyzes external economic, political, demographic, consumer behaviour and competitive developments in Canada. Results are shared with the REIT executives, who are accountable for any necessary amendments to the strategic and operational plans and for on-going investment decisions in order to respond to evolving market and economic trends.</p>
<p>Financial</p> <p>The REIT has a variety of financial risk exposures arising directly or indirectly in the conduct of its business. Financial risks include those related to fluctuations in capital market liquidity, interest rates, access to capital, and the price of the REIT's Units. Failure to develop, implement, and execute effective strategies to monitor and manage these risks may result in insufficient capital to absorb unexpected losses and/or changes in asset value, negatively affecting the REIT's financial position and its ability to achieve its strategic objectives.</p>	<p>The REIT has a Board-approved financial risk management policy in place that governs the management of capital, funding, and other financial risks. The indebtedness and Class C LP Units of the REIT are predominantly at fixed rates and its floating interest rate exposure is minimal. The weighted average term to redemption/maturity of the REIT's debt portfolio is managed to align with or be greater than the weighted average term to maturity of the REIT's assets. The REIT manages refinancing risk by maintaining a diversified debt redeeming/maturity schedule to limit the amount of debt maturing in any one year. The REIT may use interest rate hedges from time to time to manage interest rate risk and to provide more certainty regarding the FFO available to Unitholders, subject to the REIT's investment guidelines and operating policies.</p>

<p>Tenant Concentration</p> <p>The REIT's revenues are dependent on the ability of its key tenant, CTC, to meet its rent obligations and renew its tenancies. The future financial performance and operating results of CTC's business are subject to inherent risks and uncertainties, such as general economic conditions, changing consumer preferences, and other strategic, financial, and operational risk factors. A downturn in CTC's business could have a material effect on the financial performance of the REIT, its cash flows, and the ability to make distributions to Unitholders.</p>	<p>The REIT benefits from the stability offered by CTC businesses including Canadian Tire retail, one of Canada's most shopped general merchandise retailers with high recognition and a strong reputation throughout the communities it serves. The Canadian Tire retail leases have a weighted average lease term of 11.7 years, which provides the REIT with reliable, durable, and growing monthly distributions. Management regularly monitors the operating results and credit ratings of CTC.</p>
<p>Significant Ownership by CTC</p> <p>CTC holds the majority interest in the REIT. In situations where the interests of CTC and the REIT are in conflict, CTC may utilize its ownership interest in, and contractual rights with the REIT, to further CTC's own interest which may not be the same as the REIT's interest in all cases, causing the REIT not to be able to operate in a manner that is to its favour, which could adversely affect the REIT's cash flows, operating results, valuation, and overall financial condition.</p>	<p>Appropriate governance structures, including policies, processes and other management activities and practices are in place to maintain and monitor the relationship between the REIT and CTC.</p>
<p>Operations</p> <p>The risk that a direct or indirect loss may result from internal or outsourced business activities, business disruptions, inadequate or failed operations processes (property management, development, redevelopment, and acquisitions), people, and systems to support the REIT's key business objectives. Failed processes in terms of design, integration, and/or execution may result in incremental financial expenditures, theft or fraud, legal or regulatory issues, and materially adversely impact the REIT's financial position and results of operation.</p>	<p>The REIT has appropriate governance structures, including policies, processes, contracts, service agreements and other management activities in place to maintain the operational performance of the REIT, comply with legal and regulatory requirements, and to support the REIT's business and strategic objectives.</p>
<p>Tax</p> <p>Risk related to changes in income tax laws applicable to the REIT such that the REIT would not qualify as a mutual fund trust for purposes of the Income Tax Act ("ITA"), including the treatment of real estate investment trusts and mutual fund trusts, or the exclusion from the definition of "SIFT TRUST" for a trust qualifying as a "real estate investment trust" (the "REIT Exception"), for a taxation year under the ITA, which could have a material and adverse impact on the value of the Units, and on distributions to Unitholders.</p>	<p>Management ensures that the REIT satisfies the conditions to qualify as a closed-end mutual fund trust by complying with the restrictions in the ITA as they are interpreted and applied by the Canada Revenue Agency. No assurance can be given that the REIT will be able to comply with these restrictions at all times. There can be no assurance that income tax laws applicable to the REIT, including the treatment of real estate investment trusts and mutual fund trusts under the ITA, will not be changed in a manner which adversely affects the REIT or the Unitholders.</p>

<p>Environmental Matters</p> <p>The REIT is subject to various federal, provincial, territorial and municipal laws relating to environmental matters. Changes in legislation may result in the REIT bearing the risk of cost-intensive assessment, removal of contamination, hazardous or other regulated substances causing an adverse effect on the REIT's financial condition, results of operation, and cash available for distribution to Unitholders.</p>	<p>The REIT has allocated the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues. Additionally, the REIT has limited environmental liability coverage under its general liability insurance policy for third-party bodily injury and property damage claims arising from unexpected and unintentional pollution incidents (commonly referred to as "sudden and accidental" coverage) that are discovered and reported quickly. It also has more extensive coverage under a separate environmental liability insurance policy which adds coverage for certain gradual pollution conditions and first party clean up costs. Pursuant to the Canadian Tire Leases, CTC has indemnified the REIT for certain environmental issues on the initial properties. Furthermore, the REIT's operating policy includes a Phase I environmental site assessment conducted by an independent and experienced environmental consultant prior to acquiring a property.</p>
<p>Financial Reporting</p> <p>Risk of restatement and reissue of CT REIT's financial statements due to:</p> <ul style="list-style-type: none"> - Failure to adhere to financial accounting and presentation standards and securities regulations relevant to financial reporting; - Fraudulent activity and/or failure to maintain an effective system of internal controls; and/or - Inadequate explanation of the REIT's operating performance, financial condition, and future prospects, which may result in regulatory related issues or decrease in Unit price. 	<p>Internal controls which include policies, processes and procedures, provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other disclosure documents. This includes monitoring and responding to changing regulations and standards governing accounting and financial presentation.</p>

12.0 Internal Controls and Procedures

12.1 Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding CT REIT. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported, on a timely basis, to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), so that they can make appropriate decisions regarding public disclosure.

CT REIT's system of disclosure controls and procedures include, but are not limited to, its Disclosure Policy, its Code of Business Conduct, the effective functioning of its Disclosure Committee, procedures in place to systematically identify matters warranting consideration of disclosure by the Disclosure Committee, verification processes for individual financial and non-financial metrics, and information contained in annual and interim filings, including the consolidated financial statements, MD&A, Annual Information Form and other documents and external communications.

As required by CSA National Instrument 52-109 (“NI 52-109”) *Certification of Disclosure in Issuers’ Annual and Interim Filings*, an evaluation of the adequacy of the design (quarterly) and effective operation (annually) of CT REIT’s disclosure controls and procedures was conducted, under the supervision of management, including the CEO and CFO, as at December 31, 2017. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 31, 2017.

12.2 Internal Control Over Financial Reporting

Management is also responsible for establishing and maintaining appropriate internal control over financial reporting. CT REIT’s internal control over financial reporting include, but are not limited to, detailed policies and procedures related to financial accounting, reporting and controls over systems that process and summarize transactions. CT REIT’s procedures for financial reporting also include the active involvement of qualified financial professionals, senior management and its Audit Committee.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As also required by NI 52-109, management, including the CEO and CFO, evaluated the adequacy of the design (quarterly) and effective operation (annually) of CT REIT’s internal control over financial reporting as defined in NI 52-109, as at December 31, 2017. In making this assessment, management, including the CEO and CFO, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework (2013)*. This evaluation included review of the documentation of controls, evaluation of the design and testing the operating effectiveness of controls, and a conclusion about this evaluation. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the internal controls over financial reporting were effective as at December 31, 2017, in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

12.3 Changes in Internal Control Over Financial Reporting

During the quarter and year ended December 31, 2017, there have been no changes in CT REIT’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, CT REIT’s internal control over financial reporting.

13.0 Forward-looking Information

This MD&A, and the documents incorporated by reference herein, contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for CT REIT’s business results of operations. Forward-looking statements are provided for the purposes of providing information about CT REIT’s future outlook and anticipated events or results and may include statements regarding known and unknown risks and uncertainties and other factors that may cause the actual results to differ materially from those indicated. Such factors include, but are not limited to, general economic conditions, financial position, business strategy, availability of acquisition opportunities, budgets, capital expenditures, financial results including fair value adjustments and cash flow assumptions upon which they are based, cash, taxes, plans and objectives of or involving CT REIT. Particularly, statements regarding future acquisitions, developments, distributions, results, performance, achievements, prospects or opportunities for CT REIT or the real estate industry are forward-looking statements. In some cases, forward-looking information can be identified by such terms such as “may”, “might”, “will”, “could”, “should”, “would”, “occur”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “predict”, “potential”, “continue”, “likely”, “schedule”, “resolved to”, or the negative thereof or other similar expressions concerning matters that are not historical facts.

Some of the specific forward-looking statements in this document include, but are not limited to, statements with respect to the following:

- CT REIT's growth strategy and objectives under section 2.0;
- CT REIT's fair value of property portfolio under section 4.4;
- CT REIT's development activities under section 4.6;
- CT REIT's leasing activities under section 4.10;
- CT REIT's fair value adjustment on investment properties under section 5.1;
- CT REIT's capital expenditures to fund acquisitions and development activities under section 6.1;
- CT REIT's capital strategy under section 6.11;
- CT REIT's 2017 Investment Activities - Commitments as at December 31, 2017 under section 6.12;
- CT REIT's distributions under section 7.3;
- CT REIT's access to available sources of debt and/or equity financing;
- the expected tax treatment of CT REIT and its distributions to Unitholders;
- CT REIT's ability to expand its asset base, make accretive acquisitions, develop or intensify its Properties and participate with CTC in the development or intensification of the Properties; and
- the ability of CT REIT to continue to qualify as a "real estate investment trust", as defined pursuant to the ITA.

CT REIT has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that the Canadian economy will remain stable over the next 12 months, that inflation will remain relatively low, that tax laws remain unchanged, that conditions within the real estate market, including competition for acquisitions, will be consistent with the current climate, that the Canadian capital markets will provide CT REIT with access to equity and/or debt at reasonable rates when required and that CTC will continue its involvement with CT REIT on the basis described in its 2017 AIF.

Although the forward-looking statements contained in this MD&A are based upon assumptions that management of CT REIT believes are reasonable, based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the REIT's control, that may cause CT REIT's, or the industry's, actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors discussed under the "Risk Factors" section of the 2017 AIF.

For more information on the risks, uncertainties and assumptions that could cause CT REIT's actual results to differ from current expectations, please also refer to CT REIT's public filings available on SEDAR at www.sedar.com and by a link at www.ctreit.com.

CT REIT cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. Statements that include forward-looking information do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made have on CT REIT's business. For example, they do not include the effect of any dispositions, acquisitions, asset write-downs or other charges announced or occurring after such statements are made. The forward-looking information in this MD&A is based on certain factors and assumptions made as of the date hereof or the date of the relevant document incorporated herein by reference, as applicable. CT REIT does not undertake to update the forward-looking information, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, except as required by applicable securities laws.

Information contained in or otherwise accessible through the websites referenced in this MD&A or the documents incorporated by reference herein (other than CT REIT's profile on SEDAR at www.sedar.com) does not form part of

this MD&A or the documents incorporated by reference herein and is not incorporated by reference into this MD&A. All references to such websites are inactive textual references and are for information only.

Commitment to disclosure and investor communication

The Investors section of the REIT's website by a link at www.ctreit.com includes the following documents and information of interest to investors:

- Annual Information Form;
- Management Information Circular;
- the Base Shelf Prospectus;
- quarterly reports; and
- conference call webcasts (archived for one year).

Additional information about the REIT has been filed electronically with various securities regulators in Canada through SEDAR and is available online at www.sedar.com.

If you would like to contact the Investor Relations department directly, call Marina Davies (416) 544-6134 or email investor.relations@ctreit.com.

February 12, 2018

**CT REAL ESTATE INVESTMENT TRUST
2017 FINANCIAL STATEMENTS
(AUDITED)**

Management's Responsibility for Financial Statements

The management of CT Real Estate Investment Trust ("CT REIT") is responsible for the integrity and reliability of the accompanying consolidated financial statements. These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards, and include amounts based on judgments and estimates. All financial information in our Management's Discussion and Analysis is consistent with these consolidated financial statements.

Management is responsible for establishing and maintaining adequate systems of internal control over financial reporting. These systems are designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Management has assessed the effectiveness of CT REIT's internal control over financial reporting based on the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that CT REIT's internal control over financial reporting was effective as at the date of these consolidated statements.

The Board of Trustees oversees management's responsibilities for the consolidated financial statements primarily through the activities of its Audit Committee, which is comprised solely of trustees who are neither officers nor employees of CT REIT. This Committee meets with management and CT REIT's independent auditors, Deloitte LLP, to review the consolidated financial statements and recommend approval to the Board of Trustees. The Audit Committee is responsible for making recommendations to the Board of Trustees with respect to the appointment of and, subject to the approval of the Unitholders authorizing the Board of Trustees to do so, approving the remuneration and terms of engagement of CT REIT's auditors. The Audit Committee also meets with the auditors, without the presence of management, to discuss the results of their audit.

The consolidated financial statements have been audited by Deloitte LLP, in accordance with Canadian generally accepted auditing standards. Their report is presented below.

"Kenneth Silver"

Kenneth Silver
Chief Executive Officer

"Louis Forbes"

Louis Forbes
Chief Financial Officer

February 12, 2018

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of CT Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of CT Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016, and the consolidated statements of income and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and 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, as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

February 12, 2018
Toronto, Ontario

Consolidated Balance Sheets

(Canadian dollars, in thousands)

As at	Note	December 31, 2017	December 31, 2016
Assets			
Non-current assets			
Investment properties	4	\$ 5,436,597	\$ 5,000,355
Other assets		2,929	3,101
		5,439,526	5,003,456
Current assets			
Tenant and other receivables		1,966	2,407
Other assets		3,004	2,369
Cash and cash equivalents		10,902	6,369
		15,872	11,145
Total assets		\$ 5,455,398	\$ 5,014,601
Liabilities			
Non-current liabilities			
Class C LP Units	5	\$ 1,451,550	\$ 1,451,550
Mortgages payable	6	43,595	54,677
Debentures	7	869,471	695,336
Other liabilities		3,410	3,198
		2,368,026	2,204,761
Current liabilities			
Class C LP Units	5	—	70,418
Mortgages payable	6	415	1,318
Credit facilities	8	179,941	109,824
Other liabilities		32,608	25,631
Distributions payable	9	12,967	12,065
		225,931	219,256
Total liabilities		2,593,957	2,424,017
Equity			
Unitholders' equity	9	1,168,777	1,094,207
Non-controlling interests	9, 11	1,692,664	1,496,377
Total equity		2,861,441	2,590,584
Total liabilities and equity		\$ 5,455,398	\$ 5,014,601

The related notes form an integral part of these consolidated financial statements.

"David Laidley"

David Laidley
Trustee

"Anna Martini"

Anna Martini
Trustee

Consolidated Statements of Income and Comprehensive Income

(Canadian dollars, in thousands, except per unit amounts)

For the year ended December 31,	Note	2017	2016
Property revenue	12	\$ 443,303	\$ 407,165
Property expense	12	(98,290)	(96,388)
General and administrative expense	13	(11,045)	(10,332)
Net interest and other financing charges	14	(96,378)	(85,915)
Fair value adjustment on investment properties	4	79,687	44,549
Net income and comprehensive income		\$ 317,277	\$ 259,079
Net income and comprehensive income attributable to:			
Unitholders		\$ 135,822	\$ 116,625
Non-controlling interests		181,455	142,454
		\$ 317,277	\$ 259,079
Net income per unit - basic	9	\$ 1.501	\$ 1.293
Net income per unit - diluted	9	\$ 1.232	\$ 1.079

The related notes form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

(Canadian dollars, in thousands)

	Note	Units	Retained Earnings	Unitholders' Equity	Non-controlling interests	Total Equity
Balance at December 31, 2016		\$ 881,736	\$ 212,471	\$ 1,094,207	\$ 1,496,377	\$ 2,590,584
Net income and comprehensive income for the period		—	135,822	135,822	181,455	317,277
Issuance of Class B LP Units, net of issue costs	4,5	—	—	—	99,705	99,705
Distributions	9	—	(63,606)	(63,606)	(84,873)	(148,479)
Issuance of Units under Distribution Reinvestment Plan	9	2,354	—	2,354	—	2,354
Balance at December 31, 2017		\$ 884,090	\$ 284,687	\$ 1,168,777	\$ 1,692,664	\$ 2,861,441

	Note	Units	Retained Earnings	Unitholders' Equity	Non-controlling interests	Total Equity
Balance at December 31, 2015		\$ 879,727	\$ 157,482	\$ 1,037,209	\$ 1,176,154	\$ 2,213,363
Net income and comprehensive income for the period		—	116,625	116,625	142,454	259,079
Issuance of Class B LP Units, net of issue costs	4,5	—	—	—	252,799	252,799
Distributions	9	—	(61,636)	(61,636)	(75,030)	(136,666)
Issuance of Units under Distribution Reinvestment Plan	9	2,009	—	2,009	—	2,009
Balance at December 31, 2016		\$ 881,736	\$ 212,471	\$ 1,094,207	\$ 1,496,377	\$ 2,590,584

The related notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(Canadian dollars, in thousands, except per unit amounts)

For the year ended December 31,	Note	2017	2016
Cash generated from (used for):			
Operating activities			
Net income		\$ 317,277	\$ 259,079
Add/(deduct):			
Fair value adjustment on investment properties		(79,687)	(44,549)
Property straight-line rent revenue		(22,822)	(23,774)
Deferred income tax		60	(382)
Straight-line ground lease expense		62	86
Net interest and other financing charges		96,378	85,915
Changes in working capital and other	15	5,886	(791)
Cash generated from operating activities		\$ 317,154	\$ 275,584
Investing activities			
Income-producing property		(172,485)	(141,351)
Development activities and land investments		(90,196)	(361,383)
Capital expenditures recoverable from tenants		(16,500)	(19,585)
Proceeds of disposition		18	258
Cash used for investing activities		\$ (279,163)	\$ (522,061)
Financing activities			
Proceeds from issuance of debentures	7	175,000	350,000
Debenture issuance costs		(1,156)	(1,954)
Redemption of Class C LP Units	5	(23,139)	—
Unit distributions		(61,029)	(59,468)
Class B LP Unit distributions paid or loaned		(84,193)	(73,868)
Payments on Class C LP Units paid or loaned	5	(68,947)	(72,888)
Credit facilities draws (repayments), net	8	70,117	109,824
Mortgage principal repayments	6	(17,901)	(4,074)
Mortgage borrowing	6	6,000	—
Net interest paid		(28,026)	(19,135)
Class B LP Unit issue costs		(184)	(271)
Cash (used for)/generated from financing activities		\$ (33,458)	\$ 228,166
Cash generated from/(used for) the period		\$ 4,533	\$ (18,311)
Cash and cash equivalents, beginning of period		6,369	24,680
Cash and cash equivalents, end of period		\$ 10,902	\$ 6,369

The related notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(All dollar amounts are in thousands, except unit and per unit amounts)

1. NATURE OF CT REAL ESTATE INVESTMENT TRUST

CT Real Estate Investment Trust is an unincorporated, closed-end real estate investment trust. CT Real Estate Investment Trust and its subsidiaries, unless the context requires otherwise, are together referred to in these consolidated financial statements as “CT REIT” or “the REIT”. CT REIT commenced operations on October 23, 2013, and was formed to own income-producing commercial properties located primarily in Canada. The principal and registered head office of CT REIT is located at 2180 Yonge Street, Toronto, Ontario M4P 2V8.

Canadian Tire Corporation, Limited (“CTC”) owned an 85.5% effective interest in CT REIT as of December 31, 2017, consisting of 59,711,094 of the issued and outstanding units of CT REIT (“Units”) and all of the issued and outstanding Class B limited partnership units (“Class B LP Units”) of CT REIT Limited Partnership (the “Partnership”), which are economically equivalent to and exchangeable for Units. CTC also owns all of the issued and outstanding Class C limited partnership units (“Class C LP Units”) of the Partnership (see Note 5). The Units are listed on the Toronto Stock Exchange (the “TSX”) under the symbol CRT.UN.

2. BASIS OF PRESENTATION

(a) Fiscal year

The fiscal years for the consolidated financial statements and the notes presented for 2017 are for the years ended December 31, 2017 and 2016.

(b) 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”) using the accounting policies that are described herein.

These consolidated financial statements were approved for issuance by CT REIT’s Board of Trustees (the “Board”) on February 12, 2018.

(c) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for investment properties and liabilities for unit-based compensation plans, which are measured at fair value.

These financial statements are presented in Canadian dollars (“C\$”), which is CT REIT’s functional currency, rounded to the nearest thousand, except per unit amounts.

(d) Critical judgments in applying significant accounting policies

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

(i) Leases

CT REIT as a lessor

CT REIT’s policy for revenue recognition is described in Note 3(e). In applying this policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property, which determines whether such amounts are treated as additions to investment property as well as the point in time at which revenue recognition under the lease commences. In addition, where a lease allows a tenant to elect to take all or a portion of any unused tenant improvement allowance as rent abatement, CT REIT must exercise judgment in determining the extent to which the allowance represents an inducement that is amortized as a reduction of lease revenue over the term of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

(All dollar amounts are in thousands, except unit and per unit amounts)

CT REIT also makes judgments in assessing the classification of its leases with tenants as operating leases, in particular long-term leases in single tenant properties. CT REIT has determined that all of its leases are operating leases.

CT REIT as a lessee

Judgment is applied to determine whether a lease is classified as either a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to CT REIT is classified as a finance lease. CT REIT does not have any finance leases.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of income on a straight-line basis over the lease term (see Note 17).

(ii) Investment properties

CT REIT applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. CT REIT considers all properties acquired to date to be asset acquisitions.

Judgment is applied in determining whether certain costs are additions to the carrying amount of the investment property.

At each reporting period, internal valuations are prepared by management for all investment properties. In determining the fair value of investment properties, judgment is applied in selecting the extent and frequency of independent appraisals. Independent valuations are obtained on properties such that substantially all of the properties will be independently appraised over a four-year period.

(iii) Income taxes

CT REIT makes judgments that, with the exception of transactions involving CT REIT GP Corp. (the "GP"), deferred income taxes are not recognized in CT REIT's financial statements on the basis that CT REIT can deduct distributions paid such that its liability for income taxes is substantially reduced or eliminated for the period, and CT REIT intends to continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future.

(iv) Consolidation of the Partnership

CT REIT makes judgments in the application of IFRS 10 - *Consolidated Financial Statements* in its assessment of control over the Partnership, including the purpose for which the Partnership was created, the power to direct the relevant activities of the Partnership, its exposure or rights to the variable returns of the Partnership and its ability to use its power to affect its returns.

(v) Proportionate consolidation of interest in Canada Square

CT REIT makes judgments in the application of IFRS 11 - *Joint Arrangements* in its assessment of joint control over the interest held in Canada Square, a mixed-use commercial property in Toronto, Ontario (the "Co-Ownership"), and its rights to the assets and obligations for the liabilities related to the Co-Ownership.

(e) Critical accounting estimates and assumptions

CT REIT makes estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amount of earnings for the period. Actual results may differ from estimates. The estimates and assumptions underlying the valuation of investment properties, as set out in Note 4, are considered critical.

(f) Standards, amendments and interpretations issued and adopted

The following amendments have been issued and are effective for the fiscal year ended December 31, 2017, and accordingly, have been applied in preparing these consolidated financial statements.

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(i) Disclosure initiative (IAS 7)

In January 2016, the IASB issued Disclosure Initiative Amendments to IAS 7 - *Statement of Cash Flows* as part of the IASB's Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statements users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes.

These amendments were effective for annual periods beginning on or after January 1, 2017. The implementation of these amendments has not had a significant impact on CT REIT other than increased disclosure in the annual financial statements.

(ii) Income Taxes (IAS 12)

In January 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealised Losses as an amendment to IAS 12 - *Income Taxes*. These amendments address the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

These amendments were effective for annual periods beginning on or after January 1, 2017. The implementation of these amendments did not have an impact on CT REIT.

(g) Standards, amendments and interpretations issued but not yet adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2017, and accordingly, have not been applied in preparing these consolidated financial statements.

(i) Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 - *Financial Instruments* ("*IFRS 9*"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("*IAS 39*").

Classification and measurement - Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in a company's own credit risk recognized in other comprehensive income instead of net income, unless this would create an accounting mismatch.

Impairment - The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting - The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

In October 2017, the IASB issued "*Prepayment Features with Negative Compensation (Amendments to IFRS 9)*" with an effective date of January 1, 2019. The component of the amendments relevant to CT REIT relates to clarifying the accounting for the modification of financial liabilities and requires CT REIT to recognize any adjustments to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange, regardless of whether the changes are substantial and result in derecognition of the financial liability. CT REIT expects to adopt these amendments together with other IFRS 9 requirements for the 2018 annual fiscal period.

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The implementation of IFRS 9 will be applied for annual periods beginning on or after January 1, 2018 and is not expected to have a significant impact on CT REIT.

(ii) Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15"), which will replace IAS 11 - *Construction Contracts*, and IAS 18 - *Revenue*, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

In April 2016, the IASB published clarifications to IFRS 15 which addressed three topics (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts.

The implementation of IFRS 15 will be applied for annual periods beginning on or after January 1, 2018 and is not expected to have a significant impact on CT REIT.

(iii) Leases

In January 2016, the IASB issued IFRS 16 - *Leases* ("IFRS 16"), which will replace IAS 17 - *Leases* ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. CT REIT is the lessee for certain ground leases, disclosed in Note 17, which are in scope for IFRS 16. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. CT REIT is assessing the potential impact of this standard.

(iv) IASB annual improvements

In December 2017, the IASB issued amendments aimed at clarifying four standards, including IFRS 3 - *Business Combinations*, IFRS 11 - *Joint Arrangements*, IAS 12 - *Income Taxes* and IAS 23 - *Borrowing Costs*.

These amendments will be effective for annual periods beginning on or after January 1, 2019. CT REIT is currently assessing the potential impacts of these amendments.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

These consolidated financial statements include the accounts of CT REIT and its consolidated subsidiaries consisting of the Partnership and CT REIT GP Corp., which are the entities over which CT REIT has control. Control exists when CT REIT has the ability to direct the relevant activities of an entity, has exposure or rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. CT REIT reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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Consolidation of a subsidiary begins when CT REIT obtains control over the subsidiary and ceases when CT REIT loses control of the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between CT REIT and its subsidiaries, and among subsidiaries of CT REIT, are eliminated on consolidation.

Net income and comprehensive income are attributed to the Unitholders of CT REIT and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

CT REIT holds all of the Class A limited partnership units (“Class A LP Units”) of the Partnership, which are the sole class of Partnership units that carry voting rights. In addition, CT REIT holds all of the shares of the GP, the general partner of the Partnership, which has the power to direct the relevant activities of the Partnership. Accordingly, CT REIT is exposed to variable returns from its interest in the Partnership and has the ability to direct the relevant activities thereof to affect its returns. Therefore CT REIT consolidates the Partnership.

Non-controlling interests in the equity of the Partnership, which consists of Class B LP Units held by a wholly owned subsidiary of CTC, are shown separately in equity on the consolidated balance sheet.

(b) Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control whereby decisions about relevant activities require unanimous consent of the parties sharing control. A joint arrangement is classified as a joint operation when the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities related to the arrangement. A joint arrangement is classified as a joint venture when the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A party to a joint operation records its interest in the assets, liabilities, revenue and expenses of the joint operation.

CT REIT acquired a one-third interest in the Co-Ownership, pursuant to a co-ownership arrangement. The Co-Ownership is a joint arrangement as the material decisions about relevant activities require unanimous consent of the co-owners. This joint arrangement is a joint operation as each co-owner has rights to the assets and obligations for the liabilities related to the Co-ownership. Accordingly, CT REIT recognizes its proportionate share of the assets, liabilities, revenue and expenses of the Co-Ownership in its financial statements.

(c) Investment properties

Investment properties include income-producing properties and properties under development that are held by CT REIT to earn rental income. CT REIT accounts for its investment properties in accordance with IAS 40 - *Investment Property* (“IAS 40”). For acquired investment properties that meet the definition of a business, the acquisition is accounted for as a business combination in accordance with IFRS 3 - *Business Combinations* (“IFRS 3”), otherwise they are initially measured at cost including directly attributable acquisition costs. Subsequent to acquisition, investment properties are carried at fair value, which is determined based on available market evidence at the balance sheet date including, among other things, rental revenue from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental revenue from future leases less future cash outflows in respect of capital expenditures. Gains and losses arising from changes in fair value are recognized in net income in the period of change.

The initial cost of properties under development includes the acquisition cost of the properties, direct development costs, realty taxes and borrowing costs attributable to properties under development. Borrowing costs associated with direct expenditures on properties under development are capitalized. The amount of capitalized borrowing costs is determined first by reference to property-specific borrowings, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any investment income arising on their temporary investment. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

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Practical completion is when the property is capable of operating in the manner intended by management. Generally, this occurs on completion of construction and receipt of all necessary occupancy and other material permits.

If considered reliably measurable, properties under development are carried at fair value. Properties under development are measured at cost if fair value is not reliably measurable. In determining the fair value of properties under development, management considers, among other things, the development risk of the property, the provisions of the construction contract, the stage of completion and the level of reliability of cash inflows after completion.

Leasing costs incurred by CT REIT in negotiating and arranging tenant leases are added to the carrying amount of investment properties. Payments to tenants under lease contracts are characterized as either capital expenditures in the form of tenant improvements that enhance the value of the property or as lease inducements. Tenant improvements are capitalized as part of investment properties. Lease inducements are capitalized as a component of investment properties and are amortized over the term of the lease as a reduction of revenue.

When an investment property is sold, the gain or loss is determined as the difference between the net disposal proceeds and the carrying amount of the property, and is recognized in net income in the period of disposal.

(d) Business combinations

CT REIT accounts for investment property acquisitions as a business combination if the particular assets and set of activities acquired can be operated and managed as a business in its current state. CT REIT applies the acquisition method to account for business combinations. The consideration transferred for a business combination is the fair value of the assets transferred, the liabilities assumed from or incurred to the former owners of the acquiree and the equity interests issued by CT REIT. The total consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs incurred in a business combination are expensed as incurred.

CT REIT recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

(e) Revenue recognition

CT REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date or, where CT REIT is required to make additions to the property in the form of tenant improvements that enhance the value of the property, upon substantial completion of those improvements. Property revenue includes all amounts earned from tenants related to lease agreements including property tax, operating cost and other recoveries.

The total amount of minimum lease payments to be received from operating leases is recognized on a straight-line basis over the term of the lease. A straight-line rent receivable, which is included in the carrying amount of investment properties, is recorded for the difference between the rental revenue recorded and the contractual amount of minimum base rent received or receivable.

(f) Income taxes

CT REIT is a "mutual fund trust" under the Income Tax Act (Canada). The Trustees intend to distribute or designate all taxable income directly earned by CT REIT to Unitholders and to deduct such distributions for income tax purposes.

Legislation relating to the federal income taxation of Specified Investment Flow Through ("SIFT") trusts or partnerships provide that certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income and that the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as a return of capital should generally not be subject to tax.

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Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the “REIT Exception”). CT REIT has reviewed the SIFT rules and has assessed their interpretation and application to CT REIT’s assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, CT REIT believes that it meets the REIT Exception. Accordingly, with the exception of transactions with the GP, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated financial statements.

(g) Class C LP Units

Each series of the Class C LP Units are redeemable, at the option of the holder, at a specified future date and can be settled at the option of the Partnership in cash or a variable number of Class B LP Units. Accordingly, the Class C LP Units are classified as financial liabilities and fixed payments on the Class C LP Units are presented as interest expense in the consolidated statement of income and comprehensive income using the effective interest method.

(h) Non-controlling interests

Class B LP Units are classified as non-controlling interests and are presented as a component of equity as they represent equity interests in the Partnership not attributable, directly or indirectly, to CT REIT.

(i) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when CT REIT has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are remeasured at each balance sheet date using the then current discount rate. The increase in the provision due to the passage of time is recognized as interest expense.

(j) Unit based compensation plans

CT REIT offers a Deferred Unit Plan (the “DU Plan”) for trustees who are not employees or officers of CT REIT or its affiliates, whereby such trustees may elect to receive all or a portion of their annual compensation in deferred units (“DUs”). CT REIT has a Restricted Unit Plan (the “RU Plan”) for executives, whereby the executives of CT REIT may elect to receive all or a portion of their annual short-term incentive plan awards in restricted units (“RUs”), and a Performance Unit Plan (the “PU Plan”) whereby the performance units (“PUs”) are granted to employees of CT REIT as part of their long-term incentive plan.

DUs, RUs and PUs are recorded as liabilities and expensed as compensation expense over the vesting period. Accrued compensation costs under the plans are adjusted to the fair value of the vested units at each reporting date.

(k) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of three months or less.

(l) Financial instruments and derivatives

Financial instruments are classified, at the time of initial recognition, according to their characteristics and management’s classifications and intentions related thereto for the purposes of ongoing measurement. Classification choices are: (i) held-to-maturity, (ii) loans and receivables, (iii) fair value through profit or loss (“FVTPL”), (iv) available for sale, or (v) other financial liabilities. Financial assets and liabilities classified as FVTPL are measured at fair value with gains and losses recognized in the consolidated statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are measured at amortized cost, using the effective interest method. Available-for-sale financial instruments are measured at fair value and any unrealized gains and losses will be recognized in other comprehensive income. CT REIT does not hold any held-to-maturity, FVTPL or available for sale financial instruments.

The REIT measures all financial instruments at amortized cost, excluding DUs, RUs, and PUs which are carried at fair value.

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Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net income.

4. INVESTMENT PROPERTIES

The following table summarizes CT REIT's investment property portfolio holdings:

	December 31, 2017			December 31, 2016		
	Income-producing properties	Properties under development	Total investment properties	Income-producing properties	Properties under development	Total investment properties
Balance, beginning of period	\$ 4,979,231	\$ 21,124	\$ 5,000,355	\$ 4,304,838	\$ 14,223	\$ 4,319,061
Property acquisitions (including transaction costs)	209,677	—	209,677	214,225	—	214,225
Intensifications	—	24,893	24,893	—	10,852	10,852
Developments	—	64,882	64,882	—	356,943	356,943
Development land	—	13,380	13,380	—	8,744	8,744
Capitalized interest and property taxes	—	1,957	1,957	—	6,895	6,895
Transfers	27,154	(27,154)	—	376,533	(376,533)	—
Fair value adjustment on investment properties	79,687	—	79,687	44,549	—	44,549
Straight-line rent	22,822	—	22,822	23,774	—	23,774
Recoverable capital expenditures	18,962	—	18,962	15,570	—	15,570
Dispositions	(18)	—	(18)	(258)	—	(258)
Balance, end of period¹	\$ 5,337,515	\$ 99,082	\$ 5,436,597	\$ 4,979,231	\$ 21,124	\$ 5,000,355

¹Includes purchased lands for \$9,209 (December 31, 2016 - \$6,505) held for development.

To determine fair value, CT REIT uses the income approach. Fair value is estimated by capitalizing the cash flows that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate ("OCR") method, whereby the net operating income is capitalized at the requisite OCR, or the discounted cash flow ("DCF") method, in which the cash flows are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate.

As at December 31, 2017, management's determination of fair value was updated for current market assumptions, utilizing market capitalization rates provided by independent valuation professionals.

On a periodic basis, CT REIT obtains independent valuations such that substantially all of the properties will be externally appraised over a four-year period. During 2017 independent appraisals were completed on 71 properties (2016 - 65 properties) having a fair value of \$1,612,230 (2016 - \$880,630).

The fair value of investment properties is based on Level 3 inputs (see Note 19.(a)). There have been no transfers during the period between levels.

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The significant inputs used to determine the fair value of CT REIT's income-producing properties are as follows:

	Properties valued by the OCR method	Properties valued by the DCF method
Number of properties	271	53
Value at December 31, 2017	\$ 3,970,673	\$ 1,310,843
Discount rate	—%	6.96%
Terminal capitalization rate	—%	6.52%
Overall capitalization rate	6.18%	—%
Hold period (years)	—	10

Valuations determined by the OCR method are most sensitive to changes in capitalization rates. Valuations determined by the DCF method are most sensitive to changes in discount rates.

The following table summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate and discount rate, respectively:

Rate sensitivity	OCR Sensitivity		DCF Sensitivity	
	Fair value	Change in fair value	Fair value	Change in fair value
+ 75 basis points	\$ 3,544,119	\$ (426,554)	\$ 1,188,649	\$ (122,194)
+ 50 basis points	3,675,416	(295,257)	1,226,451	(84,393)
+ 25 basis points	3,817,117	(153,556)	1,267,045	(43,799)
December 31, 2017	\$ 3,970,673	\$ —	\$ 1,310,843	\$ —
- 25 basis points	4,137,243	166,569	1,358,324	47,480
- 50 basis points	4,318,875	348,202	1,409,895	99,052
- 75 basis points	\$ 4,517,559	\$ 546,886	\$ 1,466,122	\$ 155,278

2017 Investment and Development Activity

Funding of investment and development activities for the year ended December 31, 2017 was as follows:

2017 Investment and Development Activity					
	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 28,800	\$ 6,640	\$ 14,623	\$ 16,453	\$ 66,516
Funded with working capital to third parties	40,907	4,980	7,566	8,253	61,706
Funded with Bridge Facility	102,382	—	23,618	—	126,000
Capitalized interest and property taxes	—	—	1,957	—	1,957
Issuance of Class B LP Units to CTC	37,588	1,760	13,075	187	52,610
Mortgages payable	—	—	6,000	—	6,000
Total costs	\$ 209,677	\$ 13,380	\$ 66,839	\$ 24,893	\$ 314,789

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2016 Investment and Development Activity

Funding of investment and development activities for the year ended December 31, 2016 was as follows:

	2016 Investment and Development Activity				
	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 5,790	\$ 1,184	\$ 328,039	\$ 6,442	\$ 341,455
Funded with working capital to third parties	135,265	2,660	18,904	4,410	161,239
Capitalized interest and property taxes	—	—	6,895	—	6,895
Issuance of Class B LP Units to CTC	53,070	—	—	—	53,070
Issuance of Class C LP Units to CTC	20,100	4,900	10,000	—	35,000
Total costs	\$ 214,225	\$ 8,744	\$ 363,838	\$ 10,852	\$ 597,659

Included in CT REIT's investment properties are nine (2016 - eight) buildings which are situated on ground leases with remaining initial terms of between 1 and 38 years (2016 - 2 and 39 years), and an average remaining initial term of 16 years (2016 - 16 years).

5. CLASS C LP UNITS

The Class C LP Units entitle the holder to a fixed cumulative monthly payment, during the initial fixed rate period for each Series of Class C LP Units (the "Initial Fixed Rate Period"), equal to a weighted average rate of 4.70% of the aggregate capital amount ascribed to the Class C LP Units, in priority to distributions made to holders of the Class B LP Units and the GP shares, subject to certain exceptions.

On expiry of the Initial Fixed Rate Period applicable to each series of Class C LP Units, and each five-year period thereafter, each such series of Class C LP Units is redeemable at par (together with all accrued and unpaid payments thereon) at the option of the Partnership or the holder, upon giving at least 120 days' prior notice. The Partnership further has the ability to settle any of the Class C LP Units at any time after January 1, 2019 at a price equal to the greater of par and a price to provide a yield equal to the then equivalent Government of Canada bond yield plus a spread, so long as such redemption is in connection with a sale of properties.

Such redemptions of Class C LP Units (other than upon a change of control at CT REIT) can be settled at the option of the Partnership, in cash or Class B LP Units of equal value.

During the five-year period beginning immediately following the completion of the Initial Fixed Rate Period, and each five-year period thereafter, if not redeemed, the fixed payment rate for Class C LP Units will be reset, and the holders of Class C LP Units will be entitled, subject to certain conditions, to elect either a fixed rate or floating rate option.

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The following table presents the details of the Class C LP Units:

Series	Expiry of initial fixed rate period	Annual distribution rate during initial fixed rate period	Carrying amount at December 31, 2017	Carrying amount at December 31, 2016
Series 3	May 31, 2020	4.50%	200,000	200,000
Series 4	May 31, 2024	4.50%	200,000	200,000
Series 5	May 31, 2028	4.50%	200,000	200,000
Series 6	May 31, 2031	5.00%	200,000	200,000
Series 7	May 31, 2034	5.00%	200,000	200,000
Series 8	May 31, 2035	5.00%	200,000	200,000
Series 9	May 31, 2038	5.00%	200,000	200,000
Series 10	May 31, 2017	2.38%	—	7,130
Series 11	May 31, 2017	2.20%	—	20,685
Series 12	May 31, 2017	2.23%	—	19,464
Series 13	May 31, 2017	1.65%	—	3,789
Series 14	May 31, 2017	1.71%	—	15,000
Series 15	May 31, 2017	1.77%	—	4,350
Series 16	May 31, 2020	2.42%	16,550	16,550
Series 17	May 31, 2020	2.39%	18,500	18,500
Series 18	May 31, 2020	2.28%	4,900	4,900
Series 19	May 31, 2020	2.28%	11,600	11,600
Weighted average / Total		4.70%	\$ 1,451,550	\$ 1,521,968
Current			\$ —	\$ 70,418
Non-current			1,451,550	1,451,550
Total			\$ 1,451,550	\$ 1,521,968

For the year ended December 31, 2017, interest expense of \$68,826 (2016 - \$72,405) was recognized in respect of the Class C LP Units (see Note 14). The holders of the Class C LP Units may elect to defer receipt of all or a portion of distributions declared by CT REIT until the first business day following the end of the fiscal year. If the holder so elects to defer receipt of payments, CT REIT will loan the holder an amount equal to the deferred payment without interest, and the loan will be due and payable in full on the first business day following the end of the fiscal year the loan was advanced, the holder having irrevocably directed that any payment of the deferred payments be applied to repay such loans. At the election of the holder, payments on the Class C LP Units for the year ended December 31, 2017 of \$62,380 (2016 – \$65,807), were deferred until the first business day following the end of the fiscal year and non-interest bearing loans equal to the deferred payments were advanced in lieu thereof. The net amount of payments due in respect of the Class C LP Units at December 31, 2017 of \$5,685 (2016 – \$5,806) is included in other liabilities on the consolidated balance sheets. The loans deferred as at December 31, 2017 were settled on January 2, 2018.

On May 31, 2017, Series 10-15 Class C LP Units were redeemed through the issuance to CTC of \$47,279 of Class B LP Units and the payment of \$23,139 in cash.

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The following table reconciles the change in the balance of Class C LP Units from cash and non-cash activities:

		Year ended December 31, 2017
Balance, beginning of year	\$	1,521,968
Cash flow activities:		
Redemption of Class C LP Units in cash		(23,139)
Non-cash activities:		
Redemption of Class C LP Units with Class B LP Units		(47,279)
Balance, end of year	\$	1,451,550

6. MORTGAGES PAYABLE

Mortgages payable, secured by certain of CT REIT's investment properties, include the following:

	December 31, 2017		December 31, 2016	
	Face value	Carrying amount	Face value	Carrying amount
Current	\$ 422	\$ 415	\$ 1,241	\$ 1,318
Non-current	43,626	43,595	54,708	54,677
Total	\$ 44,048	\$ 44,010	\$ 55,949	\$ 55,995

Future repayments are as follows:	Principal amortization		Maturities		Total
2018	\$ 422	\$ 422	\$ —	\$ —	\$ 422
2019	36	36	43,590	—	43,626
2020	—	—	—	—	—
2021	—	—	—	—	—
2022	—	—	—	—	—
2023 and thereafter	—	—	—	—	—
Total contractual obligation	\$ 458	\$ 458	\$ 43,590	\$ —	\$ 44,048
Unamortized portion of mark to market on mortgages payable assumed at the acquisition of properties					31
Unamortized transaction costs					(69)
					\$ 44,010

Mortgages payable have interest rates that range from 2.97% to 3.60%, and have maturity dates that range from January 2019 to December 2019. Mortgages payable at December 31, 2017 had a weighted average interest rate of 3.07% (December 31, 2016 – 3.16%). At December 31, 2017, floating rate and fixed rate mortgages were \$37,133 (December 31, 2016 – \$31,133) and \$6,915 (December 31, 2016 – \$24,816), respectively.

During December 2017, CT REIT repaid maturing mortgages of approximately \$16,600.

Investment properties having a fair value of \$95,704 (December 31, 2016 – \$126,300) have been pledged as security for mortgages payable.

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7. DEBENTURES

Series	December 31, 2017		December 31, 2016	
	Face value	Carrying amount	Face value	Carrying amount
A, 2.85%, June 9, 2022	\$ 150,000	\$ 149,277	\$ 150,000	\$ 149,123
B, 3.53%, June 9, 2025	200,000	198,739	200,000	198,588
C, 2.16%, June 1, 2021	150,000	149,270	150,000	149,058
D, 3.29%, June 1, 2026	200,000	198,717	200,000	198,567
E, 3.47%, June 16, 2027	175,000	173,468	—	—
	\$ 875,000	\$ 869,471	\$ 700,000	\$ 695,336

Debentures at December 31, 2017, had a weighted average interest rate of 3.11% (December 31, 2016 - 3.02%).

On June 16, 2017, CT REIT issued \$175,000 aggregate principal amount of senior unsecured debentures under CT REIT's short form base shelf prospectus dated April 5, 2017.

On May 31, 2016, CT REIT issued \$350,000 aggregate principal amount of senior unsecured debentures under CT REIT's short form base shelf prospectus dated March 5, 2015.

For the year ended December 31, 2017, amortization of the transaction costs of \$756 (2016 - \$548) are included in net interest and other financing charges on the consolidated statements of income and comprehensive income (see Note 14).

8. CREDIT FACILITIES

CT REIT's credit facilities are comprised of the following:

	December 31, 2017	December 31, 2016
Bank Credit Facility	\$ 53,941	\$ 109,824
Bridge Facility	126,000	—
	\$ 179,941	\$ 109,824

(a) Bank credit facility

CT REIT has a \$300 million unsecured revolving credit facility with a syndicate of major Canadian third party banks ("Bank Credit Facility") available until September 2022. The Bank Credit Facility bears interest at a rate based on the bank's prime rate of interest or bankers' acceptances plus a margin. A standby fee is charged on the Bank Credit Facility.

As at December 31, 2017, \$53,941 (December 31, 2016 - \$109,824) of borrowings were drawn on the Bank Credit Facility and \$2,065 (December 31, 2016 - \$1,227) of letters of credit were outstanding under the Bank Credit Facility. At December 31, 2017, the Bank Credit Facility had a weighted average interest rate of 2.33% (December 31, 2016 - 1.88%).

(b) Bridge facility

In Q4 2017, CT REIT entered into a loan agreement with CTC for a maximum amount of \$150 million and a term of one year ("Bridge Facility"). The use of proceeds from the Bridge Facility is for the sole purpose of acquiring, from a third party, a portfolio of certain investment properties. The unsecured Bridge Facility bears interest at a rate based on bankers' acceptance rate and is repayable on or before December 2018.

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As at December 31, 2017, \$126,000 of borrowings were drawn on the Bridge Facility. At December 31, 2017, the Bridge Facility had a weighted average interest rate of 2.60%.

9. EQUITY

Authorized and outstanding units

CT REIT is authorized to issue an unlimited number of Units.

The following tables summarize the changes in Units and Class B LP Units:

	As at December 31, 2017		
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,479,102	116,367,697	206,846,799
Issued	166,193	6,725,169	6,891,362
Total outstanding at end of the year	90,645,295	123,092,866	213,738,161

	As at December 31, 2016		
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,337,358	99,263,329	189,600,687
Issued	141,744	17,104,368	17,246,112
Total outstanding at end of year	90,479,102	116,367,697	206,846,799

Net income attributable to Unitholders and weighted average units outstanding used in determining basic and diluted net income per unit for the year ended December 31, 2017 and 2016, are calculated as follows, respectively:

	For the year ended December 31, 2017		
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 135,822	\$ 181,455	\$ 317,277
Income effect of settling Class C LP Units with Class B LP Units			68,826
Net income attributable to Unitholders - diluted			\$ 386,103
Weighted average units outstanding - basic	90,561,829	120,748,416	211,310,245
Dilutive effect of other Unit plans			146,241
Dilutive effect of settling Class C LP Units with Class B LP Units			101,882,284
Weighted average units outstanding - diluted			313,338,770

	For the year ended December 31, 2016		
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 116,625	\$ 142,454	\$ 259,079
Income effect of settling Class C LP Units with Class B LP Units			72,405
Net income attributable to Unitholders - diluted			\$ 331,484
Weighted average units outstanding - basic	90,409,304	110,030,612	200,439,916
Dilutive effect of other Unit plans			118,636
Dilutive effect of settling Class C LP Units with Class B LP Units			106,661,254
Weighted average units outstanding - diluted			307,219,806

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Distributions on Units and Class B LP Units

The following table presents total distributions paid on Units and Class B LP Units:

For the year ended December 31,	2017		2016	
		Distributions per unit		Distributions per unit
Units	\$	0.700	\$	0.680
Class B LP Unit	\$	0.700	\$	0.680

On November 6, 2017, the Board reviewed and approved the current rate of distribution of \$0.700 per Unit per year and approved an increase in the annual rate of distribution to \$0.728 per Unit per year, or monthly distribution rate of \$0.06067 per Unit, when declared, commencing with the December 31, 2017 record date.

On December 15, 2017, CT REIT's Board declared a distribution of \$0.06067 per Unit paid on January 15, 2018 to holders of Units and Class B LP Units of record as of December 31, 2017.

On January 15, 2018, CT REIT's Board declared a distribution of \$0.06067 per Unit payable on February 15, 2018 to holders of Units and Class B LP Units of record as of January 31, 2018.

Units

Each Unit is transferable and represents an equal, undivided, beneficial interest in CT REIT and any distributions from the REIT, whether of net income, net realized capital gains, or other amounts, and in the event of the termination or winding-up of CT REIT, in CT REIT's net assets remaining after satisfaction of all liabilities. All Units rank among themselves equally and ratably without discrimination, preference or priority. Each Unit entitles the holder thereof to one vote at all meetings of Unitholders or with respect to any written resolution of Unitholders. The Units have no conversion, retraction or redemption rights.

Non-controlling interests

The Class B LP Units are exchangeable on a one-for-one basis (subject to customary anti-dilution provisions) for Units at the option of the holder. Each Class B LP Unit is accompanied by a Special Voting Unit. The holders of Class B LP Units are entitled to receive distributions when declared by the Partnership equal to the per Unit amount of distributions payable to each holder of Units. However, the Class B LP Units have limited voting rights over the Partnership.

Special Voting Units

Special Voting Units are only issued (i) in tandem with Class B LP Units of the Partnership or (ii) in limited circumstances to holders of the Class C LP Units and are not transferable separately from the Class B LP Units or Class C LP Units, as the case may be, to which they relate. Upon any transfer of Class B LP Units or Class C LP Units, as the case may be, such Special Voting Units will automatically be transferred to the transferee of the Class B LP Units. As Class B LP Units are exchanged for Units or purchased for cancellation, the corresponding Special Voting Units will be cancelled for no consideration.

Each Special Voting Unit entitles the holder thereof to one vote at all meetings of Unitholders or with respect to any resolution in writing of Unitholders. Except for the right to attend and vote at meetings of the Unitholders or with respect to written resolutions of the Unitholders, Special Voting Units do not confer upon the holders thereof any other rights. A Special Voting Unit does not entitle its holder to any economic interest in CT REIT, or to any interest or share in CT REIT, or to any interest in any distributions (whether of net income, net realized capital gains, or other amounts), or to any interest in any net assets in the event of termination or winding-up.

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CT REIT's Board retains full discretion with respect to the timing and quantum of distributions. Declared distributions are paid to Unitholders of record at the close of business on the last day of the month on or about the 15th day of the following month.

10. UNIT BASED COMPENSATION PLANS

Deferred Unit Plan for Trustees

CT REIT offers a Deferred Unit ("DU") Plan for certain members of its Board of Trustees. Under this plan, eligible trustees may elect to receive all or a portion of their annual trustee fees in DUs. DUs are paid out in equivalent Units of CT REIT or, at the election of the trustee, in cash, following the trustee's departure from the Board.

As at December 31, 2017, accrued DU compensation costs, which are included in other liabilities, totaled \$1,515 (2016 - \$1,193). Compensation expense recorded related to DU's for the year ended December 31, 2017 was \$15 (2016 - \$162). The fair value of DUs is equal to the trading price of Units, which is a Level 1 input (see Note 19.(a)).

Performance Unit Plan for Employees

CT REIT offers Performance Units ("PUs") to certain employees that generally vest after three years. Each PU entitles the employee to receive a cash payment equal to the fair market value of Units of CT REIT, multiplied by a factor determined by specific performance-based criteria, as set out in the Performance Unit Plan.

As at December 31, 2017, accrued PU compensation costs, which are included in other liabilities, totaled \$2,290 (2016 - \$2,390). Compensation expense recorded for the year ended December 31, 2017 for PUs granted to employees was \$1,309 (2016 - \$1,473). The fair value of PUs is equal to the trading price of Units, which is a Level 1 input (see Note 19.(a)).

Restricted Unit Plan for Executives

CT REIT offers a Restricted Unit ("RU") Plan for its executives. RUs may be issued as discretionary grants or executives may elect to receive all or a portion of their short term incentive plan in RUs. At the end of the vesting period which is generally three years from the date of grant (in the case of discretionary grants) or five years from the short term incentive plan bonus payment date (in the case of deferred bonus), the executives will receive an equivalent number of Units issued by CT REIT or, at the executive's election, the cash equivalent thereof.

As at December 31, 2017, accrued RU compensation costs, which are included in other liabilities, totaled \$867 (2016 - \$509). Compensation expense for the year ended December 31, 2017 was \$34 (2016 - \$166). The fair value of RUs is equal to the trading price of Units, which is a Level 1 input (see Note 19.(a)).

11. NON-CONTROLLING INTERESTS

Details of non-wholly owned subsidiaries of CT REIT that have material non-controlling interests are as follows:

Name of Subsidiary	Proportion of ownership interests held by non-controlling interests		Net income and comprehensive income allocated to non-controlling interests	
	As at December 31, 2017	As at December 31, 2016	For the year ended December 31, 2017	For the year ended December 31, 2016
CT REIT Limited Partnership	57.59%	56.26%	\$ 181,455	\$ 142,454

There are no restrictions on CT REIT's ability to access or use the assets and settle the liabilities of its subsidiaries and there are no contractual arrangements that could require CT REIT to provide financial support to its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12. REVENUE AND EXPENSES

(a) Property revenue

CT REIT leases income-producing commercial properties to tenants under operating leases. The CTC leases have staggered initial terms ranging from 1 to 20 years, with a weighted average remaining initial term of approximately 11.9 years. Annual base minimum rent for CTC leases have weighted average annual rent escalations of approximately 1.5% per year.

The components of property revenue are as follows:

	CTC	Other	For the year ended December 31, 2017
Base minimum rent	\$ 300,724	\$ 23,286	\$ 324,010
Straight-line rent	21,945	877	22,822
Subtotal base rent	\$ 322,669	\$ 24,163	\$ 346,832
Property operating expense recoveries	80,331	10,045	90,376
Capital expenditure and interest recovery charge	5,483	79	5,562
Other revenues	4	529	533
Property revenue	\$ 408,487	\$ 34,816	\$ 443,303

	CTC	Other	For the year ended December 31, 2016
Base minimum rent	\$ 273,083	\$ 16,524	\$ 289,607
Straight-line rent	23,102	672	23,774
Subtotal base rent	\$ 296,185	\$ 17,196	\$ 313,381
Property operating expense recoveries	82,334	7,104	89,438
Capital expenditure and interest recovery charge	3,756	74	3,830
Other revenues	3	513	516
Property revenue	\$ 382,278	\$ 24,887	\$ 407,165

Future base minimum rental revenue commitments on non-cancellable tenant operating leases are as follows:

	December 31, 2017
Less than one year	\$ 331,174
Between one and five years	1,318,280
More than five years	2,456,276
Total	\$ 4,105,730

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(b) Property expense

The major components of property expense consist of property taxes and other recoverable costs:

For the year ended December 31,	2017	2016
Property taxes	\$ 79,987	\$ 81,250
Other recoverable operating costs	9,598	7,312
Property management ¹	4,479	3,630
Ground rent	4,037	4,037
Property insurance	189	159
Property expense	\$ 98,290	\$ 96,388

¹ Includes \$2,652 (2016 - \$2,394) with CTC. See Note 18.

13. GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expense is comprised of the following:

For the year ended December 31,	2017	2016
Personnel expense ¹	\$ 5,291	\$ 4,539
Services Agreement with CTC ²	3,014	3,116
Public entity and other ¹	2,740	2,677
General and administrative expense	\$ 11,045	\$ 10,332

¹ Includes unit-based awards, including (gain) loss adjustments as a result of the change in the fair market value of the Units of \$(33) (2016 - \$729) for the year ended December 31, 2017.

² See Note 18.

14. NET INTEREST AND OTHER FINANCING CHARGES

Net interest and other financing charges are comprised of the following:

For the year ended December 31,	2017	2016
Interest on Class C LP Units ¹	\$ 68,826	\$ 72,405
Interest and financing costs - debentures	25,207	17,641
Interest and financing costs - Bank Credit Facility	1,972	1,242
Interest on mortgages payable	1,777	1,591
Interest costs - Bridge Facility ¹	126	—
	\$ 97,908	\$ 92,879
Less: capitalized interest	(1,365)	(6,752)
Interest and other financing charges less capitalized interest	\$ 96,543	\$ 86,127
Less: interest income	(165)	(212)
Net interest and other financing charges	\$ 96,378	\$ 85,915

¹ Paid or payable to CTC.

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15. CHANGES IN WORKING CAPITAL AND OTHER

Changes in working capital are comprised of the following:

For the year ended December 31,	2017	2016
Changes in working capital and other		
Tenant and other receivables	\$ 441	\$ 104
Other assets	(112)	28
Other liabilities	5,688	(957)
Other	(131)	34
Changes in working capital and other	\$ 5,886	\$ (791)

16. SEGMENTED INFORMATION

CT REIT has one reportable segment, which comprises the ownership and operation of primarily retail investment properties located in Canada.

17. COMMITMENTS AND CONTINGENCIES

CT REIT has agreed to indemnify, in certain circumstances, the trustees and officers of CT REIT and its subsidiaries.

As at December 31, 2017, CT REIT had obligations of \$39,227 (December 31, 2016 – \$30,470) in future payments for the completion of developments, which are expected to be incurred in 2018. Included in the commitments is \$31,372 due to CTC. CT REIT has an obligation of \$66,500 (December 31, 2016 - \$nil) to a third party for the acquisition of two investment properties which is expected to be settled in Q1 2018.

Operating ground lease commitments

CT REIT has entered into various ground leases with third parties, which are accounted for as operating leases. The remaining non-cancellable initial terms of the ground leases are between one and 38 years, with an average remaining initial term of 16 years. The majority of the ground lease agreements are renewable at the end of the current lease term. Assuming all extensions are exercised, the ground leases have remaining terms between 25 and 73 years with an average remaining lease term of 40 years.

The ground rent expense charged to the statement of income and comprehensive income during the year is disclosed in Note 12.

The future aggregate minimum ground lease payments under the non-cancellable operating leases terms are as follows:

	December 31, 2017	December 31, 2016
Less than one year	\$ 3,704	\$ 3,704
Between one and five years	12,864	13,726
More than five years	30,625	33,470
Total	\$ 47,193	\$ 50,900

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18. RELATED-PARTY TRANSACTIONS

In the normal course of operations, CT REIT enters into various transactions with related parties that have been measured at amounts agreed to between the parties and are recognized in the consolidated financial statements.

(a) Arrangements with CTC

Services Agreement

Under the Services Agreement, CTC provides the REIT with certain administrative, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "Services"). CTC provides these Services to the REIT on a cost recovery basis pursuant to which CT REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services, plus applicable taxes. The Services Agreement is automatically renewable for one year terms, unless otherwise terminated in accordance with its terms. The Services Agreement was automatically renewed for 2018 and CTC will continue to provide such Services on a cost recovery basis.

Property Management Agreement

Under the Property Management Agreement, CTC provides the REIT with certain customary property management services (the "Property Management Services"). CTC provides Property Management Services to the REIT on a cost recovery basis pursuant to which the REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Property Management Services, plus applicable taxes. The Property Management Agreement is automatically renewable for one year terms, unless earlier terminated in accordance with its terms. The Property Management Agreement was automatically renewed for 2018 and CTC will continue to provide such Services on a cost recovery basis.

(b) Transactions and balances with related parties

Transactions with CTC are comprised of the following, excluding acquisition, intensification and development activities with CTC which are contained in Note 4:

For the year ended December 31,	Note	2017	2016
Rental revenue	12	\$ 408,487	\$ 382,278
Property Management and Services Agreement expense		\$ 5,666	\$ 5,510
Distributions on Units		\$ 41,935	\$ 40,705
Distributions on Class B LP Units ¹		\$ 84,873	\$ 75,030
Interest expense on Class C LP Units	14	\$ 68,826	\$ 72,405
Interest expense on the Bridge Facility	14	\$ 126	\$ —

¹ Includes distributions deferred at the election of the holders of the Class B LP Units.

The net balance due to CTC is comprised of the following:

As at	December 31, 2017	December 31, 2016
Tenant and other receivables	\$ (1,758)	\$ (404)
Class C LP Units	1,451,550	1,521,968
Amounts payable on Class C LP Units	68,065	71,613
Loans receivable in lieu of payments on Class C LP Units	(62,380)	(65,807)
Other liabilities	6,556	5,199
Distributions payable on Units and Class B LP Units ¹	26,551	18,581
Loans receivable in lieu of distributions on Class B LP Units	(15,460)	(8,311)
Bridge Facility	126,000	—
Net balance due to CTC	\$ 1,599,124	\$ 1,542,839

¹ Includes distributions deferred at the election of the holders of the Class B LP Units.

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(c) Compensation of executives and independent trustees

The remuneration of the chief executive officer, chief financial officer, senior vice president and the trustees who were not employees or officers of the REIT or any of its affiliates, is as follows:

For the year ended December 31,		2017	2016
Salaries and short-term employee benefits	\$	2,588	\$ 2,421
Unit-based awards ¹		1,067	1,609
Total	\$	3,655	\$ 4,030

¹Unit-based awards, as described in Note 10, includes (gain) loss adjustments as a result of the change in the fair market value of the Units of \$(33) (2016 - \$729).

The remuneration of the chief executive officer, chief financial officer and senior vice president consist principally of base salary, short-term cash incentives and long-term incentives (in the form of unit-based awards). The remuneration is determined by CT REIT's Board of Trustees, on the recommendation of the Governance, Compensation and Nominating Committee.

The compensation of trustees, who are not employees or officers of CT REIT or any of its affiliates, consists of an annual retainer and meeting fees.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value of financial instruments

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs: Are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs: Are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs: Are unobservable inputs for the asset or liability.

The fair value of the Class C LP Units is determined by discounting contractual principal and interest payments at estimated current market interest rates for the instrument. Current market interest rates are determined with reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risks.

The fair value of the Class C LP Units, debentures and mortgages payable at December 31, 2017, is \$1,564,939, \$866,117 and \$44,565 respectively. The fair value measurement of the Class C LP Units and mortgages payable is based on Level 2 inputs. The significant inputs used to determine the fair value of the Class C LP Units and mortgages payable are interest rates, term to maturity, and credit spreads. The debentures are actively traded on the secondary market and the fair value is determined using Level 1 inputs. There have been no transfers during the period between levels.

Financial assets consist of cash and cash equivalents, tenant and other receivables and deposits, which are classified as loans and receivables and carried at amortized cost. Financial liabilities, other than those discussed in the preceding paragraph, consist of other liabilities, Bank Credit Facility, Bridge Facility and distributions payable, which are classified as other liabilities and carried at amortized cost, except for liabilities for unit based compensation plans which are included in other liabilities and are carried at fair value, equivalent to the trading price of Units, which is a Level 1 input. The carrying amounts of the liabilities for the unit based compensation plans approximate their fair value due to their short-term nature.

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(b) Financial risk management

In the normal course of business, CT REIT has exposure to risks from its use of financial instruments. CT REIT is exposed to liquidity and credit risk in connection with its financial instruments. Financial risk management policies are established for CT REIT to identify and analyze the risks faced by CT REIT, to set acceptable risk tolerance limits and controls and to monitor risks and adherence to limits. CT REIT is not exposed to significant currency or market risk arising from financial instruments. Additionally, CT REIT's exposure to interest rate changes is limited as a significant portion of its indebtedness is at fixed interest rates. Exposure to interest rate changes is dependent on the extent to which CT REIT has short term borrowings under its credit facilities, any new debt is issued or assumed on acquisitions, new series of Class C LP Units are issued to finance future real estate transactions or any existing Class C LP Units being re-priced or redeemed, as all are market dependent (see Note 5).

Liquidity risk

Liquidity risk is the risk that CT REIT will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. CT REIT's approach to managing liquidity is to ensure that it has sufficient liquidity available through cash, assets readily convertible to cash and committed bank lines of credit to support its monthly cash distributions to Unitholders, meet operating and strategic plan requirements and meet unexpected financial challenges. CT REIT has in place a leverage and liquidity policy to manage its exposure to liquidity risk.

Management has identified key financial credit metric ratios and calculates these ratios in a manner to approximate the methodology of debt rating agencies. Management monitors these metrics against industry-accepted targets to maintain investment-grade ratings from two credit rating agencies.

CT REIT uses a detailed consolidated cash flow forecast model to regularly monitor its near-term and longer-term cash flow requirements, which assists in optimizing its cash distributions to Unitholders and evaluating longer-term funding strategies.

CT REIT has access to the following financing sources to ensure that the appropriate level of liquidity is available to meet its monthly distributions and strategic objectives: committed Bank Credit Facility totaling \$300,000, direct access to debt and equity markets subject to consent from CTC, and contributions from CTC to the extent cash flows from property operations are not sufficient.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from CT REIT's tenants and from investment securities counterparties. Credit risk arises from the possibility that CT REIT's tenants may experience financial difficulty and be unable to meet their lease obligations. CTC is CT REIT's most significant tenant and will be for the foreseeable future with Canadian Tire retail stores and distribution centres. CT REIT's revenues will be dependent on the ability of CTC to meet its rent obligations and CT REIT's ability to collect rent from CTC.

CT REIT has a Financial Risk Management Board Policy in place for management of counterparty risk related to investing activity. The overall credit risk compliance mechanisms established in this policy include credit rating requirements, approval authorities, counterparty limits, notional limits, term to maturity and portfolio diversification requirements. CT REIT limits its exposure to credit risk by investing only in highly liquid and rated term deposits, bankers' acceptances or other approved securities and only with highly rated financial institutions and government counterparties.

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. CT REIT has minimal exposure to interest rate changes as the initial rate on the Class C LP Units, debentures and certain mortgages payable are at fixed interest rates and CT REIT currently has \$179,941 (2016 - \$109,824) in short-term borrowings outstanding under its credit facilities.

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20. CAPITAL MANAGEMENT AND LIQUIDITY

CT REIT's objectives when managing capital are to ensure access to capital and sufficient liquidity is available to support ongoing property operations, developments and acquisitions while generating reliable, durable and growing monthly cash distributions on a tax-efficient basis to maximize long-term Unitholder value.

The definition of capital varies from entity to entity, industry to industry and for different purposes. CT REIT's strategy and process for managing capital is driven by requirements established under its Declaration of Trust and the Trust Indenture dated June 9, 2015, as supplemented by supplemental indentures, pursuant to which the debentures were issued, and the Bank Credit Facility.

The following schedule details the capitalization of CT REIT:

	December 31, 2017	December 31, 2016
Liabilities		
Class C LP Units	\$ 1,451,550	\$ 1,521,968
Mortgages payable	44,010	55,995
Debentures	869,471	695,336
Credit facilities	179,941	109,824
Equity		
Unitholders' equity	1,168,777	1,094,207
Non-controlling interests	1,692,664	1,496,377
Total	\$ 5,406,413	\$ 4,973,707

CT REIT's Class C LP Units have a fixed, cumulative, preferential cash distribution, if, as and when declared by the board of directors of the GP.

Under the Declaration of Trust, the trust indenture as supplemented (the "Trust Indenture"), and the credit facilities, key financial covenants are reviewed on an ongoing basis by management to monitor compliance with the agreements. The key financial covenants for CT REIT are as follows:

- a requirement to maintain, at all times:
 - a specified maximum ratio of total indebtedness of CT REIT (plus the aggregate par value of the Class C LP Units) to gross book value of assets
 - a specified maximum ratio of total secured indebtedness of CT REIT (plus the aggregate par value of the Class C LP Units) to gross book value of assets
 - a minimum Unitholders' equity
 - a ratio of unencumbered assets to unconsolidated unsecured indebtedness
 - a specified minimum debt service coverage ratio defined as earnings before interest and taxes as a percentage of interest expense, which for greater clarity includes payments on the Class C LP Units

As at December 31, 2017, CT REIT was in compliance with all of its financial covenants. Under these financial covenants, CT REIT has sufficient flexibility to fund business growth and maintain or amend distribution rates within its existing distribution policy.

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For the years ended December 31, 2017 and 2016

(All dollar amounts are in thousands, except unit and per unit amounts)

CT REIT's strategy is to satisfy its liquidity needs using cash flows generated from operating activities and cash provided by financing activities. Rental income, recoveries from tenants, interest and other income, draws on the Bank Credit Facility and further issuance of debt and equity are CT REIT's principal sources of liquidity used to pay operating expenses, distributions, debt service, and recurring capital and leasing costs in its investment property portfolio.

The principal liquidity needs for periods beyond the next year are for Unit distributions, scheduled expiry of the Initial Fixed Rate Period on Class C LP Units and capital expenditures. CT REIT's strategy is to meet these needs through cash flows generated from operating activities and further issuance of debt and equity.

The following table presents the contractual maturities of CT REIT's financial liabilities:

	Payments Due by Period						
	Total	2018	2019	2020	2021	2022	2023 and thereafter
Class C LP Units ¹	\$1,451,550	\$ —	\$ —	\$ 251,550	\$ —	\$ —	\$ 1,200,000
Debentures	875,000	—	—	—	150,000	150,000	575,000
Payments on Class C LP Units ¹	852,862	68,219	68,219	62,258	58,000	58,000	538,166
Interest on debentures	197,076	27,219	27,219	27,219	25,600	21,842	67,977
Credit facilities ²	179,941	126,000	—	—	—	53,941	—
Mortgages payable	44,048	422	43,626	—	—	—	—
Other liabilities	28,558	25,148	3,410	—	—	—	—
Distributions payable ³	12,967	12,967	—	—	—	—	—
Payable on Class C LP Units, net of loans receivable	5,685	5,685	—	—	—	—	—
Interest on Bank Credit Facility	5,329	1,122	1,122	1,122	1,122	841	—
Interest on mortgages payable	5,303	2,762	2,541	—	—	—	—
Interest on Bridge Facility	3,276	3,276	—	—	—	—	—
TOTAL	\$3,661,595	\$ 272,820	\$ 146,137	\$ 342,149	\$ 234,722	\$ 284,624	\$ 2,381,143

¹Assume redemption on Initial Fixed Rate Period for each series.

²The Bank Credit Facility matures in September 2022. However, the borrowings drawn against the Bank Credit Facility as at December 31, 2017 of \$53,941 is classified as a current liability as management expects to repay this amount within the next twelve months.

³On Units and Class B LP Units.

21. COMPARATIVE FIGURES

Certain of the prior period figures have been aligned to management's current view of CT REIT's operations.

22. SUBSEQUENT EVENTS

On February 7, 2018, CT REIT issued \$200,000 aggregate principal amount of senior unsecured debentures. The debentures have a coupon rate of 3.865%, were priced at a yield to maturity of 3.866%, and have a maturity date of December 7, 2027. The proceeds, net of issuance costs of \$1,330, were used to pay down certain amounts outstanding under the credit facilities and the balance of the proceeds were retained for general business purposes.