Crombie REIT

2016 FIRST QUARTER REPORT
Three Months Ended March 31,2016

Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS FOR THE QUARTER ENDED MARCH 31, 2016

INTRODUCTION

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

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the three months ended March 31, 2016, with a comparison to the financial condition and results of operations for the comparable period in 2015.

This MD&A should be read in conjunction with Crombie's interim condensed consolidated financial statements and accompanying notes for the period ended March 31, 2016, prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. This MD&A should also be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the year ended December 31, 2015, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Information about Crombie can be found on SEDAR at www.sedar.com.

Date of MD&A

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of May 4, 2016, except as otherwise noted.

Forward-Looking Information

This MD&A contains forward-looking statements about expected future events and the financial and operating performance of Crombie. These statements include, but are not limited to, statements concerning management's beliefs, plans, estimates, intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical fact. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. All forward-looking information in this MD&A is qualified by the following cautionary statements as well as all cautionary statements included in Crombie's December 31, 2015 MD&A which can be found on SEDAR. Forward-looking statements include:

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

(ii) overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition activity that Crombie is able to achieve, future financing opportunities, future interest rates and market conditions;

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

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

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

(vi) statements and images under the heading "Property Development" including the locations identified, timing, cost, development size and nature, impact on net asset value, cash flow growth, unitholder value or other financial measures, all of which may be impacted by real estate market cycles, the availability of financing opportunities and labour, actual development costs and general economic conditions and factors described under the "Property Development" section and which assumes obtaining required municipal zoning and development approvals and successful agreements with development partners and existing tenants.

These forward-looking statements are presented for the purpose of assisting Crombie's Unitholders and financial analysts in understanding Crombie's operating environment, and may or may not be appropriate for other purposes. These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Crombie's current estimates and assumptions. Crombie can give no assurance that actual results will be consistent with these forward-looking statements. A number of factors, including those discussed under "Risk Management" could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward-looking statements.

These forward-looking statements are made as at the date of the MD&A and Crombie assumes no obligation to update or revise them to reflect new or current events or circumstances unless otherwise required by applicable securities legislation.

Non-GAAP Financial Measures

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

Financial Highlights

Financial Highlights for the three months ended March 31, 2016 and 2015 are as follows:

	As at	
	March 31, 2016	**March 31, 2015**
Number of properties	251	255
Gross leaseable area (square feet)	16,907,000	17,442,000
Debt to gross book value - fair value basis	49.7%	52.2%

	Three months ended March 31,			
(In thousands of CAD dollars, except per unit amounts and as otherwise noted)		**2016**		**2015**
Property revenue	$	94,944	$	92,501
Property net operating income	$	64,303	$	62,318
Operating income attributable to Unitholders	$	43,318	$	16,702
Operating income attributable to Unitholders per unit - basic	$	0.33	$	0.13
Operating income attributable to Unitholders per unit - diluted	$	0.33	$	0.13
FFO – basic	$	37,961	$	35,772
FFO – diluted	$	39,673	$	37,824
FFO per unit – basic	$	0.29	$	0.27
FFO per unit – diluted	$	0.29	$	0.27
FFO payout ratio (%)		77.2%		81.3%
AFFO – basic	$	32,048	$	29,917
AFFO – diluted	$	33,016	$	31,225
AFFO per unit – basic	$	0.24	$	0.23
AFFO per unit – diluted	$	0.24	$	0.23
Distributions per unit	$	0.22	$	0.22
AFFO payout ratio (%)		91.5%		97.2%
Interest service coverage		2.72		2.62
Debt service coverage		1.75		1.75

(1) AFFO payout ratio is calculated using a per square foot charge of $0.87 for maintenance expenditures (see “AFFO” section).

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

	Three months ended March 31,	
	2016	2015
Basic number of Units for all measures	131,569,350	130,489,073
Diluted for operating income attributable to Unitholders purposes	131,719,174	130,655,183
Diluted for FFO purposes	139,042,441	139,544,547
Diluted for AFFO purposes	136,057,366	136,559,471

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

Highlights

- FFO for the three months ended March 31, 2016 increased 6.1% to $37,961; or $0.29 per unit Diluted, an increase of $0.02 per unit from the three months ended March 31, 2015.
- AFFO for the three months ended March 31, 2016 increased 7.1% to $32,048; or $0.24 per unit Diluted, an increase of $0.01 per unit from the three months ended March 31, 2015.
- FFO payout ratio of 77.2% for the three months ended March 31, 2016 compared to 81.3% for the three months ended March 31, 2015. AFFO payout ratio of 91.5% for the three months ended March 31, 2016 compared to 97.2% for the three months ended March 31, 2015.
- 2.6% growth of property revenue for the three months ended March 31, 2016 ($94,944 versus $92,501 for the three months ended March 31, 2015).
- Same-asset property cash NOI for the three months ended March 31, 2016 increased by 3.4% or $1,884 ($58,052 compared to $56,168 for the three months ended March 31, 2015).

- Committed occupancy was 93.3% at March 31, 2016 compared with 93.6% at December 31, 2015 and 94.1% at March 31, 2015.
- Crombie's renewal activity during the three months ended March 31, 2016 included:
    - Renewals on 127,000 square feet of 2016 expiring leases at an average rate of $19.59 per square foot, an increase of 9.0% over the expiring lease rate.
- New leases and expansions increased occupancy by 37,000 square feet at March 31, 2016 at an average first year rate of $23.01 per square foot. 131,000 square feet of space was committed at March 31, 2016 at an average first year rate of $12.07 per square foot.
- Debt to gross book value (fair value basis) was 49.7% at March 31, 2016, compared to 52.2% at March 31, 2015.
- Crombie's interest service coverage for the three months ended March 31, 2016 was 2.72 times EBITDA and debt service coverage was 1.75 times EBITDA, compared to 2.62 times EBITDA and 1.75 times EBITDA, respectively, for the three months ended March 31, 2015.
- Completed acquisition of one retail property totalling 21,000 square feet for a total purchase price of $5,500 before closing and transaction costs.
- Completed disposition of 10 retail properties totalling 791,000 square feet for proceeds of approximately $143,400 before closing and transaction costs.

Business Overview

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

Crombie invests in income-producing retail, office and mixed use properties in Canada, with a growth strategy focused primarily on the acquisition of grocery and drug store anchored retail properties in Canada's top 36 markets. At March 31, 2016, Crombie owned a portfolio of 251 investment properties in 10 provinces, comprising approximately 16.9 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire" or "ECL"), through a subsidiary, holds a 41.5% (fully diluted 40.2%) economic and voting interest in Crombie at March 31, 2016.

Business Objectives and Outlook

Crombie describes its business objectives and outlook in the MD&A for the year ended December 31, 2015.

Business Environment

Crombie describes its business environment in the MD&A for the year ended December 31, 2015.

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Portfolio

At March 31, 2016, Crombie's property portfolio consisted of 251 investment properties that contain approximately 16.9 million square feet of GLA in all 10 provinces.

As at March 31, 2016, the portfolio distribution of the GLA by province was as follows:

	GLA (sq. ft.)						
Province	January 1, 2016	Acquisitions (Dispositions)	Other	March 31, 2016	Number of Properties	% of GLA	% of Annual Minimum Rent
AB	2,386,000	21,000	—	2,407,000	47	14.2%	20.0%
BC	1,416,000	—	—	1,416,000	33	8.4%	9.3%
MB	644,000	—	—	644,000	15	3.8%	4.8%
NB	1,582,000	—	1,000	1,583,000	21	9.4%	6.3%
NL	1,414,000	—	(4,000)	1,410,000	13	8.3%	11.0%
NS	5,374,000	—	11,000	5,385,000	45	31.8%	23.7%
ON	3,022,000	(608,000)	3,000	2,417,000	45	14.3%	15.2%
PE	128,000	—	—	128,000	3	0.8%	0.6%
QC	1,246,000	(183,000)	—	1,063,000	21	6.3%	6.3%
SK	454,000	—	—	454,000	8	2.7%	2.8%
Total	17,666,000	(770,000)	11,000	16,907,000	251	100.0%	100.0%

During the three months ended March 31, 2016, Crombie has a net decrease of 770,000 square feet of GLA from acquisition and disposition activity consisting of:

- acquisition of one property in Alberta, totalling 21,000 square feet;
- disposition of nine properties in Ontario totalling 608,000 square feet; and,
- disposition of one property in Quebec totalling 183,000 square feet.

Crombie continues to diversify its geographic concentration from its Atlantic Canadian roots through growth and divestiture opportunities. As at March 31, 2016, our allocation of Annual Minimum Rent consists of: Atlantic Canada 41.7%; Central Canada 21.5%; and Western Canada 36.8%. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

Portfolio Occupancy and Lease Activity

The portfolio occupancy and committed activity for the three months ended March 31, 2016 were as follows:

	Occupied space (sq. ft.)								
Province	January 1, 2016	Acquisitions (Dispositions)	New Leases[1]	Lease Expiries	Other Changes[2]	March 31, 2016	Committed Space (sq. ft.)[3]	Total Leased Space (sq. ft.)	Leased March 31, 2016
AB	2,376,000	21,000	2,000	—	—	2,399,000	1,000	2,400,000	99.7%
BC	1,416,000	—	—	—	—	1,416,000	—	1,416,000	100.0%
MB	644,000	—	—	—	—	644,000	—	644,000	100.0%
NB	1,222,000	—	—	(2,000)	5,000	1,225,000	26,000	1,251,000	79.0%
NL	1,371,000	—	4,000	(11,000)	(2,000)	1,362,000	5,000	1,367,000	97.0%
NS	4,816,000	—	19,000	(61,000)	(15,000)	4,759,000	92,000	4,851,000	90.1%
ON	2,782,000	(537,000)	—	(22,000)	(5,000)	2,218,000	7,000	2,225,000	92.1%
PE	128,000	—	—	—	—	128,000	—	128,000	100.0%
QC	1,226,000	(180,000)	6,000	—	—	1,052,000	—	1,052,000	99.0%
SK	448,000	—	6,000	(6,000)	—	448,000	—	448,000	98.7%
Total	16,429,000	(696,000)	37,000	(102,000)	(17,000)	15,651,000	131,000	15,782,000	93.3%

(1) New leases include: new leases and expansions to existing properties.
(2) Other changes include: amendments to existing leases; lease terminations and surrenders; bankruptcies; and space certifications.
(3) Committed space represents lease contracts for future occupancy of currently vacant space. Management believes such reporting, along with reported lease maturities, provides more balanced reporting of potential pending overall vacant space. Committed space increased to 131,000 square feet at March 31, 2016, from 99,000 square feet at year ended December 31, 2015.

Overall leased space (occupied plus committed) decreased from 93.6% at year ended December 31, 2015 to 93.3% at March 31, 2016. During the first three months of 2016, Crombie had a net decrease from acquisitions and dispositions of 696,000 square feet; had lease expiries outpace new leases by 65,000 square feet, primarily due to the vacating of 47,000 square feet of mixed use space at Scotia Square Mall in Nova Scotia; and, had committed space increase by 32,000 square feet to 131,000 square feet.

New Leases and expansions increased occupancy by 37,000 square feet at March 31, 2016 at an average first year rate of $23.01 per square foot. 29,000 square feet are new leases at an average rate of $26.64 per square foot while the remaining 8,000 square feet were expansions of existing tenants at an average rate of $10.12 per square foot. 131,000 square feet of space was committed at March 31, 2016 at an average first year rate of $12.07 per square foot. In addition to existing committed space, new leases affecting future occupancy of 6,000 square feet at a first year rate of $26.61 per square foot were executed.

During the three months ended March 31, 2016, Crombie renewed 127,000 square feet of 2016 maturities at an average rate of $19.59 per square foot, an increase of 9.0% over the expiring lease rate. The renewal activity compares favourably with the average rent per square foot on full year 2016 lease maturities of $13.05 per square foot.

Sector Information

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

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

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail and Mixed Use	246	15,918,000	94.2%	95.5%	93.5%
Office	5	989,000	5.8%	4.5%	90.4%
Total	251	16,907,000	100.0%	100.0%	93.3%

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

As at March 31, 2015, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail and Mixed Use	250	16,383,000	93.9%	95.7%	94.8%
Office	5	1,059,000	6.1%	4.3%	82.8%
Total	255	17,442,000	100.0%	100.0%	94.1%

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

Retail and mixed use properties represent 94.2% of Crombie's GLA and 95.5% of annual minimum rent at March 31, 2016 compared to 93.9% of GLA and 95.7% of annual minimum rent at March 31, 2015 reflecting Crombie's strategy to focus growth primarily on retail properties.

Leased space in retail and mixed use properties of 93.5% at March 31, 2016, decreased from 94.8% at March 31, 2015 primarily due to the disclaimed Target Canada leases from May 2015. Leased space in office properties of 90.4% improved from 82.8% at March 31, 2015. This relates to the 2015 removal of a 67,000 square foot vacant office building in Moncton, NB from GLA as it is no longer being leased in the ordinary course and leasing progress at office buildings in Halifax and Moncton.

Lease Maturities

The following table sets out as of March 31, 2016, the number of leases maturing during the periods indicated (assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights), the renewal area, the percentage of the total GLA of the properties represented by such maturities and the estimated average rent per square foot at the time of expiry.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per sq. ft. at Expiry
Remainder of 2016	157	783,000	4.6%	$ 12.24
2017	176	850,000	5.0%	18.62
2018	163	711,000	4.2%	18.33
2019	165	811,000	4.8%	17.95
2020	140	643,000	3.8%	18.26
Thereafter	656	11,984,000	70.9%	18.35
Total	1,457	15,782,000	93.3%	$ 18.02

Property Development

Property development is a strategic priority for Crombie to improve net asset value, cash flow growth and Unitholder value. With the acquisition of 70 Safeway properties from Sobeys in November 2013, Crombie added a sizeable number of locations in Canada's major cities. With urban intensification becoming an important reality across the country, Crombie management is focused on evaluating and undertaking Major Developments at certain properties, defined as properties where incurred costs are projected to be greater than $50 million and where development may include a combination of commercial and/or residential uses ("Major Developments").

Potential Major Developments

Crombie's current potential Major Developments have the potential to add up to 430,000 square feet of commercial GLA and up to 4,600,000 square feet (up to 5,300 units) of residential GLA (which may include either rental or condominium units). Included in Crombie's pipeline of 14 potential Major Developments are 11 properties in Western Canada, located primarily in Vancouver, British Columbia (7) and Calgary and Edmonton, Alberta (4) and three additional properties located in Central Canada and Atlantic Canada. Based on Crombie's current estimates, total costs to develop these properties could reach $1 to $2 billion, of which Crombie may enter joint venture or other partnership arrangements to share cost, revenue, risks and development expertise depending upon the nature of each project. Each project remains subject to normal development approvals, achieving required economic hurdles and Board of Trustees approval.

Crombie has identified the following 14 existing locations as having potential to become Major Developments. Development of each property is subject to Management completing full due diligence on the opportunity, including commercial and residential components, as well as seeking all necessary Board, municipal/provincial and tenant approvals prior to proceeding. While the precise timing of each project is not determinable currently, Crombie expects that a number of these projects could be under construction over the next one to two years and/or complete over the next four to five years. The time horizon for certain of these projects could be longer and Crombie may choose to not proceed with development on some properties after further review and completion of financial accretion projections.

	Existing Property	City, Province	Site Size	Existing Tenants	Potential Commercial Expansion	Potential Residential Expansion	Status
1.	1641 Davie Street	Vancouver, BC	1.09 acres	Safeway/Other tenants	Yes	Yes	Development Planning
2.	2733 West Broadway	Vancouver, BC	1.95 acres	Safeway	Yes	Yes	To be determined "TBD"
3.	3410 Kingsway	Vancouver, BC	3.74 acres	Safeway/Other tenants	Yes	Yes	TBD
4.	990 West 25 Avenue (King Edward)	Vancouver, BC	1.80 acres	Safeway	Yes	Yes	TBD
5.	1170 East 27 Street	North Vancouver, BC	2.82 acres	Safeway	Yes	Yes	Pre-planning
6.	1780 East Broadway	Vancouver, BC	2.43 acres	Safeway	Yes	Yes	Pre-planning
7.	813 11 Avenue SW	Calgary, AB	2.59 acres	Safeway	Yes	Yes	TBD
8.	524 Elbow Drive SW	Calgary, AB	1.60 acres	Safeway	Yes	Yes	Pre-planning
9	410 10 Street NW	Calgary, AB	1.73 acres	Safeway	Yes	Yes	TBD
10.	10930 82 Avenue	Edmonton, AB	2.44 acres	Safeway/Other tenants	Yes	Yes	TBD
11.	1033 Austin Avenue	Coquitlam, BC	2.09 acres	Safeway	Yes	Yes	TBD
12.	Brampton Mall	Brampton, ON	8.74 acres	Retail	Yes	Yes	TBD
13.	Scotia Square	Halifax, NS	14.47 acres	Office/Retail	Yes	Yes	In Development
14.	Avalon Mall	St. John's, NL	50.91 acres	Retail	Yes	No	Pre-planning

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

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

Projects described as having an "in development' status include projects where internal approvals have been obtained and construction is imminent or underway.

The following section provides more detail for projects that have progressed beyond the pre-planning phase.

Properties in the Development Planning Phase

1641 Davie Street, Vancouver, British Columbia

Davie Street is a single-storey retail plaza located in a high density residential area of downtown Vancouver, British Columbia. The site is currently anchored by a 32,000 square foot Safeway grocery store and a number of additional tenants. Crombie has entered into a partnership agreement with a Vancouver

based development partner (Westbank) for the planned replacement of the existing retail asset with a new mixed use development. The proposed development currently envisions a new, larger approximately 44,000 square foot grocery store with almost 9,000 square feet of ancillary retail, and rental residential totaling up to 252,000 square feet (up to 320 rental units). Zoning is in place and a development permit application was submitted in December 2015. Under the current project, Crombie would ultimately retain 100% of the new commercial component and jointly own the rental residential component.

Properties in Development Phase

Scotia Square, Barrington Street, Halifax, Nova Scotia

Scotia Square Complex is situated at the entrance to the downtown business district at the corner of Barrington and Duke St. The retail and mixed use portion of the property is comprised of 290,000 square feet and is directly connected to two hotels and nearly 1,300,000 square feet of office space. Phase I of this major development involved a complete re-merchandising and renovation of the food court. This project was completed in early 2014 at a construction cost of approximately $3 million. Phase II is a three level expansion on Barrington Street of approximately 25,000 square feet (gross building area) which includes a new and modern main entrance into the complex. The expansion is comprised of new third floor office space, second floor restaurant or retail, and new street level retail GLA. The new three storey glazed facade will improve the overall image of the facility. The construction cost for Phase II is expected to be approximately $10 million. Crombie is also in the pre-planning stage of a number of other residential and/or office development opportunities at this location for future development phases. The costs disclosed exclude direct tenant costs and include both productive capacity enhancement and recoverable amounts.

Property Redevelopment

On a regular basis, Crombie will complete redevelopment work on properties to enhance the economic viability of a location when the environment in which it operates warrants. Properties currently under redevelopment are excluded from same-asset results until the redevelopment is complete and the operating results from the property are available for the current and comparative reporting years.

Province	Property	Current GLA
NS	Aberdeen Business Centre	390,000
ON	Algonquin Ave Mall	211,000
NS	Amherst Centre	228,000
NS	Sydney Shopping Centre	220,000
NB	Uptown Centre	320,000

The redevelopment of Aberdeen Business Centre, Algonquin Avenue Mall, Amherst Centre, Sydney Shopping Centre and Uptown Centre consists of redemising and developing vacant anchor space in readiness for leasing. Construction will be completed in phases in conjunction with leasing. Planning and design work is currently underway and is subject to management review and approval.

Province	Property	Current GLA	Development	Estimated Construction Cost[1]	Incurred To Date	Estimated Completion
NS	County Fair Mall-New Minas	268,000	To be determined	In planning	$ —	To be determined
NS	Downsview Mall	69,000	Phased demolition and development	$ 1,269	$ 310	To be determined
NL	Kenmount Business Centre / Woodgate Plaza	98,000	Avalon Mall Master Plan	In planning	$ —	To be determined
NB	Loch Lomond Place	192,000	To be determined	In planning	$ —	To be determined
NB	1234 Main Street / 1222 Main Street	139,000	To be determined	In planning	$ —	To be determined

[1] Excludes direct tenant costs

County Fair Mall - New Minas has been designated for redevelopment. Initial planning and design work is currently underway and is subject to management review and approval.

Downsview Mall - currently under redevelopment consisting of phased demolition and development. Site density planning is underway and is subject to management review and approval. GLA at this property has been reduced by 73,000 square feet for buildings currently being demolished.

Kenmount Business Centre / Woodgate Plaza - has been designated for redevelopment to facilitate planned major development at adjacent property Avalon Mall. As indicated in the previous section this major development is in the pre-planning stage.

Loch Lomond Place - has been designated for redevelopment. Initial planning and design work is currently underway and is subject to management review and approval.

1234 Main Street / 1222 Main Street - Phase I redevelopment of 1234 Main Street has been completed. Initial planning of Phase II involving 1222 Main Street is underway. GLA at this property has been reduced by 67,000 square feet.

Productive Capacity Enhancement

In addition to major developments and work done on properties under redevelopment, Crombie also performs productive capacity enhancement on other properties which totals $5,109 of investment for the three months ended March 31, 2016. This spending is further discussed in the Maintenance Expenditures section.

Largest Tenants

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum rent as at March 31, 2016.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys [(1)]	50.6%	14.5 years
Shoppers Drug Mart	5.1%	11.7 years
Cineplex	1.6%	9.3 years
Province of Nova Scotia	1.4%	2.7 years
CIBC	1.2%	14.6 years
Lawtons/Sobeys Pharmacy	1.1%	11.5 years
GoodLife Fitness	1.1%	11.0 years
Bank of Nova Scotia	1.0%	3.2 years
Dollarama	1.0%	6.8 years
Mark's Work Wearhouse Ltd.	0.8%	3.0 years
Total	64.9%	

[(1)] Excludes Lawtons/Sobeys Pharmacy.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys which accounts for 50.6% of annual minimum rent and Shoppers Drug Mart which accounts for 5.1% of annual minimum rent, no other tenant accounts for more than 1.6% of Crombie's annual minimum rent.

The weighted average remaining term of all Crombie leases is approximately 11.2 years. This lengthy remaining lease term is influenced by the average Sobeys and Shoppers Drug Mart remaining lease terms of 14.5 years and 11.7 years, respectively.

FINANCIAL RESULTS

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As At		
	March 31, 2016	December 31, 2015	March 31, 2015
Total assets	$ 3,360,987	$ 3,472,193	$ 3,418,824
Total investment property debt and unsecured debt	$ 2,038,754	$ 2,170,801	$ 2,082,916
Debt to gross book value - fair value basis[1]	49.7%	52.5%	52.2%

[1] See "Debt to Gross Book Value – Fair Value Basis" for detailed calculation.

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended March 31,		
	2016	2015	Variance
Property revenue	$ 94,944	$ 92,501	$ 2,443
Property operating expenses	30,641	30,183	(458)
Property NOI	64,303	62,318	1,985
NOI margin percentage	67.7%	67.4%	0.3%
Other items:			
Gain (loss) on disposal of investment properties	26,260	(2)	26,262
Depreciation and amortization	(16,450)	(16,522)	72
General and administrative expenses	(4,407)	(3,474)	(933)
Operating income before finance costs and taxes	69,706	42,320	27,386
Finance costs – operations	(24,365)	(25,418)	1,053
Operating income before taxes	45,341	16,902	28,439
Taxes – current	(23)	—	(23)
Taxes – deferred	(2,000)	(200)	(1,800)
Operating income attributable to Unitholders	43,318	16,702	26,616
Finance costs – distributions to Unitholders	(29,322)	(29,076)	(246)
Finance income (costs) – change in fair value of financial instruments	(34)	(268)	234
Increase (decrease) in net assets attributable to Unitholders	$ 13,962	$ (12,642)	$ 26,604
Operating income attributable to Unitholders per Unit, Basic	$ 0.33	$ 0.13	
Operating income attributable to Unitholders per Unit, Diluted	$ 0.33	$ 0.13	
Basic weighted average Units outstanding (in 000's)	131,569	130,489	
Diluted weighted average Units outstanding (in 000's)	131,719	130,655	
Distributions per Unit to Unitholders	$ 0.22	$ 0.22	

Operating Results

Operating income attributable to Unitholders for the three months ended March 31, 2016 of $43,318 increased by $26,616 or 159.4% from $16,702 for the three months ended March 31, 2015. The increase was primarily due to:

- an increase in property revenue of $2,443 or 2.6% from:
  - leasing activity resulting in increased average rental rates on lease renewals and new leases; and,
  - acquisitions completed during the fourth quarter of 2015.

  offset in part by:
  - the disposition of 10 retail properties on March 10, 2016; and,
  - the loss of Target Canada as a tenant at three locations in May 2015.
- an increase in property NOI of $1,985 or 3.2% driven by the increase in property revenue of 2.6% as noted above; offset in part by a 1.5% increase in property operating expenses resulting in an improvement in NOI margin percentage from 67.4% to 67.7%. This percentage is impacted by the increased results from leasing activity and improvements in recovery rates on operating expenses.
- the $26,260 gain on disposal of investment properties from the disposition of 10 retail properties on March 10, 2016, including five properties that have been in Crombie's property portfolio since inception of the REIT.

- finance costs - operations decreased $1,053 or 4.1% on lower interest rates on existing debt; improved rates on new debt as compared to maturing debt; repayment of debt during the quarter from proceeds of the disposition of investment properties on March 10, 2016; and, costs incurred in the first quarter of 2015 related to the redemption of the Series C convertible debentures.

These improvements were partly offset by:

- an increase in general and administrative expense of $933 or 26.9% as a result of increased professional fees and the impact of the implementation of Crombie's Restricted Unit Plan in 2015 which recognizes a portion of long-term compensation over a vesting period and is also impacted by mark to market adjustments to the Units during the quarter; and,
- an increase in deferred taxes during the quarter related to the disposition of properties held within wholly-owned corporate subsidiaries.

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

	Three months ended March 31,	
(In thousands of CAD dollars)	2016	2015
Operating income attributable to Unitholders	$ 43,318	$ 16,702
Finance costs – distributions to Unitholders	(29,322)	(29,076)
Finance income (costs) – change in fair value of financial instruments	(34)	(268)
Increase (decrease) in net assets attributable to Unitholders	$ 13,962	$ (12,642)

Property NOI

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

Property NOI on a cash basis is as follows:

	Three months ended March 31,		
(In thousands of CAD dollars)	2016	2015	Variance
Property NOI	$ 64,303	$ 62,318	$ 1,985
Non-cash straight-line rent	(2,724)	(2,694)	(30)
Non-cash tenant incentive amortization	2,453	2,346	107
Property cash NOI	64,032	61,970	2,062
Acquisitions, dispositions and development property cash NOI	5,980	5,802	178
Same-asset property cash NOI	$ 58,052	$ 56,168	$ 1,884

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The $1,884 or 3.4% increase in same-asset cash NOI for the three months ended March 31, 2016 over the same period in 2015 is primarily the result of: increased average rent per square foot from leasing activity; rental rate increases in existing leases; improved recovery rates; and, revenues from land use intensifications at several properties.

Acquisitions, dispositions and development property cash NOI increased $178 for the three months ended March 31, 2016 over the same period in 2015 primarily due to acquisitions in the fourth quarter of 2015, offset in part by the loss of Target Canada as a tenant at three properties in May, 2015 and the disposition of 10 retail properties during the first quarter of 2016.

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

Same-asset property cash NOI is as follows:

	Three months ended March 31,			
(In thousands of CAD dollars)	2016	2015	Variance	Percent
Retail and Mixed Use	$ 55,243	$ 53,544	$ 1,699	3.2%
Office	2,809	2,624	185	7.1%
Same-asset property cash NOI	$ 58,052	$ 56,168	$ 1,884	3.4%

Variances in same-asset property cash NOI for the three months ended March 31, 2016 compared to the same period in 2015 include:

- Retail and Mixed Use increased $1,699 or 3.2% due to increased base rent and related recoveries driven by new and renewal lease activity as well as continued land use intensification.
- Office increased $185 or 7.1% as a result of improved occupancy.

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

	Three months ended March 31,		
(In thousands of CAD dollars)	2016	2015	Variance
Acquisitions and dispositions property cash NOI	$ 3,548	$ 2,791	$ 757
Development property cash NOI	2,432	3,011	(579)
Total acquisitions, dispositions and development property cash NOI	$ 5,980	$ 5,802	$ 178

Growth in acquisitions and dispositions property cash NOI reflects the property acquisition and disposition activity throughout 2016 and 2015 including the disposition of 10 retail properties in 2016 and the acquisition of five retail properties in 2015.

Change in cash NOI from development properties period-over-period is impacted by the timing of commencement and completion of each development project. The nature and extent of development projects results in operations being impacted minimally in some instances and a significant disruption in others. Consequently, comparison of period-over-period development operating results may not be meaningful. The negative three month impact arises primarily from the lower NOI of the three properties where Target Canada vacated as a tenant in May, 2015.

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

Property NOI for the three months ended March 31, 2016 by province was as follows:

	Three months ended March 31,		
	2016	2015	
(In thousands of CAD dollars)	Property NOI	Property NOI	Variance
AB	$ 13,588	$ 12,510	$ 1,078
BC	6,520	6,388	132
MB	3,368	3,234	134
NB	2,864	3,033	(169)
NL	7,303	6,859	444
NS	13,441	12,549	892
ON	10,846	11,228	(382)
PE	431	228	203
QC	4,105	4,494	(389)
SK	1,837	1,795	42
Total	$ 64,303	$ 62,318	$ 1,985

The variances in property NOI for the three months ended March 31, 2016 compared to the same period in 2015 primarily relate to:

- Alberta - property acquisitions including one property acquired during the first quarter of 2016; three properties during 2015, two in the fourth quarter and one in the third quarter; and, acquisition of additional development on an existing property during 2015;
- British Columbia - acquisition of one property during the fourth quarter of 2015;
- Manitoba - acquisition of additional development on an existing property during the fourth quarter of 2015;
- New Brunswick - loss of Target Canada as a tenant in one property, offset in part by the acquisition of additional development on existing properties including one during the first quarter of 2016 and three properties during 2015;
- Newfoundland and Labrador - increased base rent and related recoveries driven by new and renewal lease activity;
- Nova Scotia - acquisition of additions of development on existing retail properties in the fourth quarter of 2015 offset in part by the loss of Target Canada as a tenant in one property;
- Ontario - disposition of nine properties in the first quarter of 2016 and the loss of Target Canada as a tenant in one property;
- Prince Edward Island - acquisition of a retail property in the fourth quarter of 2015; and,
- Quebec - disposition of one property in the first quarter of 2016.

FFO AND AFFO

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

Funds from Operations (FFO)

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

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

REALpac provides for other adjustments in determining FFO which are currently not applicable to Crombie, therefore not included in the above list. Crombie's expenditures on tenant incentives are capital in nature. Crombie considers these costs comparable to other capital costs incurred to earn property revenue. Whereas the depreciation and amortization of other capital costs is added back in the calculation of FFO, Crombie also adds back the amortization of tenant incentives. Crombie's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. The calculation of FFO for the three months ended March 31, 2016 and 2015 is as follows:

	Three months ended March 31,		
(In thousands of CAD dollars)	2016	2015	Variance
Increase (decrease) in net assets attributable to Unitholders	$ 13,962	$ (12,642)	$ 26,604
Add (deduct):			
Amortization of tenant incentives	2,453	2,346	107
Loss (gain) on disposal of investment properties	(26,260)	2	(26,262)
Depreciation of investment properties	15,139	15,155	(16)
Amortization of deferred leasing costs	151	149	2
Amortization of intangible assets	1,160	1,218	(58)
Taxes – deferred	2,000	200	1,800
Finance costs – distributions to Unitholders	29,322	29,076	246
Finance costs (income) – change in fair value of financial instruments	34	268	(234)
FFO	$ 37,961	$ 35,772	$ 2,189

The $2,189 or 6.1% increase in FFO for the three months ended March 31, 2016 compared to the same period in 2015 was primarily due to increased property cash NOI results, including the impact of property acquisitions completed during the fourth quarter of 2015 and decreased finance costs - operations; offset in part by higher general and administrative expenses.

Adjusted Funds from Operations (AFFO)

Crombie considers AFFO to be a useful measure in evaluating the recurring economic performance of its operating activities which will be used to support future distribution payments. AFFO reflects cash available for distributions after the provision for non-cash adjustments to revenue, amortization of effective swap agreements, maintenance capital expenditures, maintenance tenant incentives ("TI") and leasing costs and any settlement of effective interest rate swap agreements.

Maintenance Capital Expenditures, Maintenance Tenant Incentives and Leasing Costs ("Maintenance Expenditures")

Crombie's policy is to charge AFFO with a normalized rate per square foot for these maintenance expenditures. Crombie uses an annual rate of $0.87 per square foot as a charge against AFFO. The rate is a proxy for actual historic costs, anticipated future costs and any significant changes in the nature and age of the properties in the portfolio as it evolves over time. Crombie continues to track and report actual expenditures and the productive capacity enhancement of those expenditures for comparative purposes. The rate will be reviewed periodically and adjusted if required. This per square foot charge

removes volatility in reported AFFO results from quarter to quarter as costs are not generally incurred on a consistent basis during the year, or from year to year.

The calculation of AFFO for the three months ended March 31, 2016 and 2015 is as follows:

	Three months ended March 31,		
(In thousands of CAD dollars)	2016	2015	Variance
FFO	$ 37,961	$ 35,772	$ 2,189
Add (deduct):			
Amortization of effective swap agreements	618	637	(19)
Straight-line rent adjustment	(2,724)	(2,694)	(30)
Maintenance expenditures on a square footage basis	(3,807)	(3,798)	(9)
AFFO	$ 32,048	$ 29,917	$ 2,131

AFFO for the three months ended March 31, 2016 was $32,048, an increase of $2,131 or 7.1% over the same period in 2015. The AFFO increases are consistent with the FFO increases as previously explained.

Pursuant to CSA Staff Notice 52-306 “(Revised) Non-GAAP Financial Measures”, non-GAAP measures such as AFFO should be reconciled to the most directly comparable IFRS measure, which is interpreted to be the cash flow from operating activities. The reconciliation is as follows:

	Three months ended March 31,		
(In thousands of CAD dollars)	2016	2015	Variance
Cash provided by (used in) operating activities	$ 4,809	$ 11,219	$ (6,410)
Add back (deduct):			
Finance costs – distributions to Unitholders	29,322	29,076	246
Change in other non-cash operating items	7,352	(3,507)	10,859
Unit-based compensation expense	(13)	(10)	(3)
Amortization of deferred financing charges	(828)	(1,418)	590
Amortization of issue premium on senior unsecured notes	13	13	—
Non-cash distributions to Unitholders in the form of DRIP Units	(4,777)	(1,658)	(3,119)
Maintenance expenditures on a square footage basis	(3,807)	(3,798)	(9)
Change in current income taxes	(23)	—	(23)
AFFO	$ 32,048	$ 29,917	$ 2,131

Maintenance Expenditures

There are two types of TI and capital expenditures:

- maintenance TI and leasing costs and maintenance capital expenditures that maintain existing productive capacity; and,
- productive capacity enhancement expenditures.

Maintenance TI and leasing costs and maintenance capital expenditures are reinvestments in the portfolio to maintain the productive capacity of the existing assets. These costs are capitalized and depreciated or charged against revenue over their useful lives and deducted when calculating AFFO.

Productive capacity enhancements are costs incurred that increase the property NOI, or expand the GLA of a property by a minimum threshold, or otherwise enhance the property’s overall value. Productive capacity enhancement expenditures are capitalized and depreciated or charged against revenue over their useful lives, but not deducted when calculating AFFO.

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

	Three months ended March 31,	
(In thousands of CAD dollars)	2016	2015
Total additions to investment properties	$ 6,936	$ 7,819
Less: productive capacity enhancements and recoverable amounts	(4,488)	(5,978)
Maintenance capital expenditures	$ 2,448	$ 1,841

	Three months ended March 31,	
(In thousands of CAD dollars)	2016	2015
Total additions to TI and deferred leasing costs	$ 2,064	$ 2,346
Less: productive capacity enhancements	(621)	(365)
Maintenance TI and deferred leasing costs	$ 1,443	$ 1,981

As maintenance TI and capital expenditures are not incurred or paid for evenly throughout the fiscal year, there can be comparative volatility from period-to-period.

Maintenance capital expenditures for the three months ended March 31, 2016, are primarily payments for costs associated with building interior and exterior maintenance, roof repairs and ongoing parking deck and structural maintenance.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and are reflective of the leasing activity during 2015 and 2016.

Productive capacity enhancements during the three months ended March 31, 2016 consisted primarily of development work and GLA expansions at: Hamlyn Road Plaza, St. John's, NL; Russell Lake, Halifax, NS; Scotia Square Mall, Halifax, NS; Sydney Shopping Centre, Sydney, NS; Tantallon Plaza, Upper Tantallon, NS; and, Stoney Creek Plaza, Stoney Creek, ON.

Depreciation, Amortization and Impairment

	Three months ended March 31,		
(In thousands of CAD dollars)	2016	2015	Variance
Same-asset depreciation and amortization	$ 15,033	$ 15,108	$ 75
Acquisitions, dispositions and development depreciation/amortization	1,417	1,414	(3)
Depreciation and amortization	$ 16,450	$ 16,522	$ 72

Same-asset depreciation and amortization decreased by $75 for the three months ended March 31, 2016 compared to the same period in 2015. During the first quarter of 2015, Crombie determined that an investment property previously classified as held for sale no longer met the criteria and the property was reclassified to same-asset and held for use. As a result, depreciation and amortization totalling $673 was recognized in the first quarter of 2015, representing the depreciation and amortization that was not recorded while the property was classified as held for sale.

Acquisitions, dispositions and development depreciation and amortization increased as a result of net acquisition activity during 2016 and 2015 offset by the disposition of 10 properties in March 2016.

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $790,169 at March 31, 2016 (March 31, 2015 - $621,097). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment, if any, is recognized on a property by property basis when circumstances indicate that fair value is less than carrying value.

General and Administrative Expenses

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

	Three months ended March 31,		
(In thousands of CAD dollars)	2016	2015	Variance
Salaries and benefits	$ 2,896	$ 2,084	$ (812)
Professional fees	422	276	(146)
Public company costs	457	401	(56)
Rent and occupancy	227	266	39
Other	405	447	42
General and administrative expenses	$ 4,407	$ 3,474	$ (933)
As a percentage of property revenue	4.6%	3.8%	(0.8)%

For the three months ended March 31, 2016 general and administrative expenses, as a percentage of property revenue, were 4.6%, an increase of 0.8% from the same period in 2015, with expenses increasing $933 or 26.9% and property revenue increasing 2.6%. The increase is impacted by increased professional fees and the implementation of Crombie's Restricted Unit Plan in 2015 which recognizes a portion of long-term compensation over a vesting period and is also impacted by mark to market adjustments to the Units during the quarter.

Finance Costs - Operations

(In thousands of CAD dollars)	Three months ended March 31, 2016	2015	Variance
Same-asset finance costs	$ 20,676	$ 21,812	$ 1,136
Acquisitions, dispositions and development finance costs	2,243	1,551	(692)
Amortization of effective swaps and deferred financing charges	1,446	2,055	609
Finance costs – operations	$ 24,365	$ 25,418	$ 1,053

Same-asset finance costs for the three months ended March 31, 2016 decreased compared to the same period in 2015 primarily due to the reduction of the floating rate revolving credit facility with proceeds from the disposition of 10 retail properties during the quarter as well as lower interest rates on new mortgages compared to rates on maturing mortgages.

Acquisitions, dispositions and development finance costs for the three months ended March 31, 2016 increased by $692 compared to the same period in 2015 primarily due to acquisition activity during the fourth quarter of 2015, offset in part by finance costs on properties disposed in the first quarter of 2016.

Finance Costs - Distributions

Pursuant to Crombie's Declaration of Trust, cash distributions are to be determined by the Trustees at their discretion. Crombie intends, subject to approval of the Board of Trustees, to make distributions to Unitholders of not less than the amount equal to the net income and net realized capital gains of Crombie, to ensure that Crombie will not be liable for income taxes. Crombie, subject to the discretion of the Board of Trustees, targets to make annual cash distributions to Unitholders equal to approximately 95% of its AFFO on an annual basis.

Details of distributions to Unitholders are as follows:

(In thousands of CAD dollars, except as otherwise noted)	Three months ended March 31, 2016	2015
Distributions to Unitholders	$ 17,358	$ 17,214
Distributions to Special Voting Unitholders	11,964	11,862
Total distributions	$ 29,322	$ 29,076
FFO payout ratio	77.2%	81.3%
AFFO payout ratio (target ratio = 95%)	91.5%	97.2%

Income Taxes

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

Crombie has organized its assets and operations to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. Crombie's management and its advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it met the REIT criteria throughout 2015 and continues to do so. The relevant tests apply throughout the taxation year of Crombie and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

The deferred tax liability of $76,200 represents the future tax provision relating to the difference in tax and book values offset by non-capital losses for Crombie's wholly-owned corporate subsidiaries which are subject to corporate income taxes.

Taxation of Distributions

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

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

Taxation Year	Return of Capital	Investment Income	Dividend Income	Capital Gains
2015 per $ of distribution	56.3%	28.8%	13.4%	1.5%
2014 per $ of distribution	64.4%	18.1%	0.0%	17.5%
2013 per $ of distribution	90.2%	9.8%	0.0%	0.0%
2012 per $ of distribution	67.1%	32.9%	0.0%	0.0%
2011 per $ of distribution	62.5%	37.5%	0.0%	0.0%

LIQUIDITY AND CAPITAL RESOURCES

The real estate industry is highly capital intensive.

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

Crombie expects to refinance debt obligations as they mature.

Crombie has the following sources of financing available to fund future growth:

(i) secured short-term financing through an authorized three year revolving credit facility, maturing June 30, 2018, of up to $300,000, subject to available borrowing base, of which $8,706 ($10,317 including outstanding letters of credit) was drawn at March 31, 2016;

(ii) secured mortgage and term debt on unencumbered assets;

(iii) senior unsecured notes;

(iv) unsecured convertible debentures; and,

(v) the issuance of new units.

Capital Structure

(In thousands of CAD dollars)	March 31, 2016		December 31, 2015		March 31, 2015	
Investment property debt	$ 1,508,875	47.1%	$ 1,641,203	49.5%	$ 1,554,114	47.7%
Senior unsecured notes	398,207	12.4%	398,080	12.0%	397,747	12.2%
Convertible debentures	131,672	4.1%	131,518	4.0%	131,055	4.0%
Crombie REIT Unitholders	705,871	22.0%	694,484	20.9%	710,065	21.9%
Special Voting Units and Class B Limited Partnership Unitholders	460,746	14.4%	452,746	13.6%	463,137	14.2%
	$ 3,205,371	100.0%	$ 3,318,031	100.0%	$ 3,256,118	100.0%

Liquidity and Financing Sources

Revolving credit facility

Crombie has in place an authorized floating rate revolving credit facility of up to $300,000 (the “revolving credit facility”), of which $8,706 ($10,317 including outstanding letters of credit) was drawn as at March 31, 2016. Subsequent to March 31, 2016, Crombie renewed the revolving credit facility, increasing the maximum principal to $400,000 (subject to available Borrowing Base) and extending the maturity date from June 30, 2018 to June 30, 2019. The revolving credit facility is secured by a pool of first and second mortgages on certain properties. The floating interest rate is based on bankers’ acceptance rates plus a spread or specified margin over prime rate. The spread or specified margin changes depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status. Funds available for drawdown pursuant to the revolving credit facility are determined with reference to the value of the Borrowing Base (as defined under “Borrowing Capacity and Debt Covenants”) relative to certain financial covenants of Crombie. As at March 31, 2016, Crombie had sufficient Borrowing Base to permit $221,000 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See “Borrowing Capacity and Debt Covenants”.

Mortgage debt

As of March 31, 2016, Crombie had fixed rate mortgages outstanding of $1,506,232 ($1,509,925 after including the fair value debt adjustment of $3,693), carrying a weighted average interest rate of 4.59% (after giving effect to the interest rate subsidy from ECLD under an omnibus subsidy agreement) and a weighted average term to maturity of 6.5 years.

From time to time, Crombie has entered into interest rate swap agreements to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount (see “Risk Management”). Crombie currently has no outstanding interest rate swap agreements.

Principal repayments of the debt are scheduled as follows:

(In thousands of CAD dollars)	Maturing Debt Balances						
12 Months Ending	Fixed Rate	Floating Rate	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
March 31, 2017	$ 53,903	$ —	$ 53,903	4.6%	$ 46,859	$ 100,762	6.7%
March 31, 2018	49,099	—	49,099	4.2%	45,308	94,407	6.2%
March 31, 2019	31,268	8,706	39,974	3.5%	44,365	84,339	5.6%
March 31, 2020	238,425	—	238,425	20.5%	43,748	282,173	18.6%
March 31, 2021	62,956	—	62,956	5.4%	36,853	99,809	6.6%
Thereafter	719,788	—	719,788	61.8%	133,660	853,448	56.3%
Total [1]	$ 1,155,439	$ 8,706	$ 1,164,145	100.0%	$ 350,793	$ 1,514,938	100.0%

[1] Excludes fair value debt adjustment of $3,693 and deferred financing charges of $9,756.

Of the maturing debt balances, only 11.6% of fixed rate debt, and 12.3% of total maturing debt balances mature over the next three years.

Senior unsecured notes

	Maturity Date	Effective Interest Rate	March 31, 2016	December 31, 2015	March 31, 2015
Series A senior unsecured notes	October 31, 2018	3.986%	$ 175,000	$ 175,000	$ 175,000
Series B senior unsecured notes	June 1, 2021	3.900%	100,000	100,000	100,000
Series C senior unsecured notes	February 10, 2020	2.775%	125,000	125,000	125,000
Unamortized Series B issue premium			281	294	335
Deferred financing charges			(2,074)	(2,214)	(2,588)
			$ 398,207	$ 398,080	$ 397,747

On February 10, 2015, Crombie issued, on a private placement basis, $125,000 Series C Notes (senior unsecured) with a five year term and an annual interest rate of 2.775%. Interest is payable in equal semi-annual installments in arrears on February 10 and August 10.

There are no required periodic principal payments with the full face value of the Notes due on their respective maturity dates.

Convertible debentures

	Conversion Price	Maturity Date	Interest Rate	March 31, 2016	December 31, 2015	March 31, 2015
Series D (CRR.DB.D)	$ 20.10	September 30, 2019	5.00%	$ 60,000	$ 60,000	$ 60,000
Series E (CRR.DB.E)	$ 17.15	March 31, 2021	5.25%	74,400	74,400	74,400
Deferred financing charges				(2,728)	(2,882)	(3,345)
				$ 131,672	$ 131,518	$ 131,055

Maximum REIT Units issuable at March 31, 2016 was 2,985,074 for Series D Debentures and 4,338,192 for Series E Debentures.

On January 15, 2015, Crombie exercised its right to redeem the remaining outstanding principal amount of its 5.75% Series C Unsecured Subordinated Debentures ("Series C Debentures") maturing June 30, 2017, in accordance with the terms of the Trust Indenture. Holders of the Series C Debentures were entitled to convert their Series C Debentures to Units based on the conversion price of $15.30 per Unit until February 17, 2015. The redemption of the then outstanding Series C Debentures was completed on February 18, 2015, for a principal payment of $44,795 plus interest, while $205 of principal was converted to 13,398 REIT Units.

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

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

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

For the three months ended March 31, 2016, Crombie issued 222,201 REIT Units and 157,573 Class B LP Units under the DRIP at a three percent (3%) discount to market prices as determined under the DRIP.

Total units outstanding at April 30, 2016, were as follows:

Units	78,151,323
Special Voting Units [1]	53,866,589

[1] Crombie Limited Partnership, a subsidiary of Crombie, has also issued 53,866,589 Class B LP Units. These Class B LP Units accompany the Special Voting Units, are the economic equivalent of a Unit, and are convertible into Units on a one-for-one basis.

In addition to the total units outstanding at April 30, 2016, Crombie has convertible debentures which could result in a total of 7,323,266 REIT Units being issued should all outstanding debentures be converted.

Sources and Uses of Funds

	Three months ended March 31,		
(In thousands of CAD dollars)	2016	2015	Variance
Cash provided by (used in):			
Operating activities	$ 4,809	$ 11,219	$ (6,410)
Financing activities	(132,958)	3,070	(136,028)
Investing activities	127,092	(14,900)	141,992
Net change during the period	$ (1,057)	$ (611)	$ (446)

Operating Activities

	Three months ended March 31,		
(In thousands of CAD dollars)	2016	2015	Variance
Cash provided by (used in):			
Net assets attributable to Unitholders and non-cash items	$ 12,161	$ 7,712	$ 4,449
Non-cash operating items	(7,352)	3,507	(10,859)
Cash provided by (used in) operating activities	$ 4,809	$ 11,219	$ (6,410)

The decrease in cash from operating activities is primarily related to the change in non-cash operating items, including an increase in restricted cash of $5,500 related to a deposit on a property acquisition which closed after quarter end.

Financing Activities

	Three months ended March 31,		
(In thousands of CAD dollars)	2016	2015	Variance
Cash provided by (used in):			
Net issue (repayment) of mortgage loans and borrowings	$ (132,852)	$ (76,160)	$ (56,692)
Net issue of senior unsecured notes	—	124,061	(124,061)
Net issue (redemption) of convertible debentures	—	(44,795)	44,795
Other items (net)	(106)	(36)	(70)
Cash provided by (used in) financing activities	$ (132,958)	$ 3,070	$ (136,028)

Cash from financing activities decreased by $136,028 for the three months ended March 31, 2016 compared to the same period in 2015. During the three months ended March 31, 2016, proceeds from the disposition of retail properties were used to reduce the revolving credit facility and repay maturing mortgages. During the three months ended March 31, 2015, Crombie raised funds through the issuance of 2.775% Series C Notes (senior unsecured). The funds raised were used to repay maturing mortgages and the outstanding 5.75% Series C Convertible Unsecured Subordinated Debentures.

Investing Activities

	Three months ended March 31,		
(In thousands of CAD dollars)	2016	2015	Variance
Cash provided by (used in):			
Acquisition of investment properties and intangible assets	$ (5,558)	$ (7,505)	$ 1,947
Additions to investment properties	(6,936)	(7,819)	883
Proceeds on disposal of investment properties	141,650	2,770	138,880
Additions to tenant incentives	(1,899)	(2,315)	416
Additions to deferred leasing costs	(165)	(31)	(134)
Cash provided by (used in) investing activities	$ 127,092	$ (14,900)	$ 141,992

Cash provided by (used in) investing activities was $127,092 for the three months ended March 31, 2016. During the quarter, Crombie sold 10 retail properties and received net proceeds of $141,650. The proceeds were used to reduce the revolving credit facility and repay maturing mortgages.

Borrowing Capacity and Debt Covenants

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

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

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

At March 31, 2016, the remaining amount available under the revolving credit facility was $212,000 (prior to reduction for standby letters of credit outstanding of $1,611) and was limited by the Aggregate Borrowing Base due to the March 2016 disposition of three properties previously supporting the Borrowing Base.

At March 31, 2016, Crombie remained in compliance with all debt covenants.

Debt to Gross Book Value - Fair Value Basis

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

Debt to gross book value on a fair value basis includes investment properties measured at fair value with all other components of gross book value measured at cost.

The debt to gross book value on a fair value basis was 49.7% and 52.2% at March 31, 2016 and March 31, 2015, respectively. These leverage ratios are below the maximum 60%, or 65% including convertible debentures, as permitted by Crombie's Declaration of Trust. On a long-term basis, Crombie intends to maintain overall indebtedness, including convertible debentures, in the range of 50% to 55% of gross book value - fair value basis, depending upon Crombie's future acquisitions and financing opportunities.

During the three months ended March 31, 2016, Crombie disposed of 10 retail properties for proceeds of approximately $143,400, before closing and transaction costs, with the proceeds being used to pay down debt. In addition, Crombie's weighted average cap rate used in the determination of the fair value of its investment properties decreased 0.18% to 5.97%. The combination of the reduced debt and increased fair value of investment properties resulted in the significant reduction of the debt to gross book value ratio during the quarter.

(In thousands of CAD dollars, except as otherwise noted)	As at				
	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
Fixed rate mortgages	$ 1,509,925	$ 1,521,079	$ 1,427,408	$ 1,445,772	$ 1,471,482
Senior unsecured notes	400,000	400,000	400,000	400,000	400,000
Convertible debentures	134,400	134,400	134,400	134,400	134,400
Revolving credit facility payable	8,706	130,000	163,663	135,976	92,887
Total debt outstanding	2,053,031	2,185,479	2,125,471	2,116,148	2,098,769
Less: Applicable fair value debt adjustment	(1,636)	(1,721)	(1,820)	(1,934)	(2,061)
Debt	$ 2,051,395	$ 2,183,758	$ 2,123,651	$ 2,114,214	$ 2,096,708
Investment properties, at fair value	$ 4,109,000	$ 4,143,000	$ 4,042,000	$ 4,019,000	$ 4,002,000
Long-term receivables	14,039	13,933	13,838	13,755	13,687
Other assets, cost [1]	28,117	23,152	29,869	43,352	24,234
Cash and cash equivalents	—	1,057	—	—	—
Deferred financing costs	14,558	14,972	14,822	15,511	16,188
Interest rate subsidy	(1,636)	(1,721)	(1,820)	(1,934)	(2,061)
FV adjustment to deferred taxes	(34,299)	(34,645)	(34,645)	(34,645)	(34,645)
Gross book value - fair value basis	$ 4,129,779	$ 4,159,748	$ 4,064,064	$ 4,055,039	$ 4,019,403
Debt to gross book value - fair value basis	49.7%	52.5%	52.3%	52.1%	52.2%

[1] Other assets exclude Tenant incentives and Accrued straight-line rent receivable.

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

Interest and Debt Service Coverage Ratios

Crombie's interest and debt service coverage ratios for the three months ended March 31, 2016 were 2.72 times EBITDA and 1.75 times EBITDA, respectively. This compares to 2.62 times EBITDA and 1.75 times EBITDA, respectively, for the three months ended March 31, 2015. EBITDA should not be considered an alternative to operating income attributable to Unitholders, cash provided by operating activities or any other measure of operations as prescribed by IFRS. EBITDA is not an IFRS financial measure; however, Crombie believes it is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties. Crombie's measurement of EBITDA may not be comparable to that used by other entities.

	Three months ended March 31,	
(In thousands of CAD dollars, except as otherwise noted)	2016	2015
Property revenue	$ 94,944	$ 92,501
Amortization of tenant incentives	2,453	2,346
Adjusted property revenue	97,397	94,847
Property operating expenses	(30,641)	(30,183)
General and administrative expenses	(4,407)	(3,474)
EBITDA (1)	$ 62,349	$ 61,190
Finance costs – operations	$ 24,365	$ 25,418
Amortization of deferred financing charges	(828)	(1,418)
Amortization of effective swap agreements	(618)	(637)
Adjusted interest expense (2)	$ 22,919	$ 23,363
Debt repayments	$ 149,619	$ 81,558
Amortization of fair value debt premium	(178)	(248)
Payments relating to interest rate subsidy	(84)	(141)
Payments relating to credit facilities	(121,294)	(52,113)
Lump sum payments on mortgages	(15,356)	(17,409)
Adjusted debt repayments (3)	$ 12,707	$ 11,647
Interest service coverage ratio {(1)/(2)}	2.72	2.62
Debt service coverage ratio {(1)/((2)+(3))}	1.75	1.75

ACCOUNTING

Related Party Transactions

Related party transactions are transactions with associates, post-employment benefit plans, and key management personnel. Transactions between Crombie and its subsidiaries have been eliminated on consolidation, and as such, are not disclosed in this communication. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2016, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% (fully diluted 40.2%) indirect interest in Crombie.

Crombie's transactions with related parties, including Empire and its subsidiaries, are as follows:

	Three months ended March 31,	
	2016	2015
Property revenue	$ 37,343	$ 35,964
Head lease income	$ 122	$ 289
Management support services provided	$ 27	$ 96
Property management services	$ 291	$ 200
Lease termination income	$ —	$ —
Property operating expenses	$ 34	$ 34
General and administrative expenses	$ 50	$ 127
Interest rate subsidy	$ 84	$ 141
Interest income	$ 177	$ 175
Finance costs - operations	$ 299	$ 296
Finance costs - distributions to Unitholders	$ 12,166	$ 12,064

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

In addition to the above:

- During the first three months of 2016, Crombie issued 157,573 (March 31, 2015 - 53,393) Class B LP Units to ECLD under the DRIP.
- During the first quarter of 2015, Crombie acquired development lands in British Columbia with Sobeys Developments Limited Partnership ("SDLP"). Crombie's 50% portion of the acquisition cost was $2,676, including closing and transaction costs.

Additional details on Crombie's related party transactions are described in the MD&A for the year ended December 31, 2015.

Key management personnel compensation

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

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

	Three months ended March 31,	
	2016	2015
Salary, bonus and other short-term employee benefits	$ 818	$ 647
Other long-term benefits	30	28
	$ 848	$ 675

Use of estimates and judgments

The preparation of consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Significant judgment, estimate and assumption items include impairment, employee future benefits, income taxes, investment properties, purchase price allocations and fair value of financial instruments. These estimates are based

on historical experience and management's best knowledge of current events and actions that Crombie may undertake in the future. Actual results could differ from these estimates.

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

Critical Accounting Estimates and Assumptions

Critical accounting estimates and assumptions are discussed under the section "Critical Accounting Estimates and Assumptions" in the 2015 Annual MD&A.

Critical Judgments

Critical judgments are discussed under the section "Critical Judgments" in the 2015 Annual MD&A.

Financial Instruments

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

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

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

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

Level 3 - unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at March 31, 2016:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ —	$ —	$ 1,922	$ 1,922
Total financial assets measured at fair value	$ —	$ —	$ 1,922	$ 1,922
Financial liabilities				
Unit based compensation plans	$ 994	$ —	$ —	$ 994
Total financial liabilities measured at fair value	$ 994	$ —	$ —	$ 994

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2016.

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

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

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

	March 31, 2016		December 31, 2015		March 31, 2015	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Long-term receivables	$ 14,076	$ 14,039	$ 13,968	$ 13,933	$ 13,729	$ 13,687
Total other financial assets	$ 14,076	$ 14,039	$ 13,968	$ 13,933	$ 13,729	$ 13,687
Financial liabilities						
Investment property debt	$ 1,656,442	$ 1,518,631	$ 1,782,776	$ 1,651,079	$ 1,725,963	$ 1,564,369
Senior unsecured notes	408,454	400,000	405,348	400,000	413,807	400,000
Convertible debentures	137,982	134,400	138,360	134,400	139,709	134,400
Total other financial liabilities	$ 2,202,878	$ 2,053,031	$ 2,326,484	$ 2,185,479	$ 2,279,479	$ 2,098,769

Commitments and Contingencies

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

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

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at March 31, 2016, Crombie has a total of $1,611 in outstanding letters of credit related to:

	March 31,	
	2016	2015
Construction work being performed on investment properties	$ 1,611	$ 979
Total outstanding letters of credit	$ 1,611	$ 979

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

Land leases have varying terms ranging from 9 to 74 years including renewal options. For the three months ended March 31, 2016, Crombie paid $355 in land lease payments to third party landlords (three months ended March 31, 2015 - $360).

As at March 31, 2016, Crombie had signed construction contracts totalling $18,531 of which $8,916 has been paid.

Crombie is a creditor related to three leases vacated in 2015 by Target Canada ("Target") as a result of Target entering CCAA protection. Target has made a proposal to creditors which has been accepted by the courts for presentation to, and voting by, creditors to determine its acceptance. Subject to such acceptance, Crombie could receive a settlement related to the terminations of its leases and the related parent company guarantee of one of those leases. The amount, if any, of such settlement is not determinable and no amount has been recorded as at March 31, 2016 related to the proposed settlement.

RISK MANAGEMENT

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. These risks are discussed more fully under the section "Risk Management" in the 2015 Annual MD&A. There has been no significant change in Crombie's risk management since that time. Crombie is providing specific risk updates for March 31, 2016 for dollar amount changes during the current quarter:

Credit risk

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

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants. As at March 31, 2016:

- Excluding Sobeys (which accounts for 50.6% of Crombie's go forward minimum rent), no other tenant accounts for more than 5.1% of Crombie's minimum rent, and;
- Over the next five years, no more than 5.0% of the gross leasable area of Crombie will expire in any one year.

Crombie earned property revenue of $37,343 for the three months ended March 31, 2016 (three months ended March 31, 2015 - $35,964) from Sobeys Inc. and other subsidiaries of Empire.

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

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

There have been no significant changes to Crombie's credit risk since December 31, 2015.

Interest Rate Risk

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

As at March 31, 2016:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 6.5 years;
- Crombie has a floating rate revolving credit facility available to a maximum of $300,000 (subsequently increased to $400,000), subject to available Borrowing Base, with a balance of $8,706 at March 31, 2016; and,
- Crombie has no outstanding interest rate swap agreements to mitigate interest rate risk on floating rate debt.

Crombie estimates that $1,822 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the remaining three quarters of 2016, based on all settled swap agreements as of March 31, 2016.

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

	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	Decrease in rate	Increase in rate
Three months ended March 31, 2016	$ 122	$ (122)
Three months ended March 31, 2015	$ 133	$ (133)

There have been no significant changes to Crombie's interest rate risk since December 31, 2015.

Liquidity risk

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

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

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

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

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

		Twelve months ending March 31,					
	Contractual Cash Flows[1]	2017	2018	2019	2020	2021	Thereafter
Fixed rate mortgages[2]	$ 1,883,399	$ 166,800	$ 156,329	$ 132,480	$ 334,218	$ 138,920	$ 954,652
Senior unsecured notes	451,884	14,407	14,407	186,500	131,948	3,962	100,660
Convertible debentures	164,430	6,906	6,906	6,906	65,406	78,306	—
	2,499,713	188,113	177,642	325,886	531,572	221,188	1,055,312
Floating rate revolving credit facility	9,151	217	217	8,717	—	—	—
Total	$ 2,508,864	$ 188,330	$ 177,859	$ 334,603	$ 531,572	$ 221,188	$ 1,055,312

[1] Contractual cash flows include principal and interest and ignore extension options.
[2] Reduced by the interest rate subsidy payments to be received from ECL Developments Limited.

There have been no significant changes to Crombie's liquidity risk since December 31, 2015.

SUBSEQUENT EVENTS

(a) On April 19, 2016 Crombie declared distributions of 7.417 cents per unit for the period from April 1, 2016 to and including, April 30, 2016. The distributions will be paid on May 13, 2016, to Unitholders of record as of April 30, 2016.

(b) Subsequent to March 31, 2016, Crombie completed the acquisition of three retail properties from third parties. The properties, totalling 174,800 square feet, were acquired for $61,900, excluding closing and transaction costs.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by Crombie in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by Crombie is accumulated and communicated to Crombie's management, including its President and Chief Executive Officer ("CEO") and Executive Vice President, Chief Financial Officer and Secretary ("CFO"), as appropriate, to allow timely decisions regarding disclosure. Our CEO and CFO have evaluated the design and effectiveness of our disclosure controls and procedures as of March 31, 2016. They have concluded that our current disclosure controls and procedures are effective.

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

QUARTERLY INFORMATION

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

(In thousands of CAD dollars, except per unit amounts)	Three Months Ended							
	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014
Property revenue	$ 94,944	$ 92,847	$ 89,611	$ 94,907	$ 92,501	$ 90,602	$ 87,796	$ 89,008
Property operating expenses	30,641	28,858	26,892	27,328	30,183	27,324	25,333	27,409
Property net operating income	64,303	63,989	62,719	67,579	62,318	63,278	62,463	61,599
Gain (loss) on disposal	26,260	25	—	—	(2)	9,502	11	(3)
Expenses:								
General and administrative	(4,407)	(3,541)	(3,923)	(3,463)	(3,474)	(3,380)	(3,529)	(4,083)
Finance costs - operations	(24,365)	(24,600)	(24,306)	(24,287)	(25,418)	(24,449)	(24,701)	(25,070)
Depreciation and amortization	(16,450)	(16,789)	(16,340)	(16,925)	(16,522)	(16,024)	(15,632)	(15,943)
Impairment	—	(7,300)	—	(5,275)	—	(7,500)	(3,250)	—
Operating income before taxes	45,341	11,784	18,150	17,629	16,902	21,427	15,362	16,500
Taxes - current	(23)	(39)	(621)	(2,276)	—	—	—	—
Taxes - deferred	(2,000)	2,200	400	1,800	(200)	800	900	500
Operating income	43,318	13,945	17,929	17,153	16,702	22,227	16,262	17,000
Finance costs - distributions to Unitholders	(29,322)	(29,236)	(29,153)	(29,111)	(29,076)	(29,052)	(29,050)	(28,480)
Finance income (costs) - change in fair value of financial instruments	(34)	3,068	(3,112)	368	(268)	3,446	(3,342)	130
Increase (decrease) in net assets attributable to Unitholders	$ 13,962	$ (12,223)	$ (14,336)	$ (11,590)	$ (12,642)	$ (3,379)	$ (16,130)	$ (11,350)
Operating income per unit - Basic	$ 0.33	$ 0.11	$ 0.14	$ 0.13	$ 0.13	$ 0.17	$ 0.12	$ 0.14
Operating income per unit - Diluted	$ 0.33	$ 0.11	$ 0.14	$ 0.13	$ 0.13	$ 0.17	$ 0.12	$ 0.14

(In thousands of CAD dollars, except per unit amounts)	Three Months Ended							
	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014
AFFO	$ 32,048	$ 32,310	$ 30,694	$ 32,733	$ 29,917	$ 30,211	$ 30,224	$ 28,972
FFO	$ 37,961	$ 38,311	$ 36,312	$ 39,079	$ 35,772	$ 36,363	$ 36,359	$ 34,836
Distributions	$ 29,322	$ 29,236	$ 29,153	$ 29,111	$ 29,076	$ 29,052	$ 29,050	$ 28,480
AFFO per unit - basic	$ 0.24	$ 0.25	$ 0.23	$ 0.25	$ 0.23	$ 0.23	$ 0.23	$ 0.23
AFFO per unit - diluted[(1)]	$ 0.24	$ 0.25	$ 0.23	$ 0.25	$ 0.23	$ 0.23	$ 0.23	$ 0.23
FFO per unit - basic	$ 0.29	$ 0.29	$ 0.28	$ 0.30	$ 0.27	$ 0.28	$ 0.28	$ 0.28
FFO per unit - diluted[(1)]	$ 0.29	$ 0.29	$ 0.28	$ 0.30	$ 0.27	$ 0.28	$ 0.28	$ 0.27
Distributions per unit	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22

[(1)] FFO and AFFO per unit are calculated on a diluted basis. The diluted weighted average number of total Units and Special Voting Units included the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. Distributions per unit for each period are based on the total distributions per unit declared during the specific period.

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

- Property acquisitions and dispositions (excluding closing and transaction costs) for each of the above three month periods were:
    - March 31, 2016 - acquisition of one retail property for a total purchase price of $5,500 and disposition of 10 retail properties for proceeds of $143,400;
    - December 31, 2015 - acquisition of four retail properties and two additions to existing retail properties for a total purchase price of $60,825;
    - September 30, 2015 - acquisition of one retail property for a total purchase price of $20,500;
    - June 30, 2015 - acquisition of an addition to an existing retail property for a total purchase price of $2,333;
    - March 31, 2015 - acquisition of an addition to an existing retail property for a total purchase price of $12,650;

- December 31, 2014 - acquisition of 11 retail properties and one development addition to an existing retail property for a total purchase price of $142,447 and five retail property dispositions for proceeds of $65,000; and,
- June 30, 2014 - acquisition of one retail property for a total purchase price of $10,176.

- Property revenue and property operating expenses - Crombie's business is subject to seasonal fluctuations. Property operating expenses during winter months include particular expenses such as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property operating expenses during the summer and fall periods include particular expenses such as paving and roof repairs.
- Per unit amounts for FFO and AFFO are influenced by operating results as detailed above and by the timing of the issuance of REIT Units and Class B LP Units. Crombie had issuances, net of issue costs, of $97,147 in the quarter ended June 30, 2014.

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

Dated: May 4, 2016

New Glasgow, Nova Scotia, Canada

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016

CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Condensed Consolidated Balance Sheets
(In thousands of CAD dollars)
(Unaudited)

	Note	March 31, 2016	December 31, 2015	March 31, 2015
Assets				
Non-current assets				
Investment properties	3	**$ 3,151,889**	$ 3,157,279	$ 3,228,504
Intangible assets	4	**44,671**	45,607	47,595
Other assets	5	**104,067**	100,891	94,807
Long-term receivables	6	**568**	600	12,502
		3,301,195	3,304,377	3,383,408
Current assets				
Cash and cash equivalents		**—**	1,057	—
Other assets	5	**38,749**	33,978	34,231
Long-term receivables	6	**13,471**	13,333	1,185
Investment properties held for sale	7	**7,572**	119,448	—
		59,792	167,816	35,416
Total Assets		**3,360,987**	3,472,193	3,418,824
Liabilities				
Non-current liabilities				
Investment property debt	8	**1,407,191**	1,548,648	1,453,594
Senior unsecured notes	9	**398,207**	398,080	397,747
Convertible debentures	10	**131,672**	131,518	131,055
Deferred taxes	11	**76,200**	74,200	78,600
Employee future benefits obligation		**7,940**	7,736	7,871
Trade and other payables	12	**7,304**	6,661	6,199
		2,028,514	2,166,843	2,075,066
Current liabilities				
Investment property debt	8	**101,684**	92,555	100,520
Employee future benefits obligation		**246**	246	239
Trade and other payables	12	**63,926**	65,319	69,797
		165,856	158,120	170,556
Total liabilities excluding net assets attributable to Unitholders		**2,194,370**	2,324,963	2,245,622
Net assets attributable to Unitholders		**$ 1,166,617**	$ 1,147,230	$ 1,173,202
Net assets attributable to Unitholders represented by:				
Crombie REIT Unitholders		**$ 705,871**	$ 694,484	$ 710,065
Special Voting Units and Class B Limited Partnership Unitholders		**460,746**	452,746	463,137
		$ 1,166,617	$ 1,147,230	$ 1,173,202
Commitments and contingencies	22			
Subsequent events	23			

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(In thousands of CAD dollars)

(Unaudited)

	Note	Three months ended March 31, 2016	2015
Property revenue	13	**$ 94,944**	$ 92,501
Property operating expenses		**30,641**	30,183
Net property income		**64,303**	62,318
Gain (loss) on disposal of investment properties		**26,260**	(2)
Depreciation of investment properties	3	**(15,139)**	(15,155)
Amortization of deferred leasing costs	3	**(151)**	(149)
Amortization of intangible assets	4	**(1,160)**	(1,218)
General and administrative expenses		**(4,407)**	(3,474)
Operating income before finance costs and taxes		**69,706**	42,320
Finance costs - operations	16	**(24,365)**	(25,418)
Operating income before taxes		**45,341**	16,902
Taxes - current	11	**(23)**	—
Taxes - deferred	11	**(2,000)**	(200)
Operating income attributable to Unitholders		**43,318**	16,702
Finance costs - other			
Distributions to Unitholders		**(29,322)**	(29,076)
Change in fair value of financial instruments	12	**(34)**	(268)
		(29,356)	(29,344)
Increase (decrease) in net assets attributable to Unitholders		**13,962**	(12,642)
Other comprehensive income			
Items that will be subsequently reclassified to Decrease in net assets attributable to Unitholders:			
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		**618**	637
Net change in derivatives designated as cash flow hedges		**—**	—
Other comprehensive income		**618**	637
Comprehensive income (loss)		**$ 14,580**	$ (12,005)

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Changes in Net Assets Attributable to Unitholders

(In thousands of CAD dollars)

(Unaudited)

	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
	(Note 17)					
Balance, January 1, 2016	$ 1,473,885	$ (315,750)	$ (10,905)	$ 1,147,230	$ 694,484	$ 452,746
Adjustments related to EUPP	17	13	—	30	30	—
Statements of comprehensive income (loss)	—	13,962	618	14,580	8,564	6,016
Units issued under Distribution Reinvestment Plan ("DRIP")	4,777	—	—	4,777	2,793	1,984
Balance, March 31, 2016	**$ 1,478,679**	**$ (301,775)**	**$ (10,287)**	**$ 1,166,617**	**$ 705,871**	**$ 460,746**

	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
	(Note 17)					
Balance, January 1, 2015	$ 1,462,101	$ (265,010)	$ (13,777)	$ 1,183,314	$ 716,025	$ 467,289
Adjustments related to EUPP	20	10	—	30	30	—
Conversion of debentures	205	—	—	205	205	—
Statements of comprehensive income (loss)	—	(12,642)	637	(12,005)	(7,165)	(4,840)
Units issued under DRIP	1,658	—	—	1,658	970	688
Balance, March 31, 2015	$ 1,463,984	$ (277,642)	$ (13,140)	$ 1,173,202	$ 710,065	$ 463,137

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Cash Flows

(In thousands of CAD dollars)

		Three months ended March 31,	
	Note	**2016**	2015
Cash flows provided by (used in)			
Operating Activities			
Increase (decrease) in net assets attributable to Unitholders		**$ 13,962**	$ (12,642)
Items not affecting operating cash	18	**(1,801)**	20,354
Change in other non-cash operating items	18	**(7,352)**	3,507
Cash provided by (used in) operating activities		**4,809**	11,219
Financing Activities			
Issue of investment property debt		**17,170**	5,484
Deferred financing charges - investment property debt		**(403)**	(86)
Advance (repayment) of investment property debt		**(149,619)**	(81,558)
Issue of senior unsecured notes		**—**	125,000
Deferred financing charges - senior unsecured notes		**—**	(939)
Redemption of convertible debentures		**—**	(44,795)
Repayment of EUPP loans receivable		**—**	20
Collection of (increase in) long-term receivables		**(106)**	(56)
Cash provided by (used in) financing activities		**(132,958)**	3,070
Investing Activities			
Acquisition of investment properties and intangible assets		**(5,558)**	(7,505)
Additions to investment properties		**(6,936)**	(7,819)
Proceeds on disposal of investment properties		**141,650**	2,770
Additions to tenant incentives		**(1,899)**	(2,315)
Additions to deferred leasing costs		**(165)**	(31)
Cash provided by (used in) investing activities		**127,092**	(14,900)
Net change in cash and cash equivalents		**(1,057)**	(611)
Cash and cash equivalents, beginning of period		**1,057**	611
Cash and cash equivalents, end of period		**$ —**	$ —

See accompanying notes to the interim condensed consolidated financial statements.

1) GENERAL INFORMATION AND NATURE OF OPERATIONS

Crombie Real Estate Investment Trust (“Crombie”) is an unincorporated “open-ended” real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The principal business of Crombie is investing in income-producing retail, office and mixed use properties in Canada. Crombie is registered in Canada and the address of its registered office is 610 East River Road, Suite 200, New Glasgow, Nova Scotia, Canada, B2H 3S2. The interim condensed consolidated financial statements for the three months ended March 31, 2016 and March 31, 2015 include the accounts of Crombie and all of its subsidiary entities. The units of Crombie are traded on the Toronto Stock Exchange (“TSX”) under the symbol “CRR.UN”.

The interim condensed consolidated financial statements were authorized for issue by the Board of Trustees on May 4, 2016.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, and do not contain all of the information required by IAS 1, Presentation of Financial Statements. Therefore, they should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015.

(b) Basis of presentation

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

(c) Presentation of financial statements

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

(d) Basis of consolidation

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at March 31, 2016. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of March 31, 2016.

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

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

(e) Significant accounting policies

The Company describes its significant accounting policies in its audited consolidated financial statements for the year ended December 31, 2015.

New standards adopted

There has been no change in the Company’s significant accounting policies since December 31, 2015.

Future changes in accounting standards

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

(i) IFRS 9 - Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments which replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 has three main phases: classification and measurement, impairment and general hedging.

The new standard requires assets to be classified based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets will be measured at FVTPL unless certain conditions are met which permit measurement at amortized cost or fair value through other comprehensive income. The classification and measurement of financial liabilities remain generally unchanged, with the exception of financial liabilities recorded at FVTPL. For financial liabilities designated at FVTPL, IFRS 9 requires the presentation of the effects of changes in our own credit risk in other comprehensive income instead of decrease in net assets attributable to Unitholders. IFRS 9 also introduces an impairment model for financial instruments not measured at FVTPL that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. A new model for hedge accounting expands the scope of eligible hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the impact the adoption of this standard will have on Crombie's consolidated financial statements.

(ii) IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 which replaces IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted and is to be applied retrospectively. Management is currently assessing the impact the adoption of this standard will have on Crombie's consolidated financial statements.

(iii) IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 which replaces IAS 17, "Leases" and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. Management is currently assessing the impact of IFRS 16 on Crombie's consolidated financial statements.

3) INVESTMENT PROPERTIES

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2016	$ 976,002	$ 2,500,700	$ 6,780	$ 3,483,482
Acquisitions	1,768	3,550	—	5,318
Additions	254	4,665	226	5,145
Transfer to investment properties held for sale (Note 7)	(164)	(468)	—	(632)
Balance, March 31, 2016	977,860	2,508,447	7,006	3,493,313
Accumulated depreciation and amortization and impairment				
Opening balance, January 1, 2016	—	322,625	3,578	326,203
Depreciation and amortization	—	15,139	151	15,290
Transfer to investment properties held for sale (Note 7)	—	(69)	—	(69)
Balance, March 31, 2016	—	337,695	3,729	341,424
Net carrying value, March 31, 2016	$ 977,860	$ 2,170,752	$ 3,277	$ 3,151,889

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2015	$ 977,895	$ 2,479,018	$ 5,540	$ 3,462,453
Acquisitions	20,503	74,229	—	94,732
Additions	3,537	23,155	1,118	27,810
Disposition	(1,453)	(706)	—	(2,159)
Transfer to investment properties held for sale (Note 7)	(31,619)	(103,315)	(332)	(135,266)
Transfer from investment properties held for sale (Note 7)	7,139	28,319	454	35,912
Balance, December 31, 2015	976,002	2,500,700	6,780	3,483,482
Accumulated depreciation and amortization and impairment				
Opening balance, January 1, 2015	—	263,391	2,965	266,356
Depreciation and amortization	—	60,498	598	61,096
Disposition	—	(23)	—	(23)
Impairment	—	12,575	—	12,575
Transfer to investment properties held for sale (Note 7)	—	(18,424)	(217)	(18,641)
Transfer from investment properties held for sale (Note 7)	—	4,608	232	4,840
Balance, December 31, 2015	—	322,625	3,578	326,203
Net carrying value, December 31, 2015	$ 976,002	$ 2,178,075	$ 3,202	$ 3,157,279

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2015	$ 977,895	$ 2,479,018	$ 5,540	$ 3,462,453
Acquisitions	4,465	7,513	—	11,978
Additions	2,700	3,804	—	6,504
Disposition	(1,160)	(706)	—	(1,866)
Transfer from investment properties held for sale (Note 7)	7,139	28,319	454	35,912
Balance, March 31, 2015	991,039	2,517,948	5,994	3,514,981
Accumulated depreciation and amortization and impairment				
Opening balance, January 1, 2015	—	263,391	2,965	266,356
Depreciation and amortization	—	15,155	149	15,304
Disposition	—	(23)	—	(23)
Transfer from investment properties held for sale (Note 7)	—	4,608	232	4,840
Balance, March 31, 2015	—	283,131	3,346	286,477
Net carrying value, March 31, 2015	$ 991,039	$ 2,234,817	$ 2,648	$ 3,228,504

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $790,169 at March 31, 2016 (March 31, 2015 - $621,097). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment is recognized at the time of impairment.

During the year ended December 31, 2015, Crombie recorded an impairment of $12,575 on three retail properties and an office property. The impairments were the result of the fair value impact of tenant departures during the year; lower occupancy rates; and slower than expected leasing activity. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be each property's fair value which is the higher of the economic benefits of the continued use of the asset or the selling price less costs to sell.

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

	Fair Value	Carrying Value
March 31, 2016	**$ 4,109,000**	**$ 3,318,831**
December 31, 2015	$ 4,143,000	$ 3,434,051
March 31, 2015	$ 4,002,000	$ 3,380,903

Carrying value consists of the net carrying value of:

	Note	March 31, 2016	December 31, 2015	March 31, 2015
Investment properties	3	**$ 3,151,889**	$ 3,157,279	$ 3,228,504
Intangible assets	4	**44,671**	45,607	47,595
Accrued straight-line rent receivable	5	**50,271**	50,050	41,602
Tenant incentives	5	**64,428**	61,667	63,202
Investment properties held for sale	7	**7,572**	119,448	—
Total carrying value		**$ 3,318,831**	$ 3,434,051	$ 3,380,903

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

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

		Impact of a 0.25% Change in Capitalization Rate	
	Weighted Average Capitalization Rate	Increase in Rate	Decrease in Rate
March 31, 2016	**5.97%**	**$ (167,000)**	**$ 182,000**
December 31, 2015	6.15%	$ (163,000)	$ 177,000
March 31, 2015	6.18%	$ (157,000)	$ 170,000

Investment Property Acquisitions and Dispositions

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

2016

Transaction Date		Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 5, 2016	Third party	1	21,000	$ 5,500	$ —
March 10, 2016	Third party	(10)	(791,000)	(143,400)	—
			(770,000)	**$ (137,900)**	**$ —**

The acquisition of a retail property on February 5, 2016 was transacted with a third party. The disposition of 10 retail properties on March 10, 2016 was also transacted with a third party. The initial acquisition (disposition) prices stated above exclude closing and transaction costs.

2015

Transaction Date	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price	Assumed Mortgages
February 2, 2015	—	51,000	$ 12,650	$ 5,479
		51,000	$ 12,650	$ 5,479

The acquisition of an addition to an existing retail property on February 2, 2015 was transacted with a third party. The initial acquisition prices stated above exclude closing and transaction costs.

During the first quarter of 2015, Crombie disposed of a portion of one property's land and building through a partial expropriation. The carrying value of the portion disposed was derecognized at that time.

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

	Three months ended March 31,		Year ended
Investment property acquired, net:	**2016**	2015	December 31, 2015
Land	**$ 1,768**	$ 4,465	$ 20,503
Buildings	**3,550**	7,513	74,229
Intangible assets	**240**	707	3,457
Fair value debt adjustment on assumed mortgages	**—**	299	(679)
Net purchase price	**5,558**	12,984	97,510
Assumed mortgages	**—**	(5,479)	(17,556)
	$ 5,558	$ 7,505	$ 79,954

4) INTANGIBLE ASSETS

Tenant Relationships	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2016	**$ 98,136**	**$ 52,529**	**$ 45,607**
Acquisitions	**240**	**—**	**240**
Amortization	**—**	**1,160**	**(1,160)**
Transfer to investment properties held for sale (Note 7)	**(26)**	**(10)**	**(16)**
Balance, March 31, 2016	**$ 98,350**	**$ 53,679**	**$ 44,671**
Balance, January 1, 2015	$ 99,019	$ 50,913	$ 48,106
Acquisitions	707	—	707
Amortization	—	1,218	(1,218)
Transfer from investment properties held for sale (Note 7)	92	92	—
Balance, March 31, 2015	$ 99,818	$ 52,223	$ 47,595

5) OTHER ASSETS

	March 31, 2016	December 31, 2015	March 31, 2015
Trade receivables	**$ 12,444**	$ 10,624	$ 5,700
Provision for doubtful accounts	**(38)**	(60)	(51)
Net trade receivables	**12,406**	10,564	5,649
Marketable securities	**1,922**	1,965	2,168
Prepaid expenses and deposits	**8,288**	10,548	9,932
Restricted cash	**5,501**	75	6,485
Accrued straight-line rent receivable	**50,271**	50,050	41,602
Tenant incentives	**64,428**	61,667	63,202
	$ 142,816	$ 134,869	$ 129,038

Tenant Incentives	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2016	**$ 107,122**	**$ 45,455**	**$ 61,667**
Additions	**5,216**	**—**	**5,216**
Amortization	**—**	**2,453**	**(2,453)**
Transfer to investment properties held for sale (Note 7)	**(3)**	**(1)**	**(2)**
Balance, March 31, 2016	**$ 112,335**	**$ 47,907**	**$ 64,428**
Balance, January 1, 2015	$ 94,825	$ 35,574	$ 59,251
Additions	3,770	—	3,770
Amortization	—	2,346	(2,346)
Disposition	—	(21)	21
Transfer from investment properties held for sale (Note 7)	4,413	1,907	2,506
Balance, March 31, 2015	$ 103,008	$ 39,806	$ 63,202

See Note 20(a) for fair value information.

6) LONG-TERM RECEIVABLES

	March 31, 2016	December 31, 2015	March 31, 2015
Capital expenditure program	**$ 105**	$ 105	$ 105
Interest rate subsidy	**646**	717	1,007
Amount receivable from related party	**13,288**	13,111	12,575
	$ 14,039	$ 13,933	$ 13,687

During March 2014, Crombie advanced $11,856 to a subsidiary of Empire to partially finance their acquisition of development lands. The loan is repayable October 1, 2016 and bears interest at a rate of 6% per annum.

See Note 20(a) for fair value information.

7) INVESTMENT PROPERTIES HELD FOR SALE

	Land	Buildings	Deferred Leasing Costs	Tenant Relationships	Tenant Incentives	Total
Opening balance, January 1, 2016	**$ 31,619**	**$ 84,891**	**$ 115**	**$ 476**	**$ 2,347**	**$ 119,448**
Additions	**2**	**—**	**4**	**—**	**(28)**	**(22)**
Assets transferred to held for sale	**164**	**399**	**—**	**16**	**2**	**581**
Derecognition through disposition	**(29,743)**	**(79,778)**	**(119)**	**(476)**	**(2,319)**	**(112,435)**
Net carrying value, March 31, 2016	**$ 2,042**	**$ 5,512**	**$ —**	**$ 16**	**$ 2**	**$ 7,572**

	Land	Buildings	Deferred Leasing Costs	Tenant Relationships	Tenant Incentives	Total
Opening balance, January 1, 2015	$ 7,139	$ 23,711	$ 222	$ —	$ 2,506	$ 33,578
Assets transferred to held for sale	31,619	84,891	115	476	2,347	119,448
Assets transferred from held for sale	(7,139)	(23,711)	(222)	—	(2,506)	(33,578)
Net carrying value, December 31, 2015	$ 31,619	$ 84,891	$ 115	$ 476	$ 2,347	$ 119,448

	Land	Buildings	Deferred Leasing Costs	Tenant Relationships	Tenant Incentives	Total
Opening balance, January 1, 2015	$ 7,139	$ 23,711	$ 222	$ —	$ 2,506	$ 33,578
Assets transferred from held for sale	(7,139)	(23,711)	(222)	—	(2,506)	(33,578)
Net carrying value, March 31, 2015	$ —	$ —	$ —	$ —	$ —	$ —

On March 10, 2016, Crombie disposed of 10 retail properties to a third party. The remaining property which was classified as held for sale as at December 31, 2015 continues to meet the criteria for classification as held for sale. During the first quarter of 2016, Crombie determined that an additional retail property met the classification as held for sale as at March 31, 2016.

During the first quarter of 2015, Crombie determined that an investment property previously classified as held for sale no longer met the criteria and was reclassified to in use. The determination was based on the decision to defer the sale to maximize Crombie's return on the property. As a result, depreciation and amortization totalling $673 was recognized in the first quarter of 2015, representing the depreciation and amortization not recorded during the period the property was classified as held for sale.

8) INVESTMENT PROPERTY DEBT

	Range	**Weighted Average Interest Rate**	**Weighted Average Term to Maturity**		**March 31, 2016**
Fixed rate mortgages	**2.35 - 6.90%**	**4.59%**	**6.5 years**	**$**	**1,509,925**
Floating rate revolving credit facility		**2.50%**	**2.3 years**		**8,706**
Deferred financing charges					**(9,756)**
				$	**1,508,875**

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity		December 31, 2015
Fixed rate mortgages	2.70 - 6.90%	4.62%	6.6 years	$	1,521,079
Floating rate revolving credit facility		2.48%	2.5 years		130,000
Deferred financing charges					(9,876)
				$	1,641,203

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity		March 31, 2015
Fixed rate mortgages	3.12 - 6.90%	4.77%	7.3 years	$	1,471,482
Floating rate revolving credit facility		2.60%	3.3 years		92,887
Deferred financing charges					(10,255)
				$	1,554,114

As at March 31, 2016, debt retirements for the next five years are:

12 Months Ending	**Fixed Rate Principal Payments**	**Fixed Rate Maturities**	**Floating Rate Maturities**	**Total**
March 31, 2017	$ 46,859	$ 53,903	$ —	$ 100,762
March 31, 2018	45,308	49,099	—	94,407
March 31, 2019	44,365	31,268	8,706	84,339
March 31, 2020	43,748	238,425	—	282,173
March 31, 2021	36,853	62,956	—	99,809
Thereafter	133,660	719,788	—	853,448
	$ 350,793	$ 1,155,439	$ 8,706	1,514,938
Deferred financing charges				(9,756)
Unamortized fair value debt adjustment				3,693
				$ 1,508,875

Specific investment properties with a carrying value of $2,634,188 as at March 31, 2016 (December 31, 2015 - $2,686,589; March 31, 2015 - $2,646,386) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, investment properties held for sale, intangible assets, as well as accrued straight-line rent and tenant incentives which are included in other assets.

Mortgage Activity

For the three months ended:	Type	Number of Mortgages	Weighted Average Rates	Weighted Average Terms in Years	Weighted Average Amortization Period in Years	Proceeds (Repayments)
March 31, 2016	New	3	2.66%	6.1	24.3	$ 17,170
	Assumed	—	—	—	—	—
	Repayment	4	3.18%	—	—	(15,355)
						$ 1,815

For the three months ended:	Type	Number of Mortgages	Weighted Average Rates	Weighted Average Terms in Years	Weighted Average Amortization Period in Years	Proceeds (Repayments)
March 31, 2015	New	1	3.23%	7.3	25.0	$ 5,484
	Assumed	1	5.70%	1.3	25.0	5,555
	Repayment	4	5.16%	—	—	(17,372)
						$ (6,333)

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $300,000 (December 31, 2015 - $300,000; March 31, 2015 - $300,000) and matures June 30, 2018. Subsequent to period end, Crombie renewed the facility to a maximum principal amount of $400,000 and a maturity date of June 30, 2019. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. It is secured by a pool of first and second mortgages on certain properties and the maximum principal amount is subject to available borrowing base (March 31, 2016 – borrowing base of $221,000). The floating interest rate is based on bankers' acceptance rates plus a spread or specific margin over prime rate. The specified spread or margin changes depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status.

See Note 20(a) for fair value information.

9) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	**March 31, 2016**	December 31, 2015	March 31, 2015
Series A senior unsecured notes	October 31, 2018	3.986%	**$ 175,000**	$ 175,000	$ 175,000
Series B senior unsecured notes	June 1, 2021	3.962%	**100,000**	100,000	100,000
Series C senior unsecured notes	February 10, 2020	2.775%	**125,000**	125,000	125,000
Unamortized Series B issue premium			**281**	294	335
Deferred financing charges			**(2,074)**	(2,214)	(2,588)
			$ 398,207	$ 398,080	$ 397,747

On February 10, 2015 Crombie issued, on a private placement basis, $125,000 Series C Notes (senior unsecured) with a five year term and an annual interest rate of 2.775%. There are no principal repayments until maturity and interest is payable in equal semi-annual installments in arrears on February 10 and August 10.

See Note 20(a) for fair value information.

10) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	March 31, 2016	December 31, 2015	March 31, 2015
Series D (CRR.DB.D)	$ 20.10	September 30, 2019	5.00%	**$ 60,000**	$ 60,000	$ 60,000
Series E (CRR.DB.E)	$ 17.15	March 31, 2021	5.25%	**74,400**	74,400	74,400
Deferred financing charges				**(2,728)**	(2,882)	(3,345)
				$ 131,672	$ 131,518	$ 131,055

Debenture Conversions	Conversion Price	Three months ended March 31, 2016	Year ended December 31, 2015	Three months ended March 31, 2015
Series C	$ 15.30	**$ —**	$ 205	$ 205
		$ —	$ 205	$ 205
REIT Units Issued		**—**	13,398	13,398

On January 15, 2015, Crombie exercised its right to redeem the remaining outstanding principal amount of its Series C Unsecured Subordinated Debentures ("Series C Debentures") maturing June 30, 2017, in accordance with the terms of the Trust Indenture. Holders of the Series C Debentures were entitled to convert their Series C Debentures to Units based on the conversion price of $15.30 per Unit until February 17, 2015. The redemption of the then outstanding Series C Debentures was completed on February 18, 2015, for a principal payment of $44,795 plus interest, while $205 of principal was converted to 13,398 REIT Units.

See Note 20(a) for fair value information.

11) INCOME TAXES

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

	March 31, 2016	December 31, 2015	March 31, 2015
Tax liabilities relating to difference in tax and book value	**$ 84,497**	$ 85,815	$ 88,102
Tax asset relating to non-capital loss carry-forward	**(8,297)**	(11,615)	(9,502)
Deferred tax liability	**$ 76,200**	$ 74,200	$ 78,600

The tax recovery (expense) consists of the following:

	Three months ended March 31, 2016	2015
Taxes - current		
Taxes - gains on disposal of investment properties	**$ —**	$ —
Taxes - operating income earned in corporate subsidiaries	**(23)**	—
Total current taxes	**$ (23)**	$ —
Taxes - deferred		
Provision for income taxes at the expected rate	**$ (13,631)**	$ (5,066)
Tax effect of income attribution to Crombie's Unitholders	**11,631**	4,866
	(2,000)	(200)
Taxes - gains on disposal of investment properties	**—**	—
Total deferred taxes	**$ (2,000)**	$ (200)

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

12) TRADE AND OTHER PAYABLES

	March 31, 2016	December 31, 2015	March 31, 2015
Tenant incentives and capital expenditures	**$ 17,021**	$ 16,648	$ 15,990
Property operating costs	**21,037**	23,858	29,701
Prepaid rents	**5,731**	4,782	4,009
Finance costs on investment property debt, notes and debentures	**10,188**	10,163	10,289
Distributions payable	**9,783**	9,755	9,696
Unit based compensation plans	**2,614**	1,947	1,056
Fair value of embedded derivatives in convertible debentures	**—**	—	371
Deferred revenue	**4,856**	4,827	4,884
	$ 71,230	$ 71,980	$ 75,996

Change in fair value of financial instruments:

	Three months ended March 31, 2016	Year ended December 31, 2015	Three months ended March 31, 2015
Change in fair value of Deferred Unit ("DU") Plan	**$ (50)**	$ (18)	$ —
Change in fair value of embedded derivatives in convertible debentures	**—**	—	(371)
Change in fair value of marketable securities	**16**	74	103
Change in fair value of financial instruments	**$ (34)**	$ 56	$ (268)

13) PROPERTY REVENUE

	Three months ended March 31,	
	2016	2015
Rental revenue contractually due from tenants	**$ 93,950**	$ 91,373
Contingent rental revenue	**723**	608
Straight-line rent recognition	**2,724**	2,694
Tenant incentive amortization	**(2,453)**	(2,346)
Lease terminations	**—**	172
	$ 94,944	$ 92,501

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

	Three months ended March 31,			
	2016		2015	
	Revenue	**Percentage**	Revenue	Percentage
Sobeys Inc.	**$ 36,450**	**38.4%**	$ 35,090	37.9%

14) OPERATING LEASES

Crombie as a Lessor

Crombie's operations include leasing commercial real estate. Future minimum rental income under non-cancellable tenant leases as at March 31, 2016, is as follows:

	Remaining	Year Ending December 31,					
	2016	2017	2018	2019	2020	Thereafter	Total
Future minimum rental income	$ 185,750	$ 236,877	$ 226,996	$ 216,682	$ 204,721	$ 1,892,880	$ 2,963,906

Crombie as a Lessee

Operating lease payments primarily represent rentals payable by Crombie for all of its land leases. These land leases have varying terms ranging from 9 to 74 years including renewal options:

	Remaining	Year Ending December 31,					
	2016	2017	2018	2019	2020	Thereafter	Total
Future minimum lease payments	$ 1,100	$ 1,522	$ 1,549	$ 1,550	$ 1,552	$ 64,353	$ 71,626

15) EMPLOYEE BENEFIT EXPENSE

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

	Three months ended March 31,	
	2016	2015
Wages and salaries	**$ 8,465**	$ 7,864
Post-employment benefits	**205**	156
	$ 8,670	$ 8,020

16) FINANCE COSTS – OPERATIONS

	Three months ended March 31,	
	2016	2015
Fixed rate mortgages	**$ 18,187**	$ 18,290
Floating rate term, revolving and demand facilities	**607**	979
Senior unsecured notes	**3,705**	3,256
Convertible debentures	**1,866**	2,893
Finance costs - operations	**24,365**	25,418
Amortization of fair value debt adjustment and accretion income	**276**	411
Change in accrued finance costs	**(25)**	(1,398)
Amortization of effective swap agreements	**(618)**	(637)
Amortization of issue premium on senior unsecured notes	**13**	13
Amortization of deferred financing charges	**(828)**	(1,418)
Finance costs - operations, paid	**$ 23,183**	$ 22,389

17) UNITS OUTSTANDING

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2016	**77,857,608**	**$ 877,581**	**53,658,302**	**$ 596,304**	**131,515,910**	**$ 1,473,885**
Net change in EUPP loans receivable	**—**	**17**	**—**	**—**	**—**	**17**
Units issued under DRIP	**222,201**	**2,793**	**157,573**	**1,984**	**379,774**	**4,777**
Balance, March 31, 2016	**78,079,809**	**$ 880,391**	**53,815,875**	**$ 598,288**	**131,895,684**	**$ 1,478,679**

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2015	77,304,079	$ 870,578	53,275,266	$ 591,523	130,579,345	$ 1,462,101
Net change in EUPP loans receivable	—	20	—	—	—	20
Units issued under DRIP	75,283	970	53,393	688	128,676	1,658
Conversion of debentures	13,398	205	—	—	13,398	205
Balance, March 31, 2015	77,392,760	$ 871,773	53,328,659	$ 592,211	130,721,419	$ 1,463,984

Crombie REIT Units

During the three months ended March 31, 2015, $205 of Series C Convertible Debentures were converted for a total of 13,398 REIT Units at the conversion price of $15.30 per unit.

18) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended March 31,	
	2016	2015
Items not affecting operating cash:		
Straight-line rent recognition	**$ (2,724)**	$ (2,694)
Amortization of tenant incentives	**2,453**	2,346
Loss (gain) on disposal of investment properties	**(26,260)**	2
Depreciation of investment properties	**15,139**	15,155
Amortization of deferred leasing costs	**151**	149
Amortization of intangible assets	**1,160**	1,218
Unit based compensation	**13**	10
Amortization of effective swap agreements	**618**	637
Amortization of deferred financing charges	**828**	1,418
Amortization of issue premium on senior unsecured notes	**(13)**	(13)
Non-cash distributions to Unitholders in the form of DRIP Units	**4,777**	1,658
Taxes - deferred	**2,000**	200
Income tax expense	**23**	—
Change in fair value of financial instruments	**34**	268
	$ (1,801)	$ 20,354

b) Change in other non-cash operating items

	Three months ended March 31,	
	2016	2015
Cash provided by (used in):		
Trade receivables	**$ (1,842)**	$ 1,707
Prepaid expenses and deposits and other assets	**(3,166)**	(2,664)
Payables and other liabilities	**(2,344)**	4,464
	$ (7,352)	$ 3,507

19) RELATED PARTY TRANSACTIONS

Related party transactions are transactions with associates, post-employment benefit plans, and key management personnel. Transactions between Crombie and its subsidiaries have been eliminated on consolidation, and as such, are not disclosed in this note. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2016, Empire, through its wholly-owned subsidiary ECL Developments Limited ("ECLD"), holds a 41.5% (fully diluted 40.2%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

	Three months ended March 31,	
	2016	2015
Property revenue	**$ 37,343**	$ 35,964
Head lease income	**$ 122**	$ 289
Management support services provided	**$ 27**	$ 96
Property management services	**$ 291**	$ 200
Lease termination income	**$ —**	$ —
Property operating expenses	**$ 34**	$ 34
General and administrative expenses	**$ 50**	$ 127
Interest rate subsidy	**$ 84**	$ 141
Interest income	**$ 177**	$ 175
Finance costs - operations	**$ 299**	$ 296
Finance costs - distributions to Unitholders	**$ 12,166**	$ 12,064

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

In addition to the above:

- During the three months ended March 31, 2016, Crombie issued 157,573 (March 31, 2015 - 53,393) Class B LP Units to ECLD under the DRIP (Note 17).
- During the first quarter of 2015, Crombie acquired development lands in British Columbia with Sobeys Developments Limited Partnership ("SDLP"). Crombie's 50% portion of the acquisition cost was $2,676, including closing and transaction costs.

Key management personnel compensation

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

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

	Three months ended March 31,	
	2016	2015
Salary, bonus and other short-term employee benefits	**$ 818**	$ 647
Other long-term benefits	**30**	28
	$ 848	$ 675

20) FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

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

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

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

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

Level 3 - unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at March 31, 2016:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ —	$ —	$ 1,922	$ 1,922
Total financial assets measured at fair value	$ —	$ —	$ 1,922	$ 1,922
Financial liabilities				
Unit based compensation plans	$ 994	$ —	$ —	$ 994
Total financial liabilities measured at fair value	$ 994	$ —	$ —	$ 994

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2016.

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

	March 31, 2016		December 31, 2015		March 31, 2015	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Long-term receivables	**$ 14,076**	**$ 14,039**	$ 13,968	$ 13,933	$ 13,729	$ 13,687
Total other financial assets	**$ 14,076**	**$ 14,039**	$ 13,968	$ 13,933	$ 13,729	$ 13,687
Financial liabilities						
Investment property debt	**$ 1,656,442**	**$ 1,518,631**	$ 1,782,776	$ 1,651,079	$ 1,725,963	$ 1,564,369
Senior unsecured notes	**408,454**	**400,000**	405,348	400,000	413,807	400,000
Convertible debentures	**137,982**	**134,400**	138,360	134,400	139,709	134,400
Total other financial liabilities	**$ 2,202,878**	**$ 2,053,031**	$ 2,326,484	$ 2,185,479	$ 2,279,479	$ 2,098,769

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

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

b) Risk Management

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. There has been no significant change in Crombie's risk management during the three months ended March 31, 2016. The more significant risks and the actions taken to manage them, are as follows:

Credit risk

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

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

There have been no significant changes to Crombie's credit risk since December 31, 2015.

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates this risk by utilizing staggered debt maturities and limiting the use of permanent floating rate debt and, on occasion, utilizing interest rate swap agreements.

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

	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	**Decrease in rate**	**Increase in rate**
Three months ended March 31, 2016	**$ 122**	**$ (122)**
Three months ended March 31, 2015	$ 133	$ (133)

There have been no significant changes to Crombie's interest rate risk since December 31, 2015.

Liquidity risk

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

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

		Twelve months ending March 31,					
	Contractual Cash Flows[1]	**2017**	**2018**	**2019**	**2020**	**2021**	**Thereafter**
Fixed rate mortgages[2]	$ 1,883,399	$ 166,800	$ 156,329	$ 132,480	$ 334,218	$ 138,920	$ 954,652
Senior unsecured notes	451,884	14,407	14,407	186,500	131,948	3,962	100,660
Convertible debentures	164,430	6,906	6,906	6,906	65,406	78,306	—
	2,499,713	188,113	177,642	325,886	531,572	221,188	1,055,312
Floating rate revolving credit facility	9,151	217	217	8,717	—	—	—
Total	$ 2,508,864	$ 188,330	$ 177,859	$ 334,603	$ 531,572	$ 221,188	$ 1,055,312

[1] Contractual cash flows include principal and interest and ignore extension options.
[2] Reduced by the interest rate subsidy payments to be received from ECLD.

There have been no significant changes to Crombie's liquidity risk since December 31, 2015.

21) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, in the range of 50% to 55% of gross book value, utilize staggered debt maturities, minimize long-term exposure to excessive levels of floating rate debt and maintain conservative payout ratios.

Crombie's capital structure consists of the following:

	March 31, 2016	December 31, 2015	March 31, 2015
Investment property debt	**$ 1,508,875**	$ 1,641,203	$ 1,554,114
Senior unsecured notes	**398,207**	398,080	397,747
Convertible debentures	**131,672**	131,518	131,055
Crombie REIT Unitholders	**705,871**	694,484	710,065
SVU and Class B LP Unitholders	**460,746**	452,746	463,137
	$ 3,205,371	$ 3,318,031	$ 3,256,118

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

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

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

	March 31, 2016	December 31, 2015	March 31, 2015
Fixed rate mortgages	**$ 1,509,925**	$ 1,521,079	$ 1,471,482
Senior unsecured notes	**400,000**	400,000	400,000
Convertible debentures	**134,400**	134,400	134,400
Revolving credit facility	**8,706**	130,000	92,887
Total debt outstanding	**2,053,031**	2,185,479	2,098,769
Less: Applicable fair value debt adjustment	**(1,636)**	(1,721)	(2,061)
Debt	**$ 2,051,395**	$ 2,183,758	$ 2,096,708
Investment properties, cost	**$ 3,493,313**	$ 3,483,482	$ 3,514,981
Below-market lease component, cost [1]	**71,174**	72,634	71,379
Intangible assets, cost	**98,350**	98,136	99,818
Long-term receivables	**14,039**	13,933	13,687
Other assets, cost (see below)	**190,723**	180,324	168,844
Cash and cash equivalents	**—**	1,057	—
Deferred financing charges	**14,558**	14,972	16,188
Investment properties held for sale, cost	**8,516**	144,323	—
Interest rate subsidy	**(1,636)**	(1,721)	(2,061)
Fair value adjustment to deferred taxes	**(34,299)**	(34,645)	(34,645)
Gross book value	**$ 3,854,738**	$ 3,972,495	$ 3,848,191
Debt to gross book value	**53.2%**	55.0%	54.5%

[1] Below-market lease component is included in the carrying value of investment properties and assets held for sale.

Other assets are calculated as follows:

	March 31, 2016	December 31, 2015	March 31, 2015
Other assets per Note 5	**$ 142,816**	$ 134,869	$ 129,038
Add back (deduct):			
Tenant incentive accumulated amortization	**47,907**	45,455	39,806
Other assets, cost	**$ 190,723**	$ 180,324	$ 168,844

As at March 31, 2016, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

22) COMMITMENTS AND CONTINGENCIES

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

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

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at March 31, 2016, Crombie has a total of $1,611 in outstanding letters of credit related to:

	March 31,	
	2016	2015
Construction work being performed on investment properties	**$ 1,611**	$ 979
Total outstanding letters of credit	**$ 1,611**	$ 979

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

Land leases have varying terms ranging from 9 to 74 years including renewal options. For the three months ended March 31, 2016, Crombie paid $355 in land lease payments to third party landlords (three months ended March 31, 2015 - $360). Crombie's commitments under the land leases are disclosed in Note 14.

As at March 31, 2016, Crombie had signed construction contracts totalling $18,531 of which $8,916 has been paid.

Crombie is a creditor related to three leases vacated in 2015 by Target Canada ("Target") as a result of Target entering CCAA protection. Target has made a proposal to creditors which has been accepted by the courts for presentation to, and voting by, creditors to determine its acceptance. Subject to such acceptance, Crombie could receive a settlement related to the terminations of its leases and the related parent company guarantee of one of those leases. The amount, if any, of such settlement is not determinable and no amount has been recorded as at March 31, 2016 related to the proposed settlement.

23) SUBSEQUENT EVENTS

(a) On April 19, 2016 Crombie declared distributions of 7.417 cents per Unit for the period from April 1, 2016 to and including, April 30, 2016. The distributions will be paid on May 13, 2016, to Unitholders of record as of April 30, 2016.

(b) Subsequent to March 31, 2016, Crombie completed the acquisition of three retail properties from third parties. The properties, totalling 174,800 square feet, were acquired for $61,900, excluding closing and transaction costs.

24) SEGMENT DISCLOSURE

Crombie owns and operates primarily retail and office real estate assets located in Canada. Management, in measuring Crombie's performance or making operating decisions, does not distinguish or group its operations on a geographical or other basis. Accordingly, Crombie has a single reportable segment for disclosure purposes.

UNITHOLDERS' INFORMATION

BOARD OF TRUSTEES

Donald E. Clow
Trustee, President and Chief Executive Officer

Frank C. Sobey
Trustee and Chairman

Paul D. Sobey
Trustee

Brian A. Johnson
Independent Trustee

J. Michael Knowlton
Independent Trustee

E. John Latimer
Independent Trustee

John Eby
Independent Trustee and Lead Trustee

Elisabeth Stroback
Independent Trustee

Barbara Palk
Independent Trustee

Francois Vimard
Trustee

Kent R. Sobey
Independent Trustee

OFFICERS

Frank C. Sobey
Chairman

Donald E. Clow
President and Chief Executive Officer

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

Patrick G. Martin
Executive Vice President, Operations

Trevor Lee
Regional Vice President, Western Canada

Fred Santini
Regional Vice President, Central Canada

Scott R. MacLean
Regional Vice President, Atlantic Canada

John Barnoski
Vice President, Corporate Development

Cheryl Fraser
Chief Talent Officer

CROMBIE REIT

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UNIT SYMBOL

REIT Trust Units – CRR.UN

STOCK EXCHANGE LISTING

Toronto Stock Exchange

DISTRIBUTION RECORD AND PAYMENT DATES FOR FISCAL 2016

Record Date	Payment Date
January 31, 2016	February 15, 2016
February 29, 2016	March 15, 2016
March 31, 2016	April 15, 2016
April 30, 2016	May 16, 2016

COUNSEL

Stewart McKelvey
Halifax, Nova Scotia

AUDITORS

PricewaterhouseCoopers, LLP
Halifax, Nova Scotia

INVESTOR RELATIONS AND INQUIRIES

Unitholders, analysts, and investors
should direct their financial inquiries or request to:
Glenn R. Hynes, FCPA, FCA
Executive Vice President, Chief Financial Officer and Secretary
Email: investing@crombie.ca

Communication regarding investor records, including changes of address or ownership, lost certificates or tax forms, should be directed to the company's transfer agent and registrar, CST Trust Company.

TRANSFER AGENT

CST Trust Company
Investor Correspondence
P.O. Box 700
Montreal, Quebec, H3B 3K3
Telephone: (800) 387-0825
Email: inquiries@canstockta.com

Website: www.canstockta.com

MULTIPLE MAILINGS

If you have more than one account, you may receive a separate mailing for each.

If this occurs, please contact CST Trust Company at (800) 387-0825 or (416) 682-3860 to eliminate multiple mailings.

Crombie REIT

WHY CROMBIE?

An investment in Crombie REIT provides the opportunity to achieve steady income growth and capital appreciation in one of the most reliable and defensive segments in commercial real estate.

- Diversified, low-risk and defensive portfolio
- Attractive yield
- High-quality cash flow
- Proven growth record and significant development potential
- Strong capital structure, moderate leverage and ample liquidity