Crombie REIT

2016 SECOND QUARTER REPORT
Six Months Ended June 30, 2016

Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS FOR THE QUARTER ENDED JUNE 30, 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 and six months ended June 30, 2016, with a comparison to the financial condition and results of operations for the comparable periods 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 June 30, 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 August 3, 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"), FFO as adjusted, 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 and six months ended June 30, 2016 and 2015 are as follows:

	As at	
	June 30, 2016	**June 30, 2015**
Number of properties	284	255
Gross leaseable area (square feet)	19,360,000	17,447,000
Debt to gross book value - fair value basis	50.6%	52.1%

	Three months ended June 30,		Six months ended June 30,	
(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	**2016**	**2015**	2016	2015
Property revenue	$ 101,031	$ 94,907	$ 195,975	$ 187,408
Property net operating income	$ 73,493	$ 67,579	$ 137,796	$ 129,897
Operating income attributable to Unitholders	$ 27,208	$ 17,153	$ 70,526	$ 33,855
Operating income attributable to Unitholders per unit - basic	$ 0.21	$ 0.13	$ 0.53	$ 0.26
Operating income attributable to Unitholders per unit - diluted	$ 0.21	$ 0.13	$ 0.53	$ 0.26
FFO, as adjusted – basic	$ 37,256	$ 39,079	$ 75,216	$ 74,851
FFO, as adjusted – diluted	$ 38,977	$ 40,801	$ 78,650	$ 78,625
FFO, as adjusted per unit – basic	$ 0.28	$ 0.30	$ 0.57	$ 0.57
FFO, as adjusted per unit – diluted	$ 0.28	$ 0.30	$ 0.56	$ 0.57
FFO, as adjusted payout ratio (%)	82.0%	74.5%	79.6%	77.7%
AFFO – basic	$ 31,432	$ 32,733	$ 63,479	$ 62,650
AFFO – diluted	$ 32,405	$ 33,707	$ 65,421	$ 64,932
AFFO per unit – basic	$ 0.24	$ 0.25	$ 0.48	$ 0.48
AFFO per unit – diluted	$ 0.24	$ 0.25	$ 0.48	$ 0.48
Distributions per unit	$ 0.22	$ 0.22	$ 0.45	$ 0.45
AFFO payout ratio (%)	97.2%	88.9%	94.3%	92.9%
Interest service coverage			2.89	2.76
Debt service coverage			1.87	1.83

(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 June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Basic number of Units for all measures	132,283,695	130,638,463	131,926,523	130,564,180
Diluted for operating income attributable to Unitholders purposes	132,424,550	130,804,412	132,071,862	130,730,210
Diluted for FFO purposes	139,747,818	138,127,679	139,395,130	138,867,185
Diluted for AFFO purposes	136,762,743	135,142,604	136,410,055	135,882,110

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

- Completed acquisitions totalling 2,555,000 square feet for $508,183 before closing and transaction costs, including 35 retail properties; 50% interest in three distribution centres; and, two parcels of development land adjacent to existing Crombie properties and invested $58,823 in the renovation and expansion of 10 existing Sobeys anchored properties.
- Completed dispositions of 12 retail properties totalling 846,000 square feet for proceeds of approximately $151,700 before closing and transaction costs.
- FFO, as adjusted, for the six months ended June 30, 2016 increased 0.5% to $75,216; or $0.56 per unit Diluted, a decrease of $0.01 per unit from the six months ended June 30, 2015.
- FFO, as adjusted, for the three months ended June 30, 2016 decreased 4.7% to $37,256; or $0.28 per unit Diluted, a decrease of $0.02 per unit from the three months ended June 30, 2015.

- AFFO for the six months ended June 30, 2016 increased 1.3% to 63,479; or $0.48 per unit Diluted, unchanged from the AFFO per unit Diluted for the six months ended June 30, 2015.
- AFFO for the three months ended June 30, 2016 decreased 4.0% to $31,432; or $0.24 per unit Diluted, a decrease of $0.01 per unit from the three months ended June 30, 2015.
- FFO, as adjusted, payout ratio of 79.6% for the six months ended June 30, 2016 compared to 77.7% for the same period in 2015. AFFO payout ratio of 94.3% for the six months ended June 30, 2016 compared to 92.9% for the same period in 2015. FFO, as adjusted, payout ratio of 82.0% for the three months ended June 30, 2016 compared to 74.5% for the same period in 2015. AFFO payout ratio of 97.2% for the three months ended June 30, 2016 compared to 88.9% for the same period in 2015.
- 4.6% growth of property revenue for the six months ended June 30, 2016 ($195,975 versus $187,408 for the six months ended June 30, 2015). Second quarter property revenue of $101,031, an increase of $6,124, or 6.5% over second quarter 2015.
- Same-asset property cash NOI for the six months ended June 30, 2016 increased by 1.9% or $2,174 ($115,728 compared to $113,554 for the six months ended June 30, 2015). Increase in same-asset property cash NOI for the three months ended June 30, 2016 of 0.5% or $289 ($57,693 compared to $57,404 for the three months ended June 30, 2015).
- Committed occupancy was 94.1% at June 30, 2016 compared with 93.6% at December 31, 2015 and 92.4% at June 30, 2015.
- Crombie's renewal activity during the six months ended June 30, 2016 included:
    - Renewals on 357,000 square feet of 2016 expiring leases at an average rate of $15.02 per square foot, an increase of 7.5% over the expiring lease rate.
    - Renewals on 59,000 square feet of 2017 and later expiring leases at an average rate of $26.85 per square foot, an increase of 9.0% over the expiring lease rate.
- New leases and expansions increased occupancy by 102,000 square feet at June 30, 2016 at an average first year rate of $16.31 per square foot. 182,000 square feet of space was committed at June 30, 2016 at an average first year rate of $12.19 per square foot.
- Debt to gross book value (fair value basis) was 50.6% at June 30, 2016, compared to 52.1% at June 30, 2015.
- Crombie’s interest service coverage for the six months ended June 30, 2016 was 2.89 times EBITDA and debt service coverage was 1.87 times EBITDA, compared to 2.76 times EBITDA and 1.83 times EBITDA, respectively, for the six months ended June 30, 2015.
- Recognized $10,344 in property revenue related to settlement proceeds from Target Canada for three leases vacated in May 2015.

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 June 30, 2016, Crombie owned a portfolio of 284 investment properties in 10 provinces, comprising approximately 19.4 million square feet of gross leaseable area (“GLA”). Empire Company Limited (“Empire” or “ECL”), through a subsidiary, holds a 41.5% (fully diluted 40.3%) economic and voting interest in Crombie at June 30, 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 June 30, 2016, Crombie's property portfolio consisted of 284 investment properties that contain approximately 19.4 million square feet of GLA in all 10 provinces.

As at June 30, 2016, the portfolio distribution of the GLA by province was as follows:

	GLA (sq. ft.)						
Province	January 1, 2016	Acquisitions (Dispositions)	Other	June 30, 2016	Number of Properties	% of GLA	% of Annual Minimum Rent
AB	2,386,000	988,000	—	3,374,000	55	17.5%	20.7%
BC	1,416,000	312,000	—	1,728,000	41	8.9%	11.3%
MB	644,000	—	—	644,000	15	3.3%	4.3%
NB	1,582,000	(8,000)	2,000	1,576,000	20	8.1%	5.7%
NL	1,414,000	—	(28,000)	1,386,000	13	7.2%	9.8%
NS	5,374,000	161,000	3,000	5,538,000	46	28.6%	21.5%
ON	3,022,000	(103,000)	3,000	2,922,000	50	15.1%	15.7%
PE	128,000	—	—	128,000	3	0.7%	0.8%
QC	1,246,000	364,000	—	1,610,000	33	8.3%	7.8%
SK	454,000	—	—	454,000	8	2.3%	2.4%
Total	17,666,000	1,714,000	(20,000)	19,360,000	284	100.0%	100.0%

During the six months ended June 30, 2016, Crombie had a net increase of 1,714,000 square feet of GLA from acquisition and disposition activity consisting of:

- acquisition of nine properties, totalling 951,000 square feet and a 37,000 square foot addition to a property in Alberta ;
- acquisition of eight properties in British Columbia, totalling 312,000 square feet;
- disposition of one property in New Brunswick totalling 8,000 square feet;
- acquisition of one property totalling 77,000 square feet,an 84,000 square foot addition to a property, and an acquisition of a 54,000 square foot development property, in Nova Scotia. The development property has been excluded from GLA until development plans are finalized;
- acquisition of six properties in Ontario totalling 552,000 square feet offset by disposition of ten properties totalling 655,000 square feet; and,
- acquisition of 12 properties in Quebec totalling 547,000 square feet offset in part by 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 June 30, 2016, our allocation of Annual Minimum Rent consists of: Atlantic Canada 37.8%; Central Canada 23.5%; and Western Canada 38.7%. 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 six months ended June 30, 2016 were as follows:

	Occupied space (sq. ft.)								
Province	January 1, 2016	Acquisitions (Dispositions)	New Leases[1]	Lease Expiries	Other Changes[2]	June 30, 2016	Committed Space (sq. ft.)[3]	Total Leased Space (sq. ft.)	Leased June 30, 2016
AB	2,376,000	984,000	3,000	(5,000)	(1,000)	3,357,000	8,000	3,365,000	99.7%
BC	1,416,000	305,000	—	—	—	1,721,000	2,000	1,723,000	99.7%
MB	644,000	—	1,000	(1,000)	—	644,000	—	644,000	100.0%
NB	1,222,000	(8,000)	26,000	(2,000)	(4,000)	1,234,000	37,000	1,271,000	80.6%
NL	1,371,000	—	8,000	(14,000)	(26,000)	1,339,000	6,000	1,345,000	97.0%
NS	4,816,000	161,000	44,000	(109,000)	(22,000)	4,890,000	122,000	5,012,000	90.5%
ON	2,782,000	(32,000)	8,000	(24,000)	(5,000)	2,729,000	7,000	2,736,000	93.6%
PE	128,000	—	—	—	—	128,000	—	128,000	100.0%
QC	1,226,000	363,000	6,000	—	(1,000)	1,594,000	—	1,594,000	99.0%
SK	448,000	—	6,000	(50,000)	—	404,000	—	404,000	89.0%
Total	16,429,000	1,773,000	102,000	(205,000)	(59,000)	18,040,000	182,000	18,222,000	94.1%

(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 182,000 square feet at June 30, 2016, from 99,000 square feet at December 31, 2015.

Overall leased space (occupied plus committed) increased from 93.6% at year ended December 31, 2015 to 94.1% at June 30, 2016. During the first six months of 2016, Crombie had a net increase from acquisitions and dispositions of 1,773,000 square feet; had lease expiries outpace new leases by 103,000 square feet, primarily due to the vacating of 47,000 square feet of mixed use space at Scotia Square Mall in Nova Scotia, 20,000 square feet at Perth Mews Plaza in Ontario, 37,000 square feet of mixed use space at Aberdeen Business Centre in Nova Scotia and a 44,000 square foot anchor tenant at River City Centre in Saskatchewan; and, had committed space increase by 83,000 square feet to 182,000 square feet.

New Leases and expansions increased occupancy by 102,000 square feet at June 30, 2016 at an average first year rate of $16.31 per square foot. 88,000 square feet are new leases at an average rate of $17.08 per square foot while the remaining 14,000 square feet were expansions of existing tenants at an average rate of $11.53 per square foot. 182,000 square feet of space was committed at June 30, 2016 at an average first year rate of $12.19 per square foot. In addition to existing committed space, new leases affecting future occupancy of 24,000 square feet at a first year rate of $11.98 per square foot were executed.

During the six months ended June 30, 2016, Crombie renewed 357,000 square feet of 2016 maturities at an average rate of $15.02 per square foot, an increase of 7.5% 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. Crombie also renewed 59,000 square feet of 2017 and later expiring leases at an average rate of $26.85 per square foot, an increase of 9.0% over the expiring lease rate. In addition, as part of the recent investment in the renovation and expansion of 10 existing Sobeys, leases have been renewed with new 20 year terms. These renewals have not been included in the calculation of the renewal activity previously discussed.

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 June 30, 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	279	18,371,000	94.9%	96.0%	94.3%
Office	5	989,000	5.1%	4.0%	90.0%
Total	284	19,360,000	100.0%	100.0%	94.1%

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

As at June 30, 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	16,390,000	93.9%	95.6%	92.9%
Office	5	1,057,000	6.1%	4.4%	83.9%
Total	255	17,447,000	100.0%	100.0%	92.4%

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

Retail and mixed use properties represent 94.9% of Crombie's GLA and 96.0% of annual minimum rent at June 30, 2016 compared to 93.9% of GLA and 95.6% of annual minimum rent at June 30, 2015, reflecting Crombie's strategy to focus growth primarily on retail properties.

Leased space in retail and mixed use properties of 94.3% at June 30, 2016, increased from 92.9% at June 30, 2015. Leased space in office properties of 90.0% improved from 83.9% at June 30, 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 June 30, 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	138	513,000	2.6%	$ 13.45
2017	188	902,000	4.7%	18.68
2018	171	755,000	3.9%	17.81
2019	172	838,000	4.3%	17.99
2020	151	603,000	3.1%	18.77
Thereafter	786	14,611,000	75.5%	18.11
Total	1,606	18,222,000	94.1%	$ 18.19

Property Development/Redevelopment ("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 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 839,000 (March 31, 2016 - 430,000) square feet of commercial GLA and up to 5,100,000 square feet (up to 5,800 units) (March 31, 2016 - 4,600,000 square feet and 5,300 units) of residential GLA (which may include either rental or condominium units). Included in Crombie's pipeline of 19 (March 31, 2016 - 14) potential Major Developments are 13 (March 31, 2016 - 11) properties in Western Canada, located primarily in Vancouver, British Columbia (nine) (March 31, 2016 - seven) and Calgary and Edmonton, Alberta (four) and six (March 31, 2016 - three) additional properties located in Central Canada and Atlantic Canada. Based on Crombie's current estimates, total costs to develop these properties could reach $2 to $3 billion (March 31, 2016 - $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.

As at June 30, 2016, Crombie has identified the following 19 (March 31, 2016 - 14) 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.	1033 Austin Avenue	Coquitlam, BC	2.09 acres	Safeway	Yes	Yes	TBD
8.	Royal Oak	Vancouver, BC	2.76 acres	Safeway	Yes	Yes	TBD
9.	East Hastings	Burnaby, BC	3.30 acres	Safeway/Other tenants	Yes	Yes	TBD
10.	813 11 Avenue SW	Calgary, AB	2.59 acres	Safeway	Yes	Yes	TBD
11.	524 Elbow Drive SW	Calgary, AB	1.60 acres	Safeway	Yes	Yes	Pre-planning
12	410 10 Street NW	Calgary, AB	1.73 acres	Safeway	Yes	Yes	TBD
13.	10930 82 Avenue	Edmonton, AB	2.44 acres	Safeway/Other tenants	Yes	Yes	TBD
14.	Brampton Mall	Brampton, ON	8.74 acres	Retail	Yes	Yes	TBD
15.	Bronte Village	Oakville, ON	5.66 acres	Sobeys/Other tenants	Yes	Yes	Pre-Planning
16.	Triangle Lands	Halifax, NS	0.68 acres	Land	Yes	Yes	TBD
17.	Penhorn Lands	Dartmouth, NS	31.00 acres	Land	Yes	Yes	TBD
18.	Scotia Square	Halifax, NS	14.47 acres	Office/Retail	Yes	Yes	In Development
19.	Avalon Mall	St. John's, NL	50.91 acres	Retail	Yes	No	Pre-planning

Projects shaded reflect five new acquisitions in the second quarter.

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) comprised of two residential towers. Zoning is in place and a development permit application was submitted in December 2015 with approval expected shortly. Under the current project, Crombie would ultimately retain 100% of the new commercial component and jointly own the rental residential component.

Davie St, Vancouver

Properties in Development Phase

Scotia Square, Barrington Street, Halifax, Nova Scotia

Scotia Square Complex is situated at the entrance to the downtown Halifax 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 modernize 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 included in development property cash NOI and excluded from same-asset operating results until the redevelopment is complete and the operating results from the property are available for the current and comparative reporting years, at which time they are included in same-asset property operating results. Operating results from these properties are included in FFO, AFFO, occupancy, etc per normal.

Province	Property	Property GLA
NS	Aberdeen Business Centre	389,000
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	Property 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	70,000	Phased demolition and development	$ 1,273	$ 340	To be determined
NL	Kenmount Business Centre / Woodgate Plaza	70,000	Avalon Mall Master Plan	In planning	$ —	To be determined
NB	Loch Lomond Place	193,000	To be determined	In planning	$ —	To be determined
NB	1234 Main Street / 1222 Main Street	140,000	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. Development is in progress, subject to leasing proposed retail, municipal rezoning and management review and approval.

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 enhancements on other properties which totals $69,060 of investment for the six months ended June 30, 2016, this includes $58,823 of investment in the renovation and expansion of 10 properties anchored by Sobeys. 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 June 30, 2016.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys [(1)]	53.6%	16.4 years
Shoppers Drug Mart	4.5%	11.6 years
Cineplex	1.4%	9.1 years
Province of Nova Scotia	1.2%	2.5 years
CIBC	1.2%	14.4 years
Dollarama	1.1%	6.7 years
Lawtons/Sobeys Pharmacy	1.0%	10.8 years
GoodLife Fitness	1.0%	10.8 years
Bank of Nova Scotia	0.9%	2.9 years
Bank of Montreal	0.8%	11.5 years
Total	66.7%	

[(1)] Excludes Lawtons/Sobeys Pharmacy.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys which accounts for 53.6% of annual minimum rent and Shoppers Drug Mart which accounts for 4.5% of annual minimum rent, no other tenant accounts for more than 1.4% of Crombie's annual minimum rent.

The weighted average remaining term of all Crombie leases is approximately 13.8 years. This lengthy remaining lease term is influenced by the average Sobeys and Shoppers Drug Mart remaining lease terms of 16.4 years and 11.6 years, respectively.

FINANCIAL RESULTS

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As At		
	June 30, 2016	December 31, 2015	June 30, 2015
Total assets	$ 3,947,684	$ 3,472,193	$ 3,422,956
Total investment property debt and unsecured debt	$ 2,386,207	$ 2,170,801	$ 2,100,958
Debt to gross book value - fair value basis[1]	50.6%	52.5%	52.1%

[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 June 30,			Six months ended June 30,		
	2016	2015	Variance	2016	2015	Variance
Property revenue	$ 101,031	$ 94,907	$ 6,124	$ 195,975	$ 187,408	$ 8,567
Property operating expenses	27,538	27,328	(210)	58,179	57,511	(668)
Property NOI	73,493	67,579	5,914	137,796	129,897	7,899
NOI margin percentage	72.7%	71.2%	1.5%	70.3%	69.3%	1.0%
Other items:						
Gain (loss) on disposal of investment properties	244	—	244	26,504	(2)	26,506
Impairment of investment properties	—	(5,275)	5,275	—	(5,275)	5,275
Depreciation and amortization	(17,514)	(16,925)	(589)	(33,964)	(33,447)	(517)
General and administrative expenses	(4,122)	(3,463)	(659)	(8,529)	(6,937)	(1,592)
Operating income before finance costs and taxes	52,101	41,916	10,185	121,807	84,236	37,571
Finance costs – operations	(24,793)	(24,287)	(506)	(49,158)	(49,705)	547
Operating income before taxes	27,308	17,629	9,679	72,649	34,531	38,118
Taxes – current	—	(2,276)	2,276	(23)	(2,276)	2,253
Taxes – deferred	(100)	1,800	(1,900)	(2,100)	1,600	(3,700)
Operating income attributable to Unitholders	27,208	17,153	10,055	70,526	33,855	36,671
Finance costs – distributions to Unitholders	(30,538)	(29,111)	(1,427)	(59,860)	(58,187)	(1,673)
Finance income (costs) – change in fair value of financial instruments	(397)	368	(765)	(431)	100	(531)
Increase (decrease) in net assets attributable to Unitholders	$ (3,727)	$ (11,590)	$ 7,863	$ 10,235	$ (24,232)	$ 34,467
Operating income attributable to Unitholders per Unit, Basic	$ 0.21	$ 0.13		$ 0.53	$ 0.26	
Operating income attributable to Unitholders per Unit, Diluted	$ 0.21	$ 0.13		$ 0.53	$ 0.26	
Basic weighted average Units outstanding (in 000's)	132,284	130,638		131,927	130,564	
Diluted weighted average Units outstanding (in 000's)	132,425	130,804		132,072	130,730	
Distributions per Unit to Unitholders	$ 0.22	$ 0.22		$ 0.45	$ 0.45	

Operating Results

For the three months ended June 30, 2016, Operating income before taxes of $27,308 increased by $9,679 or 54.9% compared to the three months ended June 30, 2015. The increase was primarily due to:

- an increase in property revenue of $6,124 or 6.5% which is impacted by:
  - higher lease termination income of $10,344 in the three months ended June 30, 2016 compared to $3,995 for the same period in 2015. In the second quarter of 2016, Crombie recorded receipt from Target Canada of lease termination settlement payments on three leases vacated in May 2015. In the second quarter of 2015, Crombie received termination income primarily related to two vacated long-term leases;
  - improved leasing activity including increased average rental rates on lease renewals and new leases; and,
  - acquisition activity since the second quarter of 2015. Acquisitions include approximately $81,325 in the third and fourth quarters of 2015; $5,500 in the first quarter of 2016; and, $492,708 in the second quarter of 2016. The majority of the acquisitions in the second quarter of 2016 were completed on June 29, 2016 and therefore have not impacted operating results to June 30, 2016.

offset in part by:

- the disposition of 10 retail properties in the first quarter of 2016 and a further two retail properties in the second quarter of 2016; and,
- the above-noted tenant vacancies in the second quarter of 2015, including the loss of Target Canada as a tenant at three locations in May 2015.

- a decrease in impairment costs of $5,275. During the second quarter of 2015, Crombie recorded an impairment on two retail properties as a result of tenant departures during the quarter.

These improvements were partly offset by:

- an increase in general and administrative expense of $659 or 19.0% 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 the valuation of the Restricted Unit Plan is impacted by mark to market adjustments to the Units; and,
- an increase in finance costs - operations of $506 for the three months ended June 30, 2016 over the same three month period in 2015. During the second quarter of 2016, Crombie issued Subscription Receipts related to the pending acquisition which was completed on June 29, 2016. The Subscription Receipt holders were entitled to an adjustment payment for the period from the date of their issuance to their conversion to REIT Units. The net cost incurred in the second quarter of 2016 for this adjustment payment was $613 and is included in Finance costs - operations.

For the six months ended June 30, 2016, Operating income before taxes of $72,649 increased by $38,118 or 110.4% compared to the six months ended June 30, 2015. In addition to the above variance explanations for the three month period, the six months were impacted by the disposition of 10 retail properties in the first quarter of 2016, resulting in a gain on disposal of $26,260.

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

	Three months ended June 30,		Six months ended June 30,	
(In thousands of CAD dollars)	2016	2015	2016	2015
Operating income attributable to Unitholders	$ 27,208	$ 17,153	$ 70,526	$ 33,855
Finance costs – distributions to Unitholders	(30,538)	(29,111)	(59,860)	(58,187)
Finance income (costs) – change in fair value of financial instruments	(397)	368	(431)	100
Increase (decrease) in net assets attributable to Unitholders	$ (3,727)	$ (11,590)	$ 10,235	$ (24,232)

Property NOI

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

Property NOI on a cash basis is as follows:

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2016	2015	Variance	2016	2015	Variance
Property NOI	$ 73,493	$ 67,579	$ 5,914	$ 137,796	$ 129,897	$ 7,899
Non-cash straight-line rent	(2,720)	(3,194)	474	(5,444)	(5,888)	444
Non-cash tenant incentive amortization	2,409	2,411	(2)	4,861	4,757	104
Property cash NOI	73,182	66,796	6,386	137,213	128,766	8,447
Acquisitions, dispositions and development property cash NOI	15,489	9,392	6,097	21,485	15,212	6,273
Same-asset property cash NOI	$ 57,693	$ 57,404	$ 289	$ 115,728	$ 113,554	$ 2,174

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The $289 or 0.5% increase in same-asset cash NOI for the three months ended June 30, 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. The same-asset cash NOI variance was negatively impacted by lease termination income received in the second quarter of 2015 and the related lost NOI from the transitional vacancy.

Acquisitions, dispositions and development property cash NOI increased $6,097 for the three months ended June 30, 2016 over the same period in 2015 primarily due to acquisitions in the third and fourth quarters of 2015 and the first six months of 2016 and Target Canada lease termination income recognized

in the second quarter of 2016, 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 and a further two retail properties in the second quarter of 2016.

The $2,174 or 1.9% increase in same-asset cash NOI for the six months ended June 30, 2016 over the same period in 2015 was impacted by the same factors noted above.

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

Same-asset property cash NOI is as follows:

	Three months ended June 30,				Six months ended June 30,			
(In thousands of CAD dollars)	2016	2015	Variance	Percent	2016	2015	Variance	Percent
Retail and Mixed Use	$ 54,915	$ 54,703	$ 212	0.4%	$ 110,140	$ 108,230	$ 1,910	1.8%
Office	2,778	2,701	77	2.9%	5,588	5,324	264	5.0%
Same-asset property cash NOI	$ 57,693	$ 57,404	$ 289	0.5%	$ 115,728	$ 113,554	$ 2,174	1.9%

Variances in same-asset property cash NOI for the three months ended June 30, 2016 compared to the same period in 2015 include:

- Retail and Mixed Use increased $212 or 0.4% due to increased base rent and related recoveries driven by new and renewal lease activity as well as continued land use intensification, offset by lease termination income received in the second quarter of 2015 and the related lost NOI from the transitional vacancy.
- Office increased $77 or 2.9% as a result of improved occupancy.

Same-asset property cash NOI for the six months ended June 30, 2016 compared to the same period in 2015 were impacted by these same factors.

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

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2016	2015	Variance	2016	2015	Variance
Acquisitions and dispositions property cash NOI	$ 2,556	$ 2,981	$ (425)	$ 6,120	$ 5,790	$ 330
Development property cash NOI	12,933	6,411	6,522	15,365	9,422	5,943
Total acquisitions, dispositions and development property cash NOI	$ 15,489	$ 9,392	$ 6,097	$ 21,485	$ 15,212	$ 6,273

For the three months ended June 30, 2016, acquisitions and dispositions property cash NOI decreased $425 compared to the three months ended June 30, 2015. The decrease was the result of the disposition of 12 retail properties during the first half of 2016, including 10 during the first quarter; offset in part by property acquisitions during 2015 and 2016. For the six months ended June 30, 2016, acquisitions and dispositions property cash NOI increased $330 compared to the six months ended June 30, 2015 as a result of the same acquisition and disposition activity.

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. During the second quarter of 2016, Crombie recorded receipt of lease termination income from Target Canada on three leases vacated in May 2015. During the second quarter of 2015, Crombie recognized lease termination income from Sobeys on the vacating of a long-term lease.

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

Property NOI for the three and six months ended June 30, 2016 by province was as follows:

	Three months ended June 30,			Six months ended June 30,		
	2016	2015		2016	2015	
(In thousands of CAD dollars)	Property NOI	Property NOI	Variance	Property NOI	Property NOI	Variance
AB	$ 13,796	$ 12,483	$ 1,313	$ 27,384	$ 24,993	$ 2,391
BC	6,650	6,385	265	13,170	12,773	397
MB	3,381	3,212	169	6,749	6,446	303
NB	4,860	3,692	1,168	7,724	6,725	999
NL	6,867	6,890	(23)	14,170	13,749	421
NS	15,717	13,723	1,994	29,158	26,272	2,886
ON	15,916	14,460	1,456	26,762	25,688	1,074
PE	436	207	229	867	435	432
QC	4,128	4,678	(550)	8,233	9,172	(939)
SK	1,742	1,849	(107)	3,579	3,644	(65)
Total	$ 73,493	$ 67,579	$ 5,914	$ 137,796	$ 129,897	$ 7,899

The variances in property NOI for the three months ended June 30, 2016 compared to the same period in 2015 primarily relate to:

- Alberta - property acquisitions including 10 properties acquired during the first six months 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 - property acquisitions including eight properties during the first six months of 2016 and 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 - lease termination income from Target Canada in one property in the second quarter of 2016 as well as the acquisition of additional development on existing properties including one during the first quarter of 2016 and three properties during 2015, offset in part by the disposition of one retail property in the second quarter of 2016;
- Newfoundland and Labrador - increased base rent and related recoveries driven by new and renewal lease activity;
- Nova Scotia - property acquisitions including one retail property and one property for development in the second quarter of 2016; acquisition of additions of development on existing retail properties in the fourth quarter of 2015; and, lease termination income from Target Canada in one property in the second quarter of 2016;
- Ontario - property acquisitions including six properties during the first six months of 2016 as well as lease termination income from Target Canada in one property in the second quarter of 2016, offset in part by the disposition of 10 properties in 2016, nine in the first quarter and an additional property in the second quarter;
- 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, offset in part by the acquisition of 12 properties in the first six months of 2016.

Several property acquisitions occurred late in the second quarter of 2016 and have had minimal impact on property NOI to June 30, 2016.

The variances in property NOI for the six months ended June 30, 2016 compared to the same period in 2015 primarily relate to the same factors noted above.

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 and six months ended June 30, 2016 and 2015 is as follows:

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2016	2015	Variance	2016	2015	Variance
Increase (decrease) in net assets attributable to Unitholders	$ (3,727)	$ (11,590)	$ 7,863	$ 10,235	$ (24,232)	$ 34,467
Add (deduct):						
Amortization of tenant incentives	2,409	2,411	(2)	4,861	4,757	104
Loss (gain) on disposal of investment properties	(244)	—	(244)	(26,504)	2	(26,506)
Impairment of investment properties	—	5,275	(5,275)	—	5,275	(5,275)
Depreciation of investment properties	16,218	14,886	1,332	31,357	30,041	1,316
Amortization of deferred leasing costs	150	142	8	301	291	10
Amortization of intangible assets	1,146	1,897	(751)	2,306	3,115	(809)
Taxes – current on disposition of investment properties	—	2,076	(2,076)	—	2,076	(2,076)
Taxes – deferred	100	(1,800)	1,900	2,100	(1,600)	3,700
Finance costs – distributions to Unitholders	30,538	29,111	1,427	59,860	58,187	1,673
Finance costs (income) – change in fair value of financial instruments	397	(368)	765	431	(100)	531
FFO as calculated based on REALpac recommendations	46,987	42,040	4,947	84,947	77,812	7,135
Adjustments						
Net lease termination income from Target Canada	(10,344)	—	(10,344)	(10,344)	—	(10,344)
Subscription Receipts Adjustment Payment	613	—	613	613	—	613
Lease termination income, non-cash	—	(2,961)	2,961	—	(2,961)	2,961
FFO, as adjusted	$ 37,256	$ 39,079	$ (1,823)	$ 75,216	$ 74,851	$ 365
Lease termination, cash, included in FFO, as adjusted	$ —	$ 1,034	$ (1,034)	$ —	$ 1,206	$ (1,206)

For the three and six months ended June 30, 2016 and June 30, 2015, Crombie is providing FFO on an adjusted basis by reducing it by $9,731 and $2,961, respectively. The following adjustments are being made:

- During the three months ended June 30, 2016, Crombie recorded net lease termination income from Target Canada of $10,344 related to three Target Canada leases vacated in May, 2015. Due to its significant size, this amount is being deducted from FFO for both the three and six months ended June 30, 2016.

- During the three months ended June 30, 2016, Crombie issued Subscription Receipts related to a potential property acquisition. While the funds from the Subscription Receipts were held in trust, the Receipt holders were entitled to earn an adjustment payment equivalent to what they would have earned had they owned REIT Units during that same period. On June 29, 2016, the Subscription Receipts were converted to REIT Units and Crombie incurred a finance cost of $613 related to the adjustment payment, which is net of any interest earned on the funds while held in trust. This amount is being added back to FFO for both the three and six months ended June 30, 2016.

- During the three months ended June 30, 2015, Crombie recognized $2,961 in lease termination income related to a Sobeys store closure. In relation to the closure, Crombie received development activity rights on specific other properties in exchange for a future development right fee which will reduce the actual cash Crombie will receive from the lease termination income. This non-cash lease termination income is being deducted from FFO for both the three and six months ended June 30, 2015.

Management believes that FFO, as adjusted, is more reflective of Crombie's ongoing operating results by removing these amounts from FFO as calculated by following REALpac recommendations. All FFO, and by extension AFFO, measures within the MD&A are based on these adjusted amounts.

For the three months ended June 30, 2016, FFO decreased by $1,823 or 4.7% compared to the three months ended June 30, 2015. The decrease primarily relates to: for the three months ended June 30, 2015, Crombie received cash lease termination income of $1,034; and, general and administrative expenses have increased by $659, primarily related to higher professional fees and the impact of the 2015 implementation of Crombie's Restricted Unit Plan. FFO results were also impacted by the disposition of 12 retail properties during the first six months of 2016, which has been partially offset by acquisition activity as well as improved operating results from leasing activity.

For the six months ended June 30, 2016, FFO increased by $365 or 0.5% compared to the six months ended June 30, 2015. The increase is impacted by reduced finance costs - operations on debt refinancing at lower rates and proceeds received from property dispositions as well as the explanation above for the three months results.

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 and six months ended June 30, 2016 and 2015 is as follows:

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2016	2015	Variance	2016	2015	Variance
FFO, as adjusted	$ 37,256	$ 39,079	$ (1,823)	$ 75,216	$ 74,851	$ 365
Add (deduct):						
Amortization of effective swap agreements	612	633	(21)	1,230	1,270	(40)
Straight-line rent adjustment	(2,720)	(3,194)	474	(5,444)	(5,888)	444
Maintenance expenditures on a square footage basis	(3,716)	(3,785)	69	(7,523)	(7,583)	60
AFFO	$ 31,432	$ 32,733	$ (1,301)	$ 63,479	$ 62,650	$ 829

For the three months ended June 30, 2016, AFFO decreased by $1,301 or 4.0% compared to the three months ended June 30, 2015. The decrease relates to the $1,823 decrease in FFO as previously discussed, offset in part by lower straight-line rent recognition for the three months ended June 30, 2016.

For the six months ended June 30, 2016, AFFO increased by $829 or 1.3% compared to the six months ended June 30, 2015. The increase relates to the $365 increase in FFO as previously discussed and further impacted by lower straight-line rent recognition for the six months ended June 30, 2016.

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 June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2016	2015	Variance	2016	2015	Variance
Cash provided by (used in) operating activities	$ 7,446	$ (6,913)	$ 14,359	$ 12,255	$ 4,306	$ 7,949
Add back (deduct):						
Finance costs – distributions to Unitholders	30,538	29,111	1,427	59,860	58,187	1,673
Change in other non-cash operating items	12,901	18,070	(5,169)	20,253	14,563	5,690
Unit-based compensation expense	(11)	(11)	—	(24)	(21)	(3)
Amortization of deferred financing charges	(768)	(749)	(19)	(1,596)	(2,167)	571
Amortization of issue premium on senior unsecured notes	14	14	—	26	27	(1)
Non-cash distributions to Unitholders in the form of DRIP Units	(5,241)	(2,119)	(3,122)	(10,018)	(3,777)	(6,241)
Maintenance expenditures on a square footage basis	(3,716)	(3,785)	69	(7,523)	(7,583)	60
Change in current income taxes	—	—	—	(23)	—	(23)
Income taxes - current on disposition of investment properties	—	2,076	(2,076)	—	2,076	(2,076)
Lease termination income, non-cash	—	(2,961)	2,961	—	(2,961)	2,961
Adjustments for lease termination income and Subscription Receipts	(9,731)	—	(9,731)	(9,731)	—	(9,731)
AFFO	$ 31,432	$ 32,733	$ (1,301)	$ 63,479	$ 62,650	$ 829

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 June 30,		Six months ended June 30,	
(In thousands of CAD dollars)	2016	2015	2016	2015
Total additions to investment properties	$ 4,291	$ 5,182	$ 11,227	$ 13,001
Less: productive capacity enhancements and recoverable amounts	(3,425)	(2,076)	(7,913)	(8,054)
Maintenance capital expenditures	$ 866	$ 3,106	$ 3,314	$ 4,947

	Three months ended June 30,		Six months ended June 30,	
(In thousands of CAD dollars)	2016	2015	2016	2015
Total additions to TI and deferred leasing costs	$ 63,237	$ 2,790	$ 65,301	$ 5,136
Less: productive capacity enhancements	(60,526)	(884)	(61,147)	(1,249)
Maintenance TI and deferred leasing costs	$ 2,711	$ 1,906	$ 4,154	$ 3,887

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 six months ended June 30, 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 six months ended June 30, 2016 consisted primarily of development work and GLA expansions at: Hamlyn Road Plaza, St. John's, NL; Scotia Square Mall, Halifax, NS; Sydney Shopping Centre, Sydney, NS; Tantallon Plaza, Upper Tantallon, NS; and, Brossard

Plaza, Brossard, QC. During the six months ended June 30, 2016, Crombie invested $58,823 in TIs for the renovation and expansion of 10 existing Sobeys anchored properties.

Depreciation, Amortization and Impairment

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2016	2015	Variance	2016	2015	Variance
Same-asset depreciation and amortization	$ 14,673	$ 15,426	$ 753	$ 29,706	$ 29,728	$ 22
Acquisitions, dispositions and development depreciation/amortization	2,841	1,499	(1,342)	4,258	3,719	(539)
Depreciation and amortization	$ 17,514	$ 16,925	$ (589)	$ 33,964	$ 33,447	$ (517)

Same-asset depreciation and amortization decreased by $753 for the three months ended June 30, 2016 and decreased by $22 for the six months ended June 30, 2016 compared to the same periods in 2015. Depreciation and amortization will vary on a quarterly basis as specific amounts are written off over tenant lease terms. 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, including the disposition of 10 properties in March 2016 and a further two properties in April 2016.

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $816,698 at June 30, 2016 (June 30, 2015 - $653,151). 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.

During the three months ended June 30, 2015, Crombie recorded an impairment of $5,275 on two retail properties. The impairments were the result of the impact on fair value of tenant departures during the period. 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.

General and Administrative Expenses

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

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2016	2015	Variance	2016	2015	Variance
Salaries and benefits	$ 2,608	$ 1,906	$ (702)	$ 5,504	$ 3,990	$ (1,514)
Professional fees	405	342	(63)	827	618	(209)
Public company costs	424	447	23	881	848	(33)
Rent and occupancy	196	229	33	423	495	72
Other	489	539	50	894	986	92
General and administrative expenses	$ 4,122	$ 3,463	$ (659)	$ 8,529	$ 6,937	$ (1,592)
As a percentage of property revenue	4.1%	3.6%	(0.5)%	4.4%	3.7%	(0.7)%

For the three months ended June 30, 2016, general and administrative expenses, as a percentage of property revenue, were 4.1%, an increase of 0.5% from the same period in 2015, with expenses increasing $659 or 19.0% and property revenue increasing 6.5%. For the six months ended June 30, 2016, general and administrative expenses, as a percentage of property revenue, increased 0.7% compared to the six months ended June 30, 2015, with expenses increasing $1,592 or 22.9% and property revenue increasing by 4.6%. The increase is impacted by the implementation of Crombie's Restricted Unit Plan in 2015 which recognizes a portion of long-term compensation over a vesting period and the valuation of the Restricted Unit Plan is impacted by mark to market adjustments to the Units which increases salaries and benefits and by increased professional fees.

Finance Costs - Operations

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2016	2015	Variance	2016	2015	Variance
Same-asset finance costs	$ 20,807	$ 21,144	$ 337	$ 41,483	$ 43,036	$ 1,553
Acquisitions, dispositions and development finance costs	1,993	1,761	(232)	4,236	3,232	(1,004)
Subscription Receipts Adjustment Payment	613	—	(613)	613	—	(613)
Amortization of effective swaps and deferred financing charges	1,380	1,382	2	2,826	3,437	611
Finance costs – operations	$ 24,793	$ 24,287	$ (506)	$ 49,158	$ 49,705	$ 547

Same-asset finance costs for the three and six months ended June 30, 2016 decreased by $337 and $1,553, respectively, compared to the same periods in 2015. The decreases are primarily due to the reduction in advances on the floating rate revolving credit facility arising from proceeds from the disposition of 12 retail properties during the first half of 2016 as well as lower interest rates on new mortgages compared to rates on maturing mortgages.

Acquisitions, dispositions and development finance costs for the three and six months ended June 30, 2016 increased by $232 and $1,004, respectively, compared to the same periods in 2015 primarily due to acquisition activity during the fourth quarter of 2015 and the first six months of 2016, offset in part by finance costs on properties disposed in 2016.

During the three months ended June 30, 2016, Crombie issued Subscription Receipts related to a property acquisition. While the funds from the Subscription Receipts were held in trust, the Receipt holders were entitled to earn an adjustment payment equivalent to what they would have earned had they owned REIT Units during that same period. On June 29, 2016, the Subscription Receipts were converted to REIT Units and Crombie incurred a finance cost of $613, which is net of interest earned on the funds while they were held in trust.

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:

	Three months ended June 30,		Six months ended June 30,	
(In thousands of CAD dollars, except as otherwise noted)	2016	2015	2016	2015
Distributions to Unitholders	$ 18,070	$ 17,235	$ 35,428	$ 34,449
Distributions to Special Voting Unitholders	12,468	11,876	24,432	23,738
Total distributions	$ 30,538	$ 29,111	$ 59,860	$ 58,187
FFO payout ratio	82.0%	74.5%	79.6%	77.7%
AFFO payout ratio	97.2%	88.9%	94.3%	92.9%

Included in distributions is $1,135 for Units issued June 29, 2016 for properties acquired on that date which had minimal income reported for the three and six months ended June 30, 2016. Our AFFO payout ratio for the three and six months ended June 30, 2016 would have been 93.5% and 92.5%, respectively, excluding the distributions on these new Units.

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 $76,300 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, 2019, of up to $400,000, subject to available borrowing base, of which $247,340 ($249,031 including outstanding letters of credit) was drawn at June 30, 2016;

(ii) unsecured short-term financing through an authorized floating rate revolving credit facility, maturing May 16, 2018, of up to $100,000, of which $100,000 was drawn at June 30, 2016;

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

(iv) the issuance of additional senior unsecured notes;

(v) the issuance of additional unsecured convertible debentures; and,

(vi) the issuance of new units.

Capital Structure

(In thousands of CAD dollars)	June 30, 2016		December 31, 2015		June 30, 2015	
Investment property debt	$ 1,856,047	49.2%	$ 1,641,203	49.5%	$ 1,571,921	48.1%
Senior unsecured notes	398,334	10.5%	398,080	12.0%	397,828	12.2%
Convertible debentures	131,826	3.5%	131,518	4.0%	131,209	4.0%
Crombie REIT Unitholders	833,039	22.1%	694,484	20.9%	704,791	21.6%
Special Voting Units and Class B Limited Partnership Unitholders	554,842	14.7%	452,746	13.6%	459,603	14.1%
	$ 3,774,088	100.0%	$ 3,318,031	100.0%	$ 3,265,352	100.0%

Liquidity and Financing Sources

Revolving credit facility

Crombie has in place an authorized floating rate revolving credit facility of up to $400,000 (the “revolving credit facility”), of which $247,340 ($249,031 including outstanding letters of credit) was drawn as at June 30, 2016. 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 July 31, 2016, Crombie had sufficient Borrowing Base to permit $349,000 (June 30, 2016 - $302,000) of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See “Borrowing Capacity and Debt Covenants”.

Unsecured Bilateral Credit Facility

The unsecured bilateral credit facility has a maximum principal amount of $100,000, the full amount of which was drawn as at June 30, 2016, and matures May 16, 2018. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. 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.

Mortgage debt

As of June 30, 2016, Crombie had fixed rate mortgages outstanding of $1,514,319 ($1,518,846 after including the fair value debt adjustment of $4,527), carrying a weighted average interest rate of 4.57% (after giving effect to the interest rate subsidy from Empire under an omnibus subsidy agreement) and a weighted average term to maturity of 6.25 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
June 30, 2017	$ 47,489	$ —	$ 47,489	3.1%	$ 46,570	$ 94,059	5.0%
June 30, 2018	76,272	100,000	176,272	11.6%	45,834	222,106	11.9%
June 30, 2019	13,706	247,340	261,046	17.2%	45,270	306,316	16.5%
June 30, 2020	250,996	—	250,996	16.5%	42,221	293,217	15.8%
June 30, 2021	49,045	—	49,045	3.2%	37,197	86,242	4.6%
Thereafter	734,022	—	734,022	48.4%	125,697	859,719	46.2%
Total [1]	$ 1,171,530	$ 347,340	$ 1,518,870	100.0%	$ 342,789	$ 1,861,659	100.0%

[1] Excludes fair value debt adjustment of $4,527 and deferred financing charges of $10,139.

Of the maturing debt balances, only 11.7% of fixed rate debt, and 31.9% of total maturing debt balances mature over the next three years.

Senior unsecured notes

	Maturity Date	Effective Interest Rate	June 30, 2016	December 31, 2015	June 30, 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			267	294	321
Deferred financing charges			(1,933)	(2,214)	(2,493)
			$ 398,334	$ 398,080	$ 397,828

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	June 30, 2016	December 31, 2015	June 30, 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				(2,574)	(2,882)	(3,191)
				$ 131,826	$ 131,518	$ 131,209

Maximum REIT Units issuable at June 30, 2016 was 2,985,074 for Series D Debentures and 4,338,192 for Series E Debentures.

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

On May 31, 2016, Crombie closed a public offering, on a bought deal basis, of 8,952,400 Subscription Receipts, at a price of $14.70 per Subscription Receipt, for gross proceeds of $131,600. On June 29, 2016, in conjunction with the closing of property acquisitions from Empire, each of the 8,952,400 outstanding Subscription Receipts were automatically exchanged for one Crombie REIT Unit.

On June 29, 2016, concurrently with the REIT Units issued on exchange for Subscription Receipts, subsidiaries of Empire received 6,353,741 Class B LP Units and the attached SVUs at a price of $14.70 per Class B LP Unit for gross consideration of $93,400.

For the six months ended June 30, 2016, Crombie issued 437,911 REIT Units and 310,542 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 July 31, 2016, were as follows:

Units	87,311,961
Special Voting Units [1]	60,368,003

[1] Crombie Limited Partnership, a subsidiary of Crombie, has also issued 60,368,003 Class B LP Units. These Class B LP Units accompany the Special Voting Units, are the economic equivalent of a Unit, and are exchangeable for Units on a one-for-one basis.

In addition to the total units outstanding at July 31, 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 June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2016	2015	Variance	2016	2015	Variance
Cash provided by (used in):						
Operating activities	$ 7,446	$ (6,913)	$ 14,359	$ 12,255	$ 4,306	$ 7,949
Financing activities	541,907	17,258	524,649	408,949	20,328	388,621
Investing activities	(549,353)	(10,345)	(539,008)	(422,261)	(25,245)	(397,016)
Net change during the period	$ —	$ —	$ —	$ (1,057)	$ (611)	$ (446)

Operating Activities

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2016	2015	Variance	2016	2015	Variance
Cash provided by (used in):						
Net assets attributable to Unitholders and non-cash items	$ 20,347	$ 11,364	$ 8,983	$ 32,508	$ 19,076	$ 13,432
Non-cash operating items	(12,901)	(18,277)	5,376	(20,253)	(14,770)	(5,483)
Cash provided by (used in) operating activities	$ 7,446	$ (6,913)	$ 14,359	$ 12,255	$ 4,306	$ 7,949

For the three months ended June 30, 2016, cash from operating activities increased by $14,359 over the same period in 2015. The increase primarily relates to improved operating results including lease termination income from Target Canada and changes in non-cash operating balances including increased accounts payable balances at period end.

For the six months ended June 30, 2016, cash from operating activities increased $7,949 over the same period in 2015. The increase primarily relates to the improved operating results as noted above.

Financing Activities

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2016	2015	Variance	2016	2015	Variance
Cash provided by (used in):						
Net issue (repayment) of mortgage loans and borrowings	$ 322,881	$ 17,353	$ 305,528	$ 190,029	$ (58,807)	$ 248,836
Net issue of senior unsecured notes	—	(46)	46	—	124,015	(124,015)
Net issue (redemption) of convertible debentures	—	—	—	—	(44,795)	44,795
Net issue of REIT Units and Class B LP Units	219,111	—	219,111	219,111	—	219,111
Other items (net)	(85)	(49)	(36)	(191)	(85)	(106)
Cash provided by (used in) financing activities	$ 541,907	$ 17,258	$ 524,649	$ 408,949	$ 20,328	$ 388,621

Cash from financing activities for the three months ended June 30, 2016 increased by $524,649 over the same period in 2015. In conjunction with the purchase of properties completed on June 29, 2016, Crombie issued 8,952,400 REIT Units and 6,353,741 Class B LP Units for net proceeds of $219,111 and increased floating rate debt during the quarter.

Cash from financing activities for the six months ended June 30, 2016 increased by $388,621 over the same period in 2015. During the six months ended June 30, 2016, proceeds from the disposition of retail properties were used to reduce the revolving credit facility and repay maturing mortgages. During the six months ended June 30, 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 June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2016	2015	Variance	2016	2015	Variance
Cash provided by (used in):						
Acquisition of investment properties	$ (490,064)	$ (2,373)	$ (487,691)	$ (495,622)	$ (9,878)	$ (485,744)
Additions to investment properties	(4,291)	(5,182)	891	(11,227)	(13,001)	1,774
Proceeds on disposal of investment properties	8,239	—	8,239	149,889	2,770	147,119
Additions to tenant incentives	(62,986)	(2,647)	(60,339)	(64,885)	(4,962)	(59,923)
Additions to deferred leasing costs	(251)	(143)	(108)	(416)	(174)	(242)
Cash provided by (used in) investing activities	$ (549,353)	$ (10,345)	$ (539,008)	$ (422,261)	$ (25,245)	$ (397,016)

Cash used in investing activities for the three months ended June 30, 2016 increased by $539,008 over the same period in 2015. During the current quarter, Crombie completed property acquisitions for net cash of $490,064 and additions to tenant incentives of $62,986, primarily related to the transaction that closed June 29, 2016. During the three months ended June 30, 2016, Crombie also completed the disposition of two retail properties for net proceeds of $8,239.

Cash used in investing activities for the six months ended June 30, 2016 increased by $397,016 over the same period in 2015. In addition to the property transactions noted above for the three months ended June 30, 2016, during the first quarter of 2016, Crombie disposed of 10 retail properties for net proceeds of $141,650.

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 July 31, 2016, the remaining amount available under the revolving credit facility was $102,000 (June 30, 2016 - $55,000 (prior to reduction for standby letters of credit outstanding of $1,691)) and was limited by the Aggregate Borrowing Base due to the March 2016 disposition of three properties previously supporting the Borrowing Base. At June 30, 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 50.6% and 52.1% at June 30, 2016 and June 30, 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 six months ended June 30, 2016, Crombie raised $219,111 through the issuance of REIT Units and Class B LP Units and disposed of 12 retail properties for proceeds of approximately $151,700, 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 0.21% to 5.94%. The combination of proceeds from the Units issuance, the increased debt and increased fair value of investment properties resulted in the significant reduction of the debt to gross book value ratio since December 31, 2015.

(In thousands of CAD dollars, except as otherwise noted)	As at				
	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015
Fixed rate mortgages	$ 1,518,846	$ 1,509,925	$ 1,521,079	$ 1,427,408	$ 1,445,772
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	247,340	8,706	130,000	163,663	135,976
Bilateral credit facility	100,000	—	—	—	—
Total debt outstanding	2,400,586	2,053,031	2,185,479	2,125,471	2,116,148
Less: Applicable fair value debt adjustment	(1,567)	(1,636)	(1,721)	(1,820)	(1,934)
Debt	$ 2,399,019	$ 2,051,395	$ 2,183,758	$ 2,123,651	$ 2,114,214
Investment properties, at fair value	$ 4,697,000	$ 4,109,000	$ 4,143,000	$ 4,042,000	$ 4,019,000
Long-term receivables	14,158	14,039	13,933	13,838	13,755
Other assets, cost [1]	53,224	28,117	23,152	29,869	43,352
Cash and cash equivalents	—	—	1,057	—	—
Deferred financing costs	14,646	14,558	14,972	14,822	15,511
Interest rate subsidy	(1,567)	(1,636)	(1,721)	(1,820)	(1,934)
FV adjustment to deferred taxes	(34,299)	(34,299)	(34,645)	(34,645)	(34,645)
Gross book value - fair value basis	$ 4,743,162	$ 4,129,779	$ 4,159,748	$ 4,064,064	$ 4,055,039
Debt to gross book value - fair value basis	50.6%	49.7%	52.5%	52.3%	52.1%

[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 six months ended June 30, 2016 were 2.89 times EBITDA and 1.87 times EBITDA, respectively. This compares to 2.76 times EBITDA and 1.83 times EBITDA, respectively, for the six months ended June 30, 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.

	Six months ended June 30,	
(In thousands of CAD dollars, except as otherwise noted)	2016	2015
Property revenue	$ 195,975	$ 187,408
Amortization of tenant incentives	4,861	4,757
Adjusted property revenue	200,836	192,165
Property operating expenses	(58,179)	(57,511)
General and administrative expenses	(8,529)	(6,937)
EBITDA (1)	$ 134,128	$ 127,717
Finance costs – operations	$ 49,158	$ 49,705
Amortization of deferred financing charges	(1,596)	(2,167)
Amortization of effective swap agreements	(1,230)	(1,270)
Adjusted interest expense (2)	$ 46,332	$ 46,268
Debt repayments (advances)	$ (151,627)	$ 64,179
Change in fair value debt premium	725	(453)
Payments relating to interest rate subsidy	(154)	(269)
Advances (payments) relating to credit facilities	217,340	(9,024)
Lump sum payments on mortgages	(41,025)	(31,057)
Adjusted debt repayments (3)	$ 25,259	$ 23,376
Interest service coverage ratio {(1)/(2)}	2.89	2.76
Debt service coverage ratio {(1)/((2)+(3))}	1.87	1.83

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 June 30, 2016, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% (fully diluted 40.3%) indirect interest in Crombie.

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Property revenue	$ 47,726	$ 47,868	$ 85,069	$ 83,832
Head lease income	$ 83	$ 176	$ 205	$ 465
Management support services provided	$ 14	$ 147	$ 41	$ 243
Property management services	$ 279	$ 118	$ 570	$ 318
Lease termination income	$ —	$ 3,849	$ —	$ 3,999
Property operating expenses	$ 34	$ 34	$ 68	$ 68
General and administrative expenses	$ 50	$ 127	$ 100	$ 254
Interest rate subsidy	$ 69	$ 128	$ 153	$ 269
Interest income	$ 178	$ 177	$ 355	$ 353
Finance costs - operations	$ 299	$ 299	$ 598	$ 595
Finance costs - distributions to Unitholders	$ 12,671	$ 12,079	$ 24,837	$ 24,143

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:

- On June 29, 2016, Crombie completed the acquisition of a portfolio of properties and the investment in the renovation and expansion of 10 existing Sobeys anchored properties. The transaction total was approximately $418 million before closing and transaction costs. As partial consideration, Crombie issued to Empire 6,353,741 Class B LP Units and the attached SVUs at a price of $14.70 per Class B LP Unit for gross consideration of $93,400.

- During the first six months of 2016, Crombie issued 310,542 (June 30, 2015 - 123,623) Class B LP Units to ECLD under the DRIP.

- On April 1, 2015, Crombie acquired additional development space from Empire on a pre-existing retail property for $2,333 excluding closing and transaction costs. The property, located in Nova Scotia, contains approximately 7,500 square feet of fully occupied space.

- During the second quarter of 2015, Sobeys closed two retail stores on Crombie properties for which Crombie recognized lease termination income in the amount of $3,849, a portion of which is non-cash consideration. In relation to one of the store closures, Sobeys has assigned to Crombie future development activity rights in their leases on specific other Crombie properties in exchange for a fee on future developments which will reduce the actual cash Crombie will receive from the lease termination income.

- 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 June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Salary, bonus and other short-term employee benefits	$ 752	$ 737	$ 1,570	$ 1,384
Other long-term benefits	26	27	56	55
	$ 778	$ 764	$ 1,626	$ 1,439

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 June 30, 2016:

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Marketable securities	$ —	$ —	$ 2,148	$ 2,148
Total financial assets measured at fair value	$ —	$ —	$ 2,148	$ 2,148
Financial liabilities				
Unit based compensation plans	$ 1,187	$ —	$ —	$ 1,187
Embedded derivatives in convertible debentures	—	582	—	582
Total financial liabilities measured at fair value	$ 1,187	$ 582	$ —	$ 1,769

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 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:

	June 30, 2016		December 31, 2015		June 30, 2015	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Long-term receivables	$ 14,200	$ 14,158	$ 13,968	$ 13,933	$ 13,790	$ 13,755
Total other financial assets	$ 14,200	$ 14,158	$ 13,968	$ 13,933	$ 13,790	$ 13,755
Financial liabilities						
Investment property debt	$ 2,016,614	$ 1,866,186	$ 1,782,776	$ 1,651,079	$ 1,711,557	$ 1,581,748
Senior unsecured notes	409,790	400,000	405,348	400,000	407,105	400,000
Convertible debentures	139,844	134,400	138,360	134,400	139,411	134,400
Total other financial liabilities	$ 2,566,248	$ 2,400,586	$ 2,326,484	$ 2,185,479	$ 2,258,073	$ 2,116,148

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 June 30, 2016, Crombie has a total of $1,691 in outstanding letters of credit related to:

	June 30,	
	2016	2015
Construction work being performed on investment properties	$ 1,691	$ 1,425
Total outstanding letters of credit	$ 1,691	$ 1,425

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 nine to 74 years including renewal options. For the three and six months ended June 30, 2016, Crombie paid $355 and $710 respectively in land lease payments to third party landlords (three and six months ended June 30, 2015 - $369 and $729 respectively).

As at June 30, 2016, Crombie had signed construction contracts totalling $26,951 of which $11,131 has been paid.

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 June 30, 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. Upon completion of the June 29, 2016 property transactions, Crombie's largest tenant, Sobeys, will now represent approximately 53.6% of annual minimum rent; an increase from 50.6% at March 31, 2016. As at June 30, 2016:

- Excluding Sobeys (which accounts for 53.6% of Crombie's go forward minimum rent), no other tenant accounts for more than 4.5% of Crombie's minimum rent, and;
- Over the next five years, no more than 4.7% of the gross leaseable area of Crombie will expire in any one year.

Crombie earned property revenue of $47,726 and $85,069 respectively for the three and six months ended June 30, 2016 (three and six months ended June 30, 2015 - $47,868 and $83,832 respectively) 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 June 30, 2016:

- Crombie's weighted average term to maturity of its fixed rate mortgages was 6.25 years ;
- Crombie has a floating rate revolving credit facility available to a maximum of $400,000, subject to available Borrowing Base, with a balance of $247,340 at June 30, 2016;
- Crombie has a floating rate bilateral credit facility available to a maximum of $100,000 with a balance of $100,000 at June 30, 2016; and,
- Crombie has no outstanding interest rate swap agreements to mitigate interest rate risk on floating rate debt.

Crombie estimates that $1,210 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the remaining two quarters of 2016, based on all settled swap agreements as of June 30, 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 June 30, 2016	$ 198	$ (198)
Three months ended June 30, 2015	$ 145	$ (145)
Six months ended June 30, 2016	$ 320	$ (320)
Six months ended June 30, 2015	$ 278	$ (278)

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 June 30,						
	Contractual Cash Flows[1]	2017	2018	2019	2020	2021	Thereafter
Fixed rate mortgages[2]	$ 1,881,420	$ 160,822	$ 184,087	$ 116,204	$ 342,504	$ 125,037	$ 952,766
Senior unsecured notes	448,283	14,407	14,407	184,756	131,081	103,632	—
Convertible debentures	162,704	6,906	6,906	6,906	64,656	77,330	—
	2,492,407	182,135	205,400	307,866	538,241	305,999	952,766
Floating rate revolving debt	370,580	8,714	108,392	253,474	—	—	—
Total	$ 2,862,987	$ 190,849	$ 313,792	$ 561,340	$ 538,241	$ 305,999	$ 952,766

[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 July 19, 2016 Crombie declared distributions of 7.417 cents per unit for the period from July 1, 2016 to and including, July 31, 2016. The distributions will be paid on August 15, 2016, to Unitholders of record as of July 31, 2016.

(b) Subsequent to June 30, 2016, Crombie completed the acquisition of a development property in Toronto, ON from a third party for $10,500 and the acquisition of a retail property in Vancouver, BC from Empire including 64,400 square feet of gross leaseable area for $26,400. In addition, Crombie closed on the disposition of a retail property in Vancouver, BC to Empire including 21,300 square feet of gross leaseable area for $9,057. All dollar amounts are stated before 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 June 30, 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							
	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014
Property revenue	$ 101,031	$ 94,944	$ 92,847	$ 89,611	$ 94,907	$ 92,501	$ 90,602	$ 87,796
Property operating expenses	27,538	30,641	28,858	26,892	27,328	30,183	27,324	25,333
Property net operating income	73,493	64,303	63,989	62,719	67,579	62,318	63,278	62,463
Gain (loss) on disposal	244	26,260	25	—	—	(2)	9,502	11
Expenses:								
General and administrative	(4,122)	(4,407)	(3,541)	(3,923)	(3,463)	(3,474)	(3,380)	(3,529)
Finance costs - operations	(24,793)	(24,365)	(24,600)	(24,306)	(24,287)	(25,418)	(24,449)	(24,701)
Depreciation and amortization	(17,514)	(16,450)	(16,789)	(16,340)	(16,925)	(16,522)	(16,024)	(15,632)
Impairment	—	—	(7,300)	—	(5,275)	—	(7,500)	(3,250)
Operating income before taxes	27,308	45,341	11,784	18,150	17,629	16,902	21,427	15,362
Taxes - current	—	(23)	(39)	(621)	(2,276)	—	—	—
Taxes - deferred	(100)	(2,000)	2,200	400	1,800	(200)	800	900
Operating income	27,208	43,318	13,945	17,929	17,153	16,702	22,227	16,262
Finance costs - distributions to Unitholders	(30,538)	(29,322)	(29,236)	(29,153)	(29,111)	(29,076)	(29,052)	(29,050)
Finance income (costs) - change in fair value of financial instruments	(397)	(34)	3,068	(3,112)	368	(268)	3,446	(3,342)
Increase (decrease) in net assets attributable to Unitholders	$ (3,727)	$ 13,962	$ (12,223)	$ (14,336)	$ (11,590)	$ (12,642)	$ (3,379)	$ (16,130)
Operating income per unit - Basic	$ 0.21	$ 0.33	$ 0.11	$ 0.14	$ 0.13	$ 0.13	$ 0.17	$ 0.12
Operating income per unit - Diluted	$ 0.21	$ 0.33	$ 0.11	$ 0.14	$ 0.13	$ 0.13	$ 0.17	$ 0.12

(In thousands of CAD dollars, except per unit amounts)	Three Months Ended							
	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014
AFFO	$ 31,432	$ 32,048	$ 32,310	$ 30,694	$ 32,733	$ 29,917	$ 30,211	$ 30,224
FFO, as adjusted	$ 37,256	$ 37,961	$ 38,311	$ 36,312	$ 39,079	$ 35,772	$ 36,363	$ 36,359
Distributions	$ 30,538	$ 29,322	$ 29,236	$ 29,153	$ 29,111	$ 29,076	$ 29,052	$ 29,050
AFFO per unit - basic	$ 0.24	$ 0.24	$ 0.25	$ 0.23	$ 0.25	$ 0.23	$ 0.23	$ 0.23
AFFO per unit - diluted[1]	$ 0.24	$ 0.24	$ 0.25	$ 0.23	$ 0.25	$ 0.23	$ 0.23	$ 0.23
FFO, as adjusted per unit - basic	$ 0.28	$ 0.29	$ 0.29	$ 0.28	$ 0.30	$ 0.27	$ 0.28	$ 0.28
FFO, as adjusted per unit - diluted[1]	$ 0.28	$ 0.29	$ 0.29	$ 0.28	$ 0.30	$ 0.27	$ 0.28	$ 0.28
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:
  - June 30, 2016 - acquisition of 33 retail properties, a 50% interest in three distribution centres, a property for development and two parcels of development land adjacent to existing Crombie properties for a total purchase price of $502,683, and disposition of two retail properties for proceeds of $8,293;
  - 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; and,
- 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.

- 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.

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

Dated: August 3, 2016

New Glasgow, Nova Scotia, Canada

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

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

	Note	June 30, 2016	December 31, 2015	June 30, 2015
Assets				
Non-current assets				
Investment properties	3	**$ 3,697,799**	$ 3,202,886	$ 3,259,739
Other assets	4	**182,503**	100,891	97,398
Long-term receivables	5	**545**	600	12,444
		3,880,847	3,304,377	3,369,581
Current assets				
Cash and cash equivalents		**—**	1,057	—
Other assets	4	**53,224**	33,978	52,064
Long-term receivables	5	**13,613**	13,333	1,311
Investment properties held for sale	6	**—**	119,448	—
		66,837	167,816	53,375
Total Assets		**3,947,684**	3,472,193	3,422,956
Liabilities				
Non-current liabilities				
Investment property debt	7	**1,760,577**	1,548,648	1,462,177
Senior unsecured notes	8	**398,334**	398,080	397,828
Convertible debentures	9	**131,826**	131,518	131,209
Deferred taxes	10	**76,300**	74,200	76,800
Employee future benefits obligation		**8,144**	7,736	7,968
Trade and other payables	11	**8,638**	6,661	6,367
		2,383,819	2,166,843	2,082,349
Current liabilities				
Investment property debt	7	**95,470**	92,555	109,744
Employee future benefits obligation		**246**	246	239
Trade and other payables	11	**80,268**	65,319	66,230
		175,984	158,120	176,213
Total liabilities excluding net assets attributable to Unitholders		**2,559,803**	2,324,963	2,258,562
Net assets attributable to Unitholders		**$ 1,387,881**	$ 1,147,230	$ 1,164,394
Net assets attributable to Unitholders represented by:				
Crombie REIT Unitholders		**$ 833,039**	$ 694,484	$ 704,791
Special Voting Units and Class B Limited Partnership Unitholders		**554,842**	452,746	459,603
		$ 1,387,881	$ 1,147,230	$ 1,164,394
Commitments and contingencies	21			
Subsequent events	22			

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 June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Property revenue	12	**$ 101,031**	$ 94,907	**$ 195,975**	$ 187,408
Property operating expenses		**27,538**	27,328	**58,179**	57,511
Net property income		**73,493**	67,579	**137,796**	129,897
Gain (loss) on disposal of investment properties		**244**	—	**26,504**	(2)
Impairment of investment properties	3	**—**	(5,275)	**—**	(5,275)
Depreciation of investment properties	3	**(16,218)**	(14,886)	**(31,357)**	(30,041)
Amortization of intangible assets	3	**(1,146)**	(1,897)	**(2,306)**	(3,115)
Amortization of deferred leasing costs	3	**(150)**	(142)	**(301)**	(291)
General and administrative expenses		**(4,122)**	(3,463)	**(8,529)**	(6,937)
Operating income before finance costs and taxes		**52,101**	41,916	**121,807**	84,236
Finance costs - operations	15	**(24,793)**	(24,287)	**(49,158)**	(49,705)
Operating income before taxes		**27,308**	17,629	**72,649**	34,531
Taxes - current	10	**—**	(2,276)	**(23)**	(2,276)
Taxes - deferred	10	**(100)**	1,800	**(2,100)**	1,600
Operating income attributable to Unitholders		**27,208**	17,153	**70,526**	33,855
Finance costs - other					
Distributions to Unitholders		**(30,538)**	(29,111)	**(59,860)**	(58,187)
Change in fair value of financial instruments	11	**(397)**	368	**(431)**	100
		(30,935)	(28,743)	**(60,291)**	(58,087)
Increase (decrease) in net assets attributable to Unitholders		**(3,727)**	(11,590)	**10,235**	(24,232)
Other comprehensive income					
Items that will be subsequently reclassified to Increase (decrease) in net assets attributable to Unitholders:					
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		**612**	633	**1,230**	1,270
Comprehensive income (loss)		**$ (3,115)**	$ (10,957)	**$ 11,465**	$ (22,962)

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 16)					
Balance, January 1, 2016	$ 1,473,885	$ (315,750)	$ (10,905)	$ 1,147,230	$ 694,484	$ 452,746
Adjustments related to EUPP	34	23	—	57	57	—
Statements of comprehensive income (loss)	—	10,235	1,230	11,465	6,669	4,796
Units issued under Distribution Reinvestment Plan ("DRIP")	10,018	—	—	10,018	5,858	4,160
Unit issue proceeds, net of costs of $5,889	219,111	—	—	219,111	125,971	93,140
Balance, June 30, 2016	**$ 1,703,048**	**$ (305,492)**	**$ (9,675)**	**$ 1,387,881**	**$ 833,039**	**$ 554,842**

	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 16)					
Balance, January 1, 2015	$ 1,462,101	$ (265,010)	$ (13,777)	$ 1,183,314	$ 716,025	$ 467,289
Adjustments related to EUPP	39	21	—	60	60	—
Conversion of debentures	205	—	—	205	205	—
Statements of comprehensive income (loss)	—	(24,232)	1,270	(22,962)	(13,709)	(9,253)
Units issued under DRIP	3,777	—	—	3,777	2,210	1,567
Balance, June 30, 2015	$ 1,466,122	$ (289,221)	$ (12,507)	$ 1,164,394	$ 704,791	$ 459,603

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)

(Unaudited)

	Note	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash flows provided by (used in)					
Operating Activities					
Increase (decrease) in net assets attributable to Unitholders		**$ (3,727)**	$ (11,590)	**$ 10,235**	$ (24,232)
Items not affecting operating cash	17	**24,074**	22,954	**22,273**	43,308
Change in other non-cash operating items	17	**(12,901)**	(18,277)	**(20,253)**	(14,770)
Cash provided by (used in) operating activities		**7,446**	(6,913)	**12,255**	4,306
Financing Activities					
Issue of investment property debt		**22,500**	—	**39,670**	5,484
Deferred financing charges - investment property debt		**(865)**	(26)	**(1,268)**	(112)
Advance (repayment) of investment property debt		**301,246**	17,379	**151,627**	(64,179)
Issue of senior unsecured notes		**—**	—	**—**	125,000
Deferred financing charges - senior unsecured notes		**—**	(46)	**—**	(985)
Redemption of convertible debentures		**—**	—	**—**	(44,795)
REIT Units and Class B LP Units issued		**225,000**	—	**225,000**	—
REIT Units and Class B LP Units issue costs		**(5,889)**	—	**(5,889)**	—
Repayment of EUPP loans receivable		**34**	19	**34**	39
Collection of (increase in) long-term receivables		**(119)**	(68)	**(225)**	(124)
Cash provided by (used in) financing activities		**541,907**	17,258	**408,949**	20,328
Investing Activities					
Acquisition of investment properties and intangible assets		**(490,064)**	(2,373)	**(495,622)**	(9,878)
Additions to investment properties		**(4,291)**	(5,182)	**(11,227)**	(13,001)
Proceeds on disposal of investment properties		**8,239**	—	**149,889**	2,770
Additions to tenant incentives		**(62,986)**	(2,647)	**(64,885)**	(4,962)
Additions to deferred leasing costs		**(251)**	(143)	**(416)**	(174)
Cash provided by (used in) investing activities		**(549,353)**	(10,345)	**(422,261)**	(25,245)
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 six months ended June 30, 2016 and June 30, 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 August 3, 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 Increase (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 June 30, 2016. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of June 30, 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 increase (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.

(f) Comparative figures

Certain comparative figures have been reclassified to conform to the current year's consolidated financial statement presentation. The reclassifications did not impact the consolidated balance sheets, consolidated statements of changes in net assets attributable to Unitholders or the consolidated statements of cash flows.

3) INVESTMENT PROPERTIES

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2016	**$ 976,002**	**$ 2,500,700**	**$ 98,136**	**$ 6,780**	**$ 3,581,618**
Acquisitions	**227,487**	**275,320**	**16,624**	**—**	**519,431**
Additions	**338**	**9,015**	**—**	**672**	**10,025**
Transfer to investment properties held for sale (Note 6)	**(164)**	**(468)**	**(26)**	**—**	**(658)**
Balance, June 30, 2016	**1,203,663**	**2,784,567**	**114,734**	**7,452**	**4,110,416**
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2016	**—**	**322,625**	**52,529**	**3,578**	**378,732**
Depreciation and amortization	**—**	**31,357**	**2,306**	**301**	**33,964**
Transfer to investment properties held for sale (Note 6)	**—**	**(69)**	**(10)**	**—**	**(79)**
Balance, June 30, 2016	**—**	**353,913**	**54,825**	**3,879**	**412,617**
Net carrying value, June 30, 2016	**$ 1,203,663**	**$ 2,430,654**	**$ 59,909**	**$ 3,573**	**$ 3,697,799**

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2015	$ 977,895	$ 2,479,018	$ 99,019	$ 5,540	$ 3,561,472
Acquisitions	20,503	74,229	3,457	—	98,189
Additions	3,537	23,155	—	1,118	27,810
Disposition	(1,453)	(706)	—	—	(2,159)
Transfer to investment properties held for sale (Note 6)	(31,619)	(103,315)	(4,432)	(332)	(139,698)
Transfer from investment properties held for sale (Note 6)	7,139	28,319	92	454	36,004
Balance, December 31, 2015	976,002	2,500,700	98,136	6,780	3,581,618
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2015	—	263,391	50,913	2,965	317,269
Depreciation and amortization	—	60,498	5,480	598	66,576
Disposition	—	(23)	—	—	(23)
Impairment	—	12,575	—	—	12,575
Transfer to investment properties held for sale (Note 6)	—	(18,424)	(3,956)	(217)	(22,597)
Transfer from investment properties held for sale (Note 6)	—	4,608	92	232	4,932
Balance, December 31, 2015	—	322,625	52,529	3,578	378,732
Net carrying value, December 31, 2015	$ 976,002	$ 2,178,075	$ 45,607	$ 3,202	$ 3,202,886

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2015	$ 977,895	$ 2,479,018	$ 99,019	$ 5,540	$ 3,561,472
Acquisitions	6,325	7,969	764	—	15,058
Additions	3,192	6,538	—	241	9,971
Disposition	(1,160)	(706)	—	—	(1,866)
Transfer from investment properties held for sale (Note 6)	7,139	28,319	92	454	36,004
Balance, June 30, 2015	993,391	2,521,138	99,875	6,235	3,620,639
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2015	—	263,391	50,913	2,965	317,269
Depreciation and amortization	—	30,041	3,115	291	33,447
Disposition	—	(23)	—	—	(23)
Impairment	—	5,275	—	—	5,275
Transfer from investment properties held for sale (Note 6)	—	4,608	92	232	4,932
Balance, June 30, 2015	—	303,292	54,120	3,488	360,900
Net carrying value, June 30, 2015	$ 993,391	$ 2,217,846	$ 45,755	$ 2,747	$ 3,259,739

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $816,698 at June 30, 2016 (June 30, 2015 - $653,151). 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
June 30, 2016	**$ 4,697,000**	**$ 3,880,302**
December 31, 2015	$ 4,143,000	$ 3,434,051
June 30, 2015	$ 4,019,000	$ 3,365,849

Carrying value consists of the net carrying value of:

	Note	June 30, 2016	December 31, 2015	June 30, 2015
Investment properties	3	**$ 3,697,799**	$ 3,202,886	$ 3,259,739
Accrued straight-line rent receivable	4	**52,612**	50,050	44,796
Tenant incentives	4	**129,891**	61,667	61,314
Investment properties held for sale	6	**—**	119,448	—
Total carrying value		**$ 3,880,302**	$ 3,434,051	$ 3,365,849

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**
June 30, 2016	**5.94%**	**$ (188,000)**	**$ 205,000**
December 31, 2015	6.15%	$ (163,000)	$ 177,000
June 30, 2015	6.17%	$ (158,000)	$ 172,000

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)	—
April 8, 2016	Third party	1	58,000	15,700	—
April 15, 2016	Third party	(1)	(8,000)	(793)	—
April 28, 2016	Third party	(1)	(47,000)	(7,500)	—
May 3, 2016	Third party	2	117,000	46,200	8,041
May 16, 2016	Third party	9	94,000	32,272	—
June 1, 2016 (1)	Third party	1	37,000	7,000	3,751
June 9, 2016	Third party	1	84,000	29,000	12,017
June 23, 2016	Third party	1	54,000	14,150	—
June 29, 2016	Empire(2)	22	2,090,000	348,386	—
			1,709,000	**$ 346,515**	**$ 23,809**

(1) Relates to an acquisition of an addition to a pre-existing retail property.
(2) Empire includes Empire Company Limited, a related party, and its subsidiaries.

The acquisition on June 29, 2016 was transacted with Empire Company Limited or its subsidiaries ("Empire"), a related party. This acquisition includes 19 retail properties and a 50% interest in three distribution centres. It also includes two parcels of development land adjacent to existing Crombie properties, with an initial acquisition price of $9,975, which are not included in the above schedule.

The remaining acquisitions and dispositions were transacted with third parties. The acquisition on June 23, 2016 is a vacant building currently being held for redevelopment.

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
April 1, 2015	—	7,500	2,333	—
		58,500	$ 14,983	$ 5,479

The acquisition of an addition to an existing retail property on February 2, 2015 was transacted with a third party. The acquisition of an addition to an existing retail property on April 1, 2015 was transacted with Empire, a related 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 June 30,		Six months ended June 30,		Year ended
Investment property acquired, net:	**2016**	2015	**2016**	2015	December 31, 2015
Land	**$ 225,719**	$ 1,860	**$ 227,487**	$ 6,325	$ 20,503
Buildings	**271,770**	456	**275,320**	7,969	74,229
Intangibles	**16,384**	57	**16,624**	764	3,457
Fair value debt adjustment on assumed mortgages	**(1,072)**	—	**(1,072)**	299	(679)
Net purchase price	**512,801**	2,373	**518,359**	15,357	97,510
Assumed mortgages	**(23,809)**	—	**(23,809)**	(5,479)	(17,556)
	$ 488,992	$ 2,373	**$ 494,550**	$ 9,878	$ 79,954

4) OTHER ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Trade receivables	**$ 28,546**	$ 10,624	$ 18,104
Provision for doubtful accounts	**(76)**	(60)	(62)
Net trade receivables	**28,470**	10,564	18,042
Marketable securities	**2,148**	1,965	2,107
Prepaid expenses and deposits	**22,431**	10,548	20,146
Restricted cash	**175**	75	3,057
Accrued straight-line rent receivable	**52,612**	50,050	44,796
Tenant incentives	**129,891**	61,667	61,314
	$ 235,727	$ 134,869	$ 149,462

Tenant Incentives	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2016	**$ 107,122**	**$ 45,455**	**$ 61,667**
Additions	**73,087**	**—**	**73,087**
Amortization	**—**	**4,861**	**(4,861)**
Transfer to investment properties held for sale (Note 6)	**(3)**	**(1)**	**(2)**
Balance, June 30, 2016	**$ 180,206**	**$ 50,315**	**$ 129,891**
Balance, January 1, 2015	$ 94,825	$ 35,574	$ 59,251
Additions	4,874	—	4,874
Amortization	—	4,757	(4,757)
Disposition	—	560	(560)
Transfer from investment properties held for sale (Note 6)	4,413	1,907	2,506
Balance, June 30, 2015	$ 104,112	$ 42,798	$ 61,314

On June 29, 2016, Crombie invested $58,823 in the renovation and expansion of 10 existing Sobeys anchored properties. The amount is included in tenant incentive additions and is being amortized over the amended lease terms.

See Note 19(a) for fair value information.

5) LONG-TERM RECEIVABLES

	June 30, 2016	December 31, 2015	June 30, 2015
Capital expenditure program	**$ 105**	$ 105	$ 105
Interest rate subsidy	**589**	717	898
Amount receivable from related party	**13,464**	13,111	12,752
	$ 14,158	$ 13,933	$ 13,755

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 19(a) for fair value information.

6) INVESTMENT PROPERTIES HELD FOR SALE

	Land	**Buildings**	**Deferred Leasing Costs**	**Intangibles**	**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	**(31,785)**	**(85,290)**	**(119)**	**(492)**	**(2,321)**	**(120,007)**
Net carrying value, June 30, 2016	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

	Land	Buildings	Deferred Leasing Costs	Intangibles	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	Intangibles	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, June 30, 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 was disposed of on April 28, 2016. 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. That property was disposed of on April 15, 2016. As at June 30, 2016, no properties met the criteria for classification as held for sale.

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.

7) INVESTMENT PROPERTY DEBT

	Range	**Weighted Average Interest Rate**	**Weighted Average Term to Maturity**		**June 30, 2016**
Fixed rate mortgages	**2.35 - 6.90%**	**4.57%**	**6.25 years**	**$**	**1,518,846**
Floating rate revolving credit facility		**2.48%**	**3 years**		**247,340**
Unsecured bilateral credit facility		**2.58%**	**1.88 years**		**100,000**
Deferred financing charges					**(10,139)**
				$	**1,856,047**

	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		June 30, 2015
Fixed rate mortgages	3.12 - 6.90%	4.76%	7.2 years	$	1,445,772
Floating rate revolving credit facility		2.59%	3.0 years		135,976
Deferred financing charges					(9,827)
				$	1,571,921

As at June 30, 2016, debt retirements for the next five years are:

12 Months Ending		**Fixed Rate Principal Payments**		**Fixed Rate Maturities**		**Floating Rate Maturities**		**Total**
June 30, 2017	$	46,570	$	47,489	$	—	$	94,059
June 30, 2018		45,834		76,272		100,000		222,106
June 30, 2019		45,270		13,706		247,340		306,316
June 30, 2020		42,221		250,996		—		293,217
June 30, 2021		37,197		49,045		—		86,242
Thereafter		125,697		734,022		—		859,719
	$	342,789	$	1,171,530	$	347,340		1,861,659
Deferred financing charges								(10,139)
Unamortized fair value debt adjustment								4,527
							$	**1,856,047**

Specific investment properties with a carrying value of $2,709,266 as at June 30, 2016 (December 31, 2015 - $2,686,589; June 30, 2015 - $2,557,939) 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 six months ended:	Type	Number of Mortgages	Weighted Average Rates	Weighted Average Terms in Years	Weighted Average Amortization Period in Years	Proceeds (Repayments)
June 30, 2016	New	5	3.12%	5.6	24.7	$ 39,670
	Assumed	3	4.86%	3.3	19.5	23,809
	Repayment	8	5.17%	—	—	(41,024)
						$ 22,455

For the six months ended:	Type	Number of Mortgages	Weighted Average Rates	Weighted Average Terms in Years	Weighted Average Amortization Period in Years	Proceeds (Repayments)
June 30, 2015	New	1	3.23%	7.3	25.0	$ 5,484
	Assumed	1	5.70%	1.3	25.0	5,555
	Repayment	6	5.08%	—	—	(31,058)
						$ (20,019)

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $400,000 (December 31, 2015 - $300,000; June 30, 2015 - $300,000) and matures 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 (June 30, 2016 – borrowing base of $302,000). 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.

Unsecured Bilateral Credit Facility

The unsecured bilateral credit facility has a maximum principal amount of $100,000 and matures May 16, 2018. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. 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.

See Note 19(a) for fair value information.

8) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	**June 30, 2016**	December 31, 2015	June 30, 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			**267**	294	321
Deferred financing charges			**(1,933)**	(2,214)	(2,493)
			$ 398,334	$ 398,080	$ 397,828

See Note 19(a) for fair value information.

9) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	June 30, 2016	December 31, 2015	June 30, 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				**(2,574)**	(2,882)	(3,191)
				$ 131,826	$ 131,518	$ 131,209

Debenture Conversions	Conversion Price	Six months ended June 30, 2016	Year ended December 31, 2015	Six months ended June 30, 2015
Series C	$ 15.30	**$ —**	$ 205	$ 205
		$ —	$ 205	$ 205
REIT Units Issued		**—**	13,398	13,398

See Note 19(a) for fair value information.

10) INCOME TAXES

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

	June 30, 2016	December 31, 2015	June 30, 2015
Tax liabilities relating to difference in tax and book value	**$ 84,791**	$ 85,815	$ 87,898
Tax asset relating to non-capital loss carry-forward	**(8,491)**	(11,615)	(11,098)
Deferred tax liability	**$ 76,300**	$ 74,200	$ 76,800

The tax recovery (expense) consists of the following:

	Three months ended June 30,		Six months ended June 30, 2016	
	2016	2015	**2016**	2015
Taxes - current				
Taxes - gains on disposal of investment properties	**$ —**	$ (2,076)	**$ —**	$ (2,076)
Taxes - operating income earned in corporate subsidiaries	**—**	(200)	**23**	(200)
Total current taxes	**$ —**	$ (2,276)	**$ 23**	$ (2,276)
Taxes - deferred				
Provision for income taxes at the expected rate	**$ (8,402)**	$ (5,264)	**$ (22,033)**	$ (10,330)
Tax effect of income attribution to Crombie's Unitholders	**8,302**	4,988	**19,933**	9,854
	(100)	(276)	**(2,100)**	(476)
Taxes - gains on disposal of investment properties	**—**	2,076	**—**	2,076
Total deferred taxes	**$ (100)**	$ 1,800	**$ (2,100)**	$ 1,600

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

11) TRADE AND OTHER PAYABLES

	June 30, 2016	December 31, 2015	June 30, 2015
Tenant incentives and capital expenditures	$ 22,346	$ 16,648	$ 12,824
Property operating costs	31,241	23,858	28,262
Prepaid rents	5,536	4,782	5,300
Finance costs on investment property debt, notes and debentures	10,039	10,163	10,033
Distributions payable	10,945	9,755	9,708
Unit based compensation plans	3,376	1,947	1,601
Fair value of embedded derivatives in convertible debentures	582	—	—
Deferred revenue	4,841	4,827	4,869
	$ 88,906	$ 71,980	$ 72,597

Change in fair value of financial instruments:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Deferred Unit ("DU") Plan	$ (99)	$ —	$ (149)	$ —
Embedded derivatives in convertible debentures	(582)	371	(582)	—
Marketable securities	284	(3)	300	100
Total change in fair value of financial instruments	$ (397)	$ 368	$ (431)	$ 100

12) PROPERTY REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Rental revenue contractually due from tenants	$ 89,998	$ 89,806	$ 183,947	$ 181,179
Contingent rental revenue	378	323	1,101	931
Straight-line rent recognition	2,720	3,194	5,444	5,888
Tenant incentive amortization	(2,409)	(2,411)	(4,861)	(4,757)
Lease terminations	10,344	3,995	10,344	4,167
	$ 101,031	$ 94,907	$ 195,975	$ 187,408

During the three months ended June 30, 2016, Crombie recorded a net settlement of $10,344 related to three leases vacated by Target Canada in 2015. The amount received has been recorded as lease termination income in the quarter. The amount, if any, of additional settlement will be recognized as revenue when the amount is determinable and there is certainty of receipt.

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

	Three months ended June 30,				Six months ended June 30,			
	2016		2015		2016		2015	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
Sobeys Inc.	$ 46,263	45.8%	$ 49,620	52.3%	$ 82,713	42.2%	$ 84,710	45.2%

13) 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 June 30, 2016, is as follows:

	Remaining	Year Ending December 31,					
	2016	**2017**	**2018**	**2019**	**2020**	**Thereafter**	**Total**
Future minimum rental income	$ 138,698	$ 268,319	$ 257,902	$ 247,425	$ 235,896	$ 2,601,180	$ 3,749,420

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 nine to 74 years including renewal options:

	Remaining	Year Ending December 31,					
	2016	**2017**	**2018**	**2019**	**2020**	**Thereafter**	**Total**
Future minimum lease payments	$ 734	$ 1,522	$ 1,549	$ 1,550	$ 1,552	$ 64,353	$ 71,260

14) EMPLOYEE BENEFIT EXPENSE

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Wages and salaries	**$ 5,302**	$ 4,883	**$ 13,767**	$ 12,747
Post-employment benefits	**177**	186	**382**	342
	$ 5,479	$ 5,069	**$ 14,149**	$ 13,089

15) FINANCE COSTS – OPERATIONS

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Fixed rate mortgages	**$ 17,903**	$ 17,928	**$ 36,090**	$ 36,218
Floating rate term, revolving and demand facilities	**678**	718	**1,285**	1,697
Senior unsecured notes	**3,723**	3,765	**7,428**	7,021
Convertible debentures	**1,876**	1,876	**3,742**	4,769
Subscription receipts payment	**613**	—	**613**	—
Finance costs - operations	**24,793**	24,287	**49,158**	49,705
Amortization of fair value debt adjustment and accretion income	**251**	351	**527**	762
Change in accrued finance costs	**149**	256	**124**	(1,142)
Amortization of effective swap agreements	**(612)**	(633)	**(1,230)**	(1,270)
Amortization of issue premium on senior unsecured notes	**14**	14	**27**	27
Amortization of deferred financing charges	**(768)**	(749)	**(1,596)**	(2,167)
Finance costs - operations, paid	**$ 23,827**	$ 23,526	**$ 47,010**	$ 45,915

16) 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	**—**	**34**	**—**	**—**	**—**	**34**
Units issued under DRIP	**437,911**	**5,858**	**310,542**	**4,160**	**748,453**	**10,018**
Units issued (proceeds are net of issue costs)	**8,952,400**	**125,971**	**6,353,741**	**93,140**	**15,306,141**	**219,111**
Balance, June 30, 2016	**87,247,919**	**$ 1,009,444**	**60,322,585**	**$ 693,604**	**147,570,504**	**$ 1,703,048**

	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	—	39	—	—	—	39
Units issued under DRIP	174,318	2,210	123,623	1,567	297,941	3,777
Conversion of debentures	13,398	205	—	—	13,398	205
Balance, June 30, 2015	77,491,795	$ 873,032	53,398,889	$ 593,090	130,890,684	$ 1,466,122

Crombie REIT Units

On May 31, 2016, Crombie closed a public offering, on a bought deal basis, of 8,952,400 Subscription Receipts, at a price of $14.70 per Subscription Receipt, for gross proceeds of $131,600. On June 29, 2016, in conjunction with the closing of property acquisitions from Empire, each of the 8,952,400 outstanding Subscription Receipts were automatically exchanged for one Crombie REIT Unit.

Crombie REIT Special Voting Units ("SVU") and Class B LP Units

On June 29, 2016, concurrently with the REIT Units issued on exchange for Subscription Receipts, subsidiaries of Empire received 6,353,741 Class B LP Units and the attached SVUs at a price of $14.70 per Class B LP Unit for gross proceeds of $93,400 which formed part of the consideration for property acquisitions completed on that same date.

During the six months ended June 30, 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.

17) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Items not affecting operating cash:				
Straight-line rent recognition	**$ (2,720)**	$ (3,194)	**$ (5,444)**	$ (5,888)
Amortization of tenant incentives	**2,409**	2,411	**4,861**	4,757
Loss (gain) on disposal of investment properties	**(244)**	—	**(26,504)**	2
Impairment of investment properties	**—**	5,275	**—**	5,275
Depreciation of investment properties	**16,218**	14,886	**31,357**	30,041
Amortization of intangible assets	**1,146**	1,897	**2,306**	3,115
Amortization of deferred leasing costs	**150**	142	**301**	291
Unit based compensation	**11**	11	**24**	21
Amortization of effective swap agreements	**612**	633	**1,230**	1,270
Amortization of deferred financing charges	**768**	749	**1,596**	2,167
Amortization of issue premium on senior unsecured notes	**(14)**	(14)	**(26)**	(27)
Non-cash distributions to Unitholders in the form of DRIP Units	**5,241**	2,119	**10,018**	3,777
Income taxes paid	**—**	(2,069)	**—**	(2,069)
Taxes - deferred	**100**	(1,800)	**2,100**	(1,600)
Income tax expense	**—**	2,276	**23**	2,276
Change in fair value of financial instruments	**397**	(368)	**431**	(100)
	$ 24,074	$ 22,954	**$ 22,273**	$ 43,308

b) Change in other non-cash operating items

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Cash provided by (used in):				
Trade receivables	**$ (16,064)**	$ (12,393)	**$ (17,906)**	$ (10,686)
Prepaid expenses and deposits and other assets	**(8,817)**	(6,786)	**(11,983)**	(9,450)
Payables and other liabilities	**11,980**	902	**9,636**	5,366
	$ (12,901)	$ (18,277)	**$ (20,253)**	$ (14,770)

18) 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 June 30, 2016, Empire, through its wholly-owned subsidiary ECL Developments Limited ("ECLD"), holds a 41.5% (fully diluted 40.3%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Property revenue	**$ 47,726**	$ 47,868	**$ 85,069**	$ 83,832
Head lease income	**$ 83**	$ 176	**$ 205**	$ 465
Management support services provided	**$ 14**	$ 147	**$ 41**	$ 243
Property management services	**$ 279**	$ 118	**$ 570**	$ 318
Lease termination income	**$ —**	$ 3,849	**$ —**	$ 3,999
Property operating expenses	**$ 34**	$ 34	**$ 68**	$ 68
General and administrative expenses	**$ 50**	$ 127	**$ 100**	$ 254
Interest rate subsidy	**$ 69**	$ 128	**$ 153**	$ 269
Interest income	**$ 178**	$ 177	**$ 355**	$ 353
Finance costs - operations	**$ 299**	$ 299	**$ 598**	$ 595
Finance costs - distributions to Unitholders	**$ 12,671**	$ 12,079	**$ 24,837**	$ 24,143

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:

- On June 29, 2016, Crombie completed the acquisition of a portfolio of properties and the investment in the renovation and expansion of 10 existing Sobeys anchored properties. The transaction total was approximately $418 million before closing and transaction costs. As partial consideration, Crombie issued to Empire 6,353,741 Class B LP Units and the attached SVUs at a price of $14.70 per Class B LP Unit for gross consideration of $93,400.

- During the six months ended June 30, 2016, Crombie issued 310,542 (June 30, 2015 - 123,623) Class B LP Units to ECLD under the DRIP (Note 16).

- On April 1, 2015, Crombie acquired additional development space from Empire on a pre-existing retail property for $2,333 excluding closing and transaction costs. The property, located in Nova Scotia, contains approximately 7,500 square feet of fully occupied space.

- During the second quarter of 2015, Sobeys closed two retail stores on Crombie properties for which Crombie recognized lease termination income in the amount of $3,849, a portion of which is non-cash consideration. In relation to one of the store closures, Sobeys has assigned to Crombie future development activity rights in their leases on specific other Crombie properties in exchange for a fee on future developments which will reduce the actual cash Crombie will receive from the lease termination income.

- 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 June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Salary, bonus and other short-term employee benefits	**$ 752**	$ 737	**$ 1,570**	$ 1,384
Other long-term benefits	**26**	27	**56**	55
	$ 778	$ 764	**$ 1,626**	$ 1,439

19) 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 June 30, 2016:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ —	$ —	$ 2,148	$ 2,148
Total financial assets measured at fair value	$ —	$ —	$ 2,148	$ 2,148
Financial liabilities				
Unit based compensation plans	$ 1,187	$ —	$ —	$ 1,187
Embedded derivatives in convertible debentures	—	582	—	582
Total financial liabilities measured at fair value	$ 1,187	$ 582	$ —	$ 1,769

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 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:

	June 30, 2016		December 31, 2015		June 30, 2015	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Long-term receivables	**$ 14,200**	**$ 14,158**	$ 13,968	$ 13,933	$ 13,790	$ 13,755
Total other financial assets	**$ 14,200**	**$ 14,158**	$ 13,968	$ 13,933	$ 13,790	$ 13,755
Financial liabilities						
Investment property debt	**$ 2,016,614**	**$ 1,866,186**	$ 1,782,776	$ 1,651,079	$ 1,711,557	$ 1,581,748
Senior unsecured notes	**409,790**	**400,000**	405,348	400,000	407,105	400,000
Convertible debentures	**139,844**	**134,400**	138,360	134,400	139,411	134,400
Total other financial liabilities	**$ 2,566,248**	**$ 2,400,586**	$ 2,326,484	$ 2,185,479	$ 2,258,073	$ 2,116,148

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 six months ended June 30, 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 4).

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. Upon completion of the June 29, 2016 property transactions, Crombie's largest tenant, Sobeys, will now represent approximately 53.6% of annual minimum rent; an increase from 50.6% at March 31, 2016.

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 June 30, 2016	**$ 198**	**$ (198)**
Three months ended June 30, 2015	$ 145	$ (145)
Six months ended June 30, 2016	**$ 320**	**$ (320)**
Six months ended June 30, 2015	$ 278	$ (278)

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 June 30,					
	Contractual Cash Flows[1]	**2017**	**2018**	**2019**	**2020**	**2021**	**Thereafter**
Fixed rate mortgages[2]	$ 1,881,420	$ 160,822	$ 184,087	$ 116,204	$ 342,504	$ 125,037	$ 952,766
Senior unsecured notes	448,283	14,407	14,407	184,756	131,081	103,632	—
Convertible debentures	162,704	6,906	6,906	6,906	64,656	77,330	—
	2,492,407	182,135	205,400	307,866	538,241	305,999	952,766
Floating rate revolving debt	370,580	8,714	108,392	253,474	—	—	—
Total	$ 2,862,987	$ 190,849	$ 313,792	$ 561,340	$ 538,241	$ 305,999	$ 952,766

[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.

20) 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:

	June 30, 2016	December 31, 2015	June 30, 2015
Investment property debt	**$ 1,856,047**	$ 1,641,203	$ 1,571,921
Senior unsecured notes	**398,334**	398,080	397,828
Convertible debentures	**131,826**	131,518	131,209
Crombie REIT Unitholders	**833,039**	694,484	704,791
SVU and Class B LP Unitholders	**554,842**	452,746	459,603
	$ 3,774,088	$ 3,318,031	$ 3,265,352

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:

	June 30, 2016	December 31, 2015	June 30, 2015
Fixed rate mortgages	**$ 1,518,846**	$ 1,521,079	$ 1,445,772
Senior unsecured notes	**400,000**	400,000	400,000
Convertible debentures	**134,400**	134,400	134,400
Revolving credit facility	**247,340**	130,000	135,976
Bilateral credit facility	**100,000**	—	—
Total debt outstanding	**2,400,586**	2,185,479	2,116,148
Less: Applicable fair value debt adjustment	**(1,567)**	(1,721)	(1,934)
Debt	**$ 2,399,019**	$ 2,183,758	$ 2,114,214
Investment properties, cost	**$ 4,110,416**	$ 3,581,618	$ 3,620,639
Below-market lease component, cost [1]	**87,827**	72,634	71,379
Long-term receivables	**14,158**	13,933	13,755
Other assets, cost (see below)	**286,042**	180,324	192,260
Cash and cash equivalents	**—**	1,057	—
Deferred financing charges	**14,646**	14,972	15,511
Investment properties held for sale, cost	**—**	144,323	—
Interest rate subsidy	**(1,567)**	(1,721)	(1,934)
Fair value adjustment to deferred taxes	**(34,299)**	(34,645)	(34,645)
Gross book value	**$ 4,477,223**	$ 3,972,495	$ 3,876,965
Debt to gross book value	**53.6%**	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:

	June 30, 2016	December 31, 2015	June 30, 2015
Other assets per Note 4	**$ 235,727**	$ 134,869	$ 149,462
Add back (deduct):			
Tenant incentive accumulated amortization	**50,315**	45,455	42,798
Other assets, cost	**$ 286,042**	$ 180,324	$ 192,260

As at June 30, 2016, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

21) 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 June 30, 2016, Crombie has a total of $1,691 in outstanding letters of credit related to:

	June 30,	
	2016	2015
Construction work being performed on investment properties	**$ 1,691**	$ 1,425
Total outstanding letters of credit	**$ 1,691**	$ 1,425

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 nine to 74 years including renewal options. For the three and six months ended June 30, 2016, Crombie paid $355 and $710 respectively in land lease payments to third party landlords (three and six months ended June 30, 2015 - $369 and $729 respectively). Crombie's commitments under the land leases are disclosed in Note 13.

As at June 30, 2016, Crombie had signed construction contracts totalling $26,951 of which $11,131 has been paid.

22) SUBSEQUENT EVENTS

(a) On July 19, 2016 Crombie declared distributions of 7.417 cents per Unit for the period from July 1, 2016 to and including, July 31, 2016. The distributions will be paid on August 15, 2016, to Unitholders of record as of July 31, 2016.

(b) Subsequent to June 30, 2016, Crombie completed the acquisition of a development property in Toronto, ON from a third party for $10,500 and the acquisition of a retail property in Vancouver, BC from Empire including 64,400 square feet of gross leaseable area for $26,400. In addition, Crombie closed on the disposition of a retail property in Vancouver, BC to Empire including 21,300 square feet of gross leaseable area for $9,057. All dollar amounts are stated before closing and transaction costs.

23) 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
May 31, 2016	June 15, 2016
June 30, 2016	July 15, 2016
July 31, 2016	August 15, 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

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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