Crombie REIT

2019
SECOND QUARTER REPORT
Six Months Ended June 30

UNLOCKING VALUE

Contents

Dear Fellow Unitholders:

Crombie has continued to execute on its strategy during the first half of 2019. Our grocery- and drug store-anchored portfolio delivers stable cash flow growth, and provides the foundation needed to support strategic growth with Sobeys and our major mixed-use developments. Capital recycling transactions are funding our growth and our teams and partners have ensured our active developments remain on track and on budget, and leverage remains in check. Our development pipeline has expanded to now include 33 properties (from 24 previously) in Canada's fastest growing markets.

Results and Fundamentals

For the three months ended June 30, 2019, operating income attributable to Unitholders decreased 19.5% to $39.4 million, funds from operations (FFO)* per unit decreased from $0.31 to $0.29, while adjusted funds from operations (AFFO)* per unit decreased to $0.25 from $0.26. FFO and AFFO were negatively impacted by significant dispositions in 2018 and 2019 year to date and, in the short term, by our investment in major development projects that will commence income generation and fuel FFO/AFFO growth in the next 12 to 24 months. Same-asset cash NOI increased 3.2%, or 2.7% excluding the impact of IFRS 16 'Leases', for the three months ended June 30, 2019 over the same period in 2018. The growth in same-asset NOI is the result of new leasing activity, rent increases on existing leases and land use intensification at certain properties.

Our team is dedicated to ensuring our underlying business fundamentals and core portfolio remain solid. An entrepreneurial approach to leasing has helped to attract and retain tenants in all markets with committed occupancy at 95.9%. Year to date, new leases increased occupancy by 82,000 square feet at an average first year per square foot rate of $23.34. During the quarter, 117,000 square feet was renewed at an average first year rate of $14.69 per square foot, a 6.7% increase over expiring rate.

Sobeys

Our largest tenant, Sobeys reported strong year-end results and has recently returned to investment grade status with DBRS (BBB(low)). Our relationship with Sobeys gives Crombie and our unitholders a sustainable competitive advantage to execute a wide range of strategic transactions, including expansions, modernizations, conversions to other formats, major developments, and land-use intensification projects. All of this enables long term sustainable net asset value (NAV) and cash flow growth, and creates significant value for our Unitholders.

Development

We believe in the potential to unlock significant value within our expanded development pipeline of 33 properties, 20 of which are in Vancouver, Toronto and Montreal. The total projected cost of the pipeline is $4.0 to $5.8 billion, with options to enter into joint ventures or other partnership arrangements to reduce risk or financing demands.

Crombie's sixth active major development, Pointe-Claire, is located on a 20.25 acre industrial site in Montreal and will be the home of *Voilà par IGA*, Sobeys' approximately 285,000 square foot Customer Fulfillment Centre ("CFC"), powered by Ocado's world-leading online grocery platform. The site is currently zoned for its intended use and we are working collaboratively with Sobeys to develop the state-of-the-art CFC for approximately $100 million, including land.

Crombie's Davie Street major mixed-use development project (330 Units) is making an impact on the Vancouver skyline as the construction of the retail podium and tower concrete is nearing completion. Belmont Market (GLA 160,000 square feet), near Victoria, BC, continued to have tenant openings throughout the second quarter and more openings will continue into late fall. The final portion of the project totalling 23,000 square feet in three buildings is in active pre-leasing and construction will commence on at least one of these buildings by year-end. In Montreal, our Le Duke project (390 Units) is progressing as expected with concrete work for the below-grade parking structure complete and the at-grade retail well underway. Cranes are now on site at Bronte Village (480 Units) in Oakville, where excavation is fully complete, and the below-grade parking structure is well underway. We are very pleased with the leasing traction at Avalon Mall, the dominant regional shopping centre in St. John's, Newfoundland and Labrador, with executed deals with Winners/HomeSense, H&M, GAP/Banana Republic, and Old Navy. In addition, advanced discussions with other potential national anchor and CRU tenants continue. Occupancy of new retail units is expected to commence in Q3 2019 with construction and occupancy continuing through 2020.

Upon completion, these assets are expected to create significant NAV and AFFO growth, increase our presence in the country's top urban markets, while diversifying and improving our overall portfolio quality and income stream.

Funding

Innovative capital recycling continues. Year to date we have disposed of $293 million of assets in full or partial interests. Completing these transactions at values in line with or above IFRS fair value speaks to the quality and value of our portfolio, our desirability as a partner, and our ability to redirect capital to growth initiatives with Sobeys and our development pipeline. Our goal remains to reduce leverage over time, while maintaining a strong and flexible balance sheet with multiple capital sources of capital.

Closing

Our team values relationships and is committed to the long term sustainable growth of Crombie and our stakeholders. In the first half of 2019 our dedicated team has worked hard to drive growth through the strong operation and leasing of our properties, further strengthening of our relationship with Sobeys, and executing on and growing our development pipeline, all while innovatively securing capital funding. I have full confidence in our collective ability to continue to unlock value at Crombie for years to come.

Sincerely,

Donald E. Clow, FCPA, ICD.D.

President and Chief Executive Officer

*FFO, AFFO, same-asset cash NOI and NAV 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 from operating activities or any other measure prescribed under IFRS. Please see the attached Management's Discussion and Analysis of financial results for a discussion of these measures and how they are calculated.

Key performance indicators - Supplementary Information

The following highlights Crombie's performance against key financial and operational metrics as impacted by significant trends or events during the quarter and year to date.*

Financial

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

Operating income

Q2 2019	$39,449

Q2 2018	$49,033	-19.55%

Operating income

YTD 2019	$87,677

YTD 2018	$74,478	+17.72%

The quarterly decrease in operating income attributable to unitholders is a result of the property dispositions in 2019 and 2018 partially offset by the impairment of investment properties in 2018.

The year to date increase is a result of dispositions of properties in 2019 and 2018 and reduced finance costs from operations as a result of significant repayment of debt.

Property Revenue

Q2 2019	$99,332

Q2 2018	$104,143	-4.62%

Property Revenue

YTD 2019	$204,572

YTD 2018	$209,848	-2.51%

The decrease in property revenue in both the quarter and year to date periods was due to the property dispositions completed to date, the most significant being a 50% interest in seven properties sold in the first quarter of 2019 and an 89% interest in 26 properties sold in the second quarter of 2019. The decrease is partially offset by lease commencements in the second quarter of 2019 in our Belmont Market property, which is in the final stages of development.

Same-asset cash NOI

Q2 2019	$62,154

Q2 2018	$60,204	+3.24%

Same-asset cash NOI

YTD 2019	$123,992

YTD 2018	$119,558	+3.71%

The quarterly increase in same-asset property NOI of $1,950 or 3.2% compared to the second quarter of 2018 is primarily due to rate increases on existing tenant leases, new leasing activity and revenues from land use intensifications at certain properties, making up $1,648 (or 2.7%) of the increase, with the remaining $302 (or 0.5%) due to the favourable impact from the adoption of IFRS 16 'Leases' on January 1, 2019.

On a year to date basis, rate increases on existing tenant leases, new leasing activity and revenues from land use intensifications account for approximately $3,844 (3.2%) of the increase in same-asset cash NOI, with the remaining $590 (or 0.5%) increase due to the favourable impact from the adoption of IFRS 16.

FFO	per unit
Q2 2019	**$0.29**
Q2 2018	$0.31	-6.45%

FFO	per unit
YTD 2019	**$0.59**
YTD 2018	$0.61	-3.28%

The quarterly decrease in FFO is primarily due to the disposition of an 89% interest in 26 properties in the second quarter of 2019 and the disposition of a 50% interest in seven properties in the first quarter of 2019.

On a year to date basis, the decrease is due to the dispositions in 2019 as well as the impact of prior year dispositions and increased general and administrative costs, the majority of which is related to the increase in unit price and its impact on unit-based compensation plans.

Such dispositions are dilutive as the proceeds primarily fund development projects intended to drive FFO growth in the future.

AFFO	per unit
Q2 2019	**$0.25**
Q2 2018	$0.26	-3.85%

AFFO	per unit
YTD 2019	**$0.50**
YTD 2018	$0.52	-3.85%

The quarterly and year to date decrease in AFFO is due to the decrease in FFO, primarily driven by the dilutive impact of property dispositions.

Interest coverage ratio	
Q2 2019	**3.00x**
Q2 2018	2.92x	+0.08x

Interest coverage ratio	
YTD 2019	**2.96x**
YTD 2018	2.90x	+0.06x

The quarterly increase is due to the decline in finance costs from operations as a result of the repayment and disposition of investment property debt associated with property dispositions.

Debt to gross book value - fair value	
Q2 2019	**49.2%**
Q2 2018	49.9%	-0.70%

Debt to gross book value - fair value	
Q4 2018	**51.0%**
Q4 2017	50.3%	+0.70%

As a result of property dispositions, there was a reduction in the fair value of investment properties. This, combined with the associated debt reduction from dispositions, drove a decrease in debt to gross book value during the quarter and as compared to December 31, 2018.

*Same-asset cash NOI, FFO, AFFO, interest coverage ratio and debt to gross book value - fair value 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 from operating activities or any other measure prescribed under IFRS. Please see the attached Management's Discussion and Analysis of financial results for a discussion of these measures and how they are calculated.

Leasing

Renewals	GLA
Q2 2019	**117,000**
Q2 2018	138,000
	-21,000

Renewals	GLA
YTD 2019	**299,000**
YTD 2018	425,000
	-126,000

The quarterly renewal activity is due to a renewal of 117,000 square feet with an increase of 6.7% over the expiring rate.

Year to date, 299,000 square feet was renewed, representing an increase of 2.1% over the expiring rate. This is net of renewals on two commercial leases at lower rates in the first quarter of 2019. Retail renewals of 127,000 square feet reflects an increase of 6.8% over expiring rent.

Committed Occupancy	
Q2 2019	**95.9%**
Q1 2019	95.7%
	+0.2%

Economic Occupancy	
Q2 2019	**95.2%**
Q1 2019	95.0%
	+0.2%

The slight increase in occupancy is primarily due to new leasing in the second quarter with 49,000 square feet in new leases of occupied space, including new leases in the Halifax office space.

Second quarter financial performance

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

The following highlights Crombie's operating performance and investing and financing activities during the three months ended June 30, 2019.

Operating performance

- Reported operating income attributable to Unitholders for the quarter of $39,449, impacted by property dispositions during the quarter, as well as an increase in general and administrative expenses, the majority of which is related to the increase in unit price and its impact on unit-based compensation plans.
- Reported FFO of $0.29 per unit was primarily impacted by the dispositions of investment properties. Crombie recognized lower depreciation and amortization expense and lower finance costs from operations as a result of these dispositions and related repayment of investment property debt.
- AFFO per unit of $0.25 per unit, reflecting a 89.9% payout ratio.
- Same-asset NOI increased by 3.2% over the same quarter in 2018, primarily the result of rate increases on existing tenants and new leasing activity.
- Occupancy remained strong at 95.9%, with improvements in leased office space during the quarter.
- Renewal activity included 117,000 square feet at an average rate of $14.69 per square feet, representing 6.7% renewal growth in the quarter, including new committed space in the Avalon Mall, currently being redeveloped and new leased space in the Halifax office space.

Investing and Financing

- Sale of investment properties for the quarter totalled gross proceeds of $186,364.
- Transferred $18,916 of properties under development to income-producing status, delivering a total of 34,000 square feet of new GLA.
- Mortgage repayments of $26,624 and $68,279 on credit facilities.
- Renewed the unsecured bilateral credit facility agreement for an additional year, now maturing May 14, 2021.
- Improvement in the debt to gross book value ratio on a fair value basis to 49.2% as a result of repayments of mortgages and credit facilities with the proceeds from property dispositions as well as disposition of mortgages associated with properties disposed to joint operations during the second quarter of 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

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, 2019, with a comparison to the financial condition and results of operations for the comparable period in 2018.

This MD&A should be read in conjunction with Crombie's interim condensed consolidated financial statements and accompanying notes for the three and six months ended June 30, 2019, 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, 2018, which were presented 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 7, 2019, 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, 2018 MD&A which can be found on SEDAR. Forward-looking statements include:

(i) overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition and disposition activity that Crombie is able to achieve, levels of indebtedness, Crombie's ability to maintain and strengthen its investment grade credit rating, future financing opportunities, future interest rates, creditworthiness of major tenants and joint arrangement partners, and market conditions;

(ii) statements in the letter to Unitholders and under the heading "Property Development/Redevelopment" 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, future capitalization rates, the availability of financing opportunities and labour, actual development costs and general economic conditions and factors described under the "Property Development/Redevelopment" section and which assumes obtaining required municipal zoning and development approvals and successful agreements with existing tenants, and where applicable, successful execution of development activities undertaken by related parties not under the direct control of Crombie;

(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 availability and allocation decisions as well as actual development costs;

(iv) generating improved rental income and occupancy levels, including anticipated replacement of expiring tenancies, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions, e-commerce and supply of competitive locations in proximity to Crombie locations;

(v) pending acquisitions or dispositions, which remain subject to satisfaction of customary closing conditions;

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

(vii) anticipated distributions and payout ratios, which could be impacted by results of operations and capital resource allocation decisions.

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

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

Non-GAAP Financial Measures

There are financial measures included in this MD&A that do not have a standardized meaning under IFRS as prescribed by the IASB. These measures are property net operating income (“NOI”), same-asset property cash NOI, operating income attributable to Unitholders, funds from operations (“FFO”), adjusted funds from operations (“AFFO”), adjusted cash flow from operations ("ACFO"), debt to gross book value, earnings before interest, taxes, depreciation and amortization (“EBITDA”), interest service coverage, debt service coverage, debt to EBITDA, unencumbered assets, estimated yield on cost and net asset value ("NAV"). 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.

HIGHLIGHTS

FINANCIAL RESULTS

Crombie's key financial metrics for the three and six months ended June 30, 2019 are as follows:

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended June 30,			
	2019	2018	Change	Change (%)
Property revenue	**$ 99,332**	$ 104,143	$ (4,811)	(4.6)%
Property operating expenses	**28,222**	29,925	1,703	5.7 %
Property NOI	**$ 71,110**	$ 74,218	$ (3,108)	(4.2)%
NOI margin percentage	**71.6%**	71.3%	0.3 %	
Operating income attributable to Unitholders	**$ 39,449**	$ 49,033	$ (9,584)	(19.5)%
Operating income per unit	**$ 0.26**	$ 0.32	$ (0.06)	(18.8)%
Increase (decrease) in net assets attributable to Unitholders	**$ 5,373**	$ 15,295	$ (9,922)	(64.9)%
Same-asset property cash NOI	**$ 62,154**	$ 60,204	$ 1,950	3.2 %
FFO				
Basic	**$ 44,567**	$ 46,325	$ (1,758)	(3.8)%
Per unit - Basic	**$ 0.29**	$ 0.31	$ (0.02)	(6.5)%
Payout ratio (%)	**75.7%**	72.7%	(3.0)%	
AFFO				
Basic	**$ 37,549**	$ 39,492	$ (1,943)	(4.9)%
Per unit - Basic	**$ 0.25**	$ 0.26	$ (0.01)	(3.8)%
Payout ratio (%)	**89.9%**	85.3%	(4.6)%	

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Six months ended June 30,			
	2019	2018	Change	Change (%)
Property revenue	**$ 204,572**	$ 209,848	$ (5,276)	(2.5)%
Property operating expenses	**60,588**	62,829	2,241	3.6 %
Property NOI	**$ 143,984**	$ 147,019	$ (3,035)	(2.1)%
NOI margin percentage	**70.4%**	70.1%	0.3%	
Operating income attributable to Unitholders	**$ 87,677**	$ 74,478	$ 13,199	17.7 %
Operating income per unit	**$ 0.58**	$ 0.49	$ 0.09	18.4 %
Increase (decrease) in net assets attributable to Unitholders	**$ 19,194**	$ 7,429	$ 11,765	158.4 %
Same-asset property cash NOI	**$ 123,992**	$ 119,558	$ 4,434	3.7 %
FFO				
Basic	**$ 90,027**	$ 92,189	$ (2,162)	(2.3)%
Per unit - Basic	**$ 0.59**	$ 0.61	$ (0.02)	(3.3)%
Payout ratio (%)	**75.0%**	73.0%	2.0%	
AFFO				
Basic	**$ 76,209**	$ 78,156	$ (1,947)	(2.5)%
Per unit - Basic	**$ 0.50**	$ 0.52	$ (0.02)	(3.8)%
Payout ratio (%)	**88.5%**	86.1%	2.4%	

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Basic number of Units for all measures	**151,518,271**	151,224,827	**151,496,728**	151,032,465
Diluted for operating income attributable to Unitholders purposes	**151,649,688**	155,694,436	**151,628,145**	155,502,074

OPERATING RESULTS

	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Number of investment properties	284	285	288	289	290
Gross leaseable area	17,746,000	18,604,000	18,896,000	18,759,000	18,778,000
Committed occupancy	95.9%	95.7%	96.0%	96.2%	96.1%
Economic occupancy	95.2%	95.0%	95.3%	95.5%	95.2%

	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Investment properties, fair value	$ 4,592,000	$ 4,755,000	$ 4,776,000	$ 4,786,000	$ 4,862,000
Unencumbered investment properties [1]	$ 953,738	$ 1,012,707	$ 998,523	$ 1,032,113	$ 1,092,650
Available liquidity [2]	$ 413,087	$ 346,347	$ 312,459	$ 337,154	$ 356,859
Debt to gross book value - fair value [5]	49.2%	50.3%	51.0%	50.5%	49.9%
Weighted average interest rate [3]	4.19%	4.20%	4.20%	4.14%	4.18%
Debt to trailing 12 months EBITDA [4]	8.21x	8.56x	8.66x	8.56x	8.50x
Interest coverage ratio [4]	3.00x	2.93x	2.94x	2.97x	2.92x

[1] Represents fair value of unencumbered properties.
[2] Represents the undrawn portion on the credit facilities, excluding joint facilities with joint operation partners.
[3] Weighted average interest rate is calculated based on interest rates for all outstanding fixed rate debt.
[4] See Coverage Ratios section.
[5] See Debt to Gross Book Value - Fair Value Basis section.

Available liquidity is the net amount available on Crombie's credit facilities, excluding joint facilities with joint operation partners, calculated as follows:

	As at				
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Revolving credit facility	$ 398,555	$ 400,000	$ 400,000	$ 400,000	$ 400,000
Amount drawn	(55,707)	(107,986)	(108,843)	(54,148)	(34,422)
Outstanding letters of credit	(5,761)	(5,667)	(8,698)	(8,698)	(8,719)
Available liquidity	337,087	286,347	282,459	337,154	356,859
Unsecured bilateral credit facility	100,000	100,000	100,000	100,000	100,000
Amount drawn	(24,000)	(40,000)	(70,000)	(100,000)	(100,000)
Available liquidity	76,000	60,000	30,000	—	—
Total available liquidity	$ 413,087	$ 346,347	$ 312,459	$ 337,154	$ 356,859

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 commercial mixed-use properties in Canada, with a growth strategy focused primarily on the acquisition and development of grocery- and drug store-anchored retail properties in Canada's top markets. At June 30, 2019, Crombie owned a portfolio of 284 investment properties in 10 provinces, comprising approximately 17.7 million square feet of gross leaseable area (“GLA”). Empire Company Limited ("Empire"), through a subsidiary, holds a 41.5% economic and voting interest in Crombie at June 30, 2019.

Business Objectives and Outlook

Crombie describes its business objectives and outlook in the MD&A for the year ended December 31, 2018.

Business Environment

Crombie describes its business environment in the MD&A for the year ended December 31, 2018.

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Acquisitions and Dispositions

Prices are in thousands of CAD dollars and are stated before transaction and closing costs.

Acquisitions

Date	Property	Location	Vendor	Strategy	Number of properties	Ownership Interest	Ownership Sq. ft.	Price
2019 First Quarter								
March 25, 2019	Pointe-Claire, QC	Pointe-Claire, QC	Third Party	Development (PUD)	—	100%	—	$ 32,439
2019 Second Quarter								
There were no acquisitions during the three months ended June 30, 2019					—		—	$ —
Total acquisitions at June 30, 2019					—		—	$ 32,439
2018 Second Quarter								
Sobeys Portfolio								
April 6, 2018	Edson Sobeys	Edson, AB	Empire	Income-producing	1	100%	33,000	5,300
April 6, 2018	Strathmore Sobeys	Strathmore, AB	Empire	Income-producing	1	100%	35,000	10,200
April 6, 2018	Hollick Kenyon Sobeys	Edmonton, AB	Empire	Income-producing	1	100%	30,000	11,800
April 6, 2018	Thornbury Foodland	Thornbury, ON	Empire	Income-producing	1	100%	40,000	11,850
April 6, 2018	Gatineau IGA Extra	Gatineau, QC	Empire	Income-producing	1	100%	71,800	15,550
April 6, 2018	Rimouski IGA Extra	Rimouski, QC	Empire	Income-producing	1	100%	52,700	7,900
April 6, 2018	Baie St-Paul IGA	Baie St-Paul, QC	Empire	Income-producing	1	100%	64,600	8,300
April 6, 2018	Saint-Pie Tradition	Saint-Pie, QC	Empire	Income-producing	1	100%	13,800	2,600
April 6, 2018	Havre St-Pierre Tradition	Havre St-Pierre, QC	Empire	Income-producing	1	100%	26,400	5,000
April 6, 2018	Elmwood Alcool NB Liquor/Dollarama [1]	Moncton, NB	Empire	Income-producing	—	100%	20,800	5,170
April 6, 2018	Chateauguay Familiprix [1]	Chateauguay, QC	Empire	Income-producing	—	100%	32,900	4,440
	Sobeys portfolio total				9		421,000	88,110
June 29, 2018	Victoria Trail	Edmonton, AB	Empire	Income-producing	1	100%	37,000	12,500
							458,000	100,610
2018 Third Quarter								
September 28 , 2018	Hemlock Square[1]	Halifax, NS	Empire	Income-producing	—	100%	10,000	3,735
2018 Fourth Quarter								
December 5, 2018	Sorel	Sorel, QC	Third Party	Income-producing	1	100%	40,000	9,300
December 13, 2018	Elbow Drive[2]	Calgary, AB	Third Party	Income-producing	—	100%	5,000	5,600
							45,000	14,900
Total acquisitions for the year ended December 31, 2018					11		513,000	$119,245

[1] Relates to an acquisition of additional density on a pre-existing retail property

[2] Acquisition of an add-on parcel to an existing property

Dispositions

Date	Property	Location	Number of properties	Ownership Interest	Ownership Sq. ft.	Price
2019 First Quarter						
January 29, 2019	Upper James Square	Hamilton, ON	1	100%	114,000	$ 35,180
Firm Capital Portfolio[1]						
February 5, 2019	8118 & 8130 118 Avenue NW	Edmonton, AB	—	50%	22,000	
February 5, 2019	Forest Hills Parkway	Cole Harbour, NS	—	50%	22,000	
February 5, 2019	Russell Lake	Dartmouth, NS	—	50%	31,000	
February 5, 2019	409 Bayfield Street	Barrie, ON	—	50%	24,000	
February 5, 2019	1 Westminster Avenue North	Montreal, QC	—	50%	10,000	
February 5, 2019	2915 & 2931 13th Avenue	Regina, SK	—	50%	20,000	
February 5, 2019	University Park	Regina, SK	—	50%	19,000	
Firm Capital portfolio total			—		148,000	41,614
February 8, 2019	1110 Gateway Avenue	Canmore, AB	1	100%	50,000	19,925
February 14, 2019	1031 Avenue Victoria	St. Lambert, QC	1	100%	19,000	9,675
					331,000	106,394
2019 Second Quarter						
Oak Street I Portfolio[2]						
April 25, 2019	Fairway Plaza	Lethbridge, AB	—	89%	57,000	
April 25, 2019	410 and 610 Big Rock Lane	Okotoks, AB	—	89%	37,000	
April 25, 2019	Cariboo Mall	100 Mile House,	—	89%	19,000	
April 25, 2019	1721 Columbia Avenue	Castlegar, BC	—	89%	24,000	
April 25, 2019	11200 8th Street	Dawson Creek, BC	—	89%	38,000	
April 25, 2019	445 Reid Street	Quesnel, BC	—	89%	27,000	
April 25, 2019	3156 Birds Hill Road E	East St. Paul, MB	—	89%	35,000	
April 25, 2019	498 Mountain Avenue	Neepawa, MB	—	89%	16,000	
April 25, 2019	107 Catherwood Street	Saint John, NB	—	89%	41,000	
April 25, 2019	21 Cromer Avenue	Grand Falls, NL	—	89%	24,000	
April 25, 2019	69 Blockhouse Road	Placentia, NL	—	89%	17,000	
April 25, 2019	151 Church Street	Antigonish, NS	—	89%	46,000	
April 25, 2019	75 Emerald Street	New Waterford, NS	—	89%	23,000	
April 25, 2019	22579 Highway 7	Sheet Harbour, NS	—	89%	8,000	
April 25, 2019	215 Park Avenue W	Chatham, ON	—	89%	43,000	
April 25, 2019	15 Lindsay Street	Fenelon Falls, ON	—	89%	31,000	
April 25, 2019	32-38 Ottawa Street	Havelock, ON	—	89%	13,000	
April 25, 2019	400 First Avenue S	Kenora, ON	—	89%	33,000	
April 25, 2019	5931 Kalar Road	Niagara Falls, ON	—	89%	32,000	
April 25, 2019	714 Boul Saint-Laurent O	Louiseville, QC	—	89%	21,000	
April 25, 2019	515 Avenue du Phare E	Matane, QC	—	89%	27,000	
April 25, 2019	395 Avenue Sirois	Rimouski, QC	—	89%	42,000	
April 25, 2019	680 Avenue Chausse	Rouyn-Noranda,	—	89%	38,000	
April 25, 2019	10505 Boul Saine-Anne	Sainte-Anne-de-Beaupre, QC	—	89%	34,000	
April 25, 2019	8980 Boul Lacroix	Saint-Georges, QC	—	89%	39,000	
April 25, 2019	50 Rue Bourgeois	Sherbrooke, QC	—	89%	20,000	
Oak Street I portfolio total			—		785,000	161,589
April 29, 2019	1780 Markham Road	Toronto, ON	1	100%	39,000	21,500
June 3, 2019	Belmont Market Land	Langford, BC	—	100%	—	3,275
					824,000	186,364
Total dispositions as at June 30, 2019			4		1,155,000	$ 292,758

[1] Represents disposition of 50% interest in a portfolio of seven retail properties. The square footage and price reflect the 50% amounts.

[2] Represents disposition of 89% interest in a portfolio of 26 retail properties. The square footage and price reflect the 89% amounts.

2018 First Quarter						
February 5, 2018	Whitehorse Plaza	Simcoe, ON	1	100%	92,000	$ 15,000
February 20, 2018	Perth Mews	Perth, ON	1	100%	103,000	20,627
March 6, 2018	Belmont Market land	Langford, BC	—	100%	—	5,725
					195,000	41,352
2018 Second Quarter						
April 19, 2018	Red Deer Cineplex	Red Deer, AB	1	100%	40,000	14,000
May 11, 2018	10 Alkenbrack St	Napanee, ON	1	100%	25,000	9,000
Northam portfolio[3]						
May 11, 2018	16th Ave Safeway	Calgary, AB	—	50%	21,000	
May 11, 2018	Ancaster Sobeys	Ancaster, ON	—	50%	33,000	
May 11, 2018	Brampton Plaza	Brampton, ON	—	50%	38,000	
May 11, 2018	Danforth	Scarborough, ON	—	50%	3,000	
May 11, 2018	Marpole Safeway	Vancouver, BC	—	50%	24,000	
May 11, 2018	McKenzie Town Dr Shoppers	Calgary, AB	—	50%	9,000	
May 11, 2018	Millwoods Common	Edmonton, AB	—	50%	29,000	
May 11, 2018	Nottingham	Sherwood Park, AB	—	50%	23,000	
May 11, 2018	Southbrook	Edmonton, AB	—	50%	23,000	
Northam portfolio total			—		203,000	77,929
June 18, 2018	Park Lane	Halifax, NS	1	100%	273,000	51,250
					541,000	152,179
2018 Fourth Quarter						
December 18, 2018	Southdale	London, ON	1	100%	17,000	5,400
December 18, 2018	Eglinton Ave	Toronto, ON	1	100%	17,000	15,500
December 18, 2018	Montrose Road	Niagara Falls, ON	1	100%	17,000	5,700
					51,000	26,600
					787,000	220,131
2018 Third Quarter						
August 16, 2018	Bronte Village[4]	Oakville, ON	1	100%	30,000	39,682
Total dispositions for the year ended December 31, 2018			9		817,000	$ 259,813

[3] Represents disposition of 50% interest in a portfolio of nine retail properties. The square footage and price reflect the 50% amounts.

[4] Represents disposition of property to a joint venture in which Crombie holds an interest.

Crombie continues as property manager for the properties in which it retains a partial ownership interest.

Overview of the Property Portfolio

At June 30, 2019, Crombie's property portfolio consisted of 284 investment properties that contain approximately 17.7 million square feet of GLA in all 10 provinces.

As at June 30, 2019, the portfolio distribution of the GLA by province was as follows:

	GLA (sq. ft.)						
Province	January 1, 2019	Acquisitions (Dispositions)	Other	June 30, 2019 [1]	Number of Investment Properties	% of GLA	% of Annual Minimum Rent
AB	3,428,000	(166,000)	(5,000)	3,257,000	58	18.4%	20.9%
BC	1,829,000	(108,000)	34,000	1,755,000	42	9.9%	12.2%
MB	644,000	(51,000)	—	593,000	15	3.4%	4.2%
NB	1,570,000	(41,000)	(3,000)	1,526,000	20	8.6%	6.3%
NL	1,203,000	(41,000)	18,000	1,180,000	13	6.6%	9.7%
NS	5,006,000	(130,000)	(64,000)	4,812,000	41	27.1%	21.1%
ON	2,487,000	(329,000)	14,000	2,172,000	42	12.2%	13.0%
PE	124,000	—	11,000	135,000	2	0.8%	0.7%
QC	2,151,000	(250,000)	—	1,901,000	43	10.7%	9.6%
SK	454,000	(39,000)	—	415,000	8	2.3%	2.3%
Total	18,896,000	(1,155,000)	5,000	17,746,000	284	100.0%	100.0%

[1] Totals include Crombie's ownership of partial dispositions.

During the six months ended June 30, 2019, Crombie had a net decrease of 1,155,000 square feet of GLA from disposition activity consisting of:

- Alberta - disposition of 50% interest in one retail property representing 22,000 square feet, disposition of 89% interest in two retail properties representing 94,000 square feet and 100% interest in one retail property totalling 50,000 square feet;
- British Columbia - disposition of 89% interest in four retail properties totaling 108,000 square feet;
- Manitoba - disposition of 89% interest in two retail properties representing 51,000 square feet;
- New Brunswick - disposition 89% interest in one retail property totalling 41,000 square feet;
- Newfoundland - disposition of 89% interest in two retail properties totalling 41,000 square feet;
- Nova Scotia - disposition of 50% interest in two retail properties totalling 53,000 square feet and disposition of 89% interest in three retail properties representing 77,000 square feet;
- Ontario - disposition of 50% interest in one retail property representing 24,000 square feet, disposition of 89% in five retail properties representing 152,000 square feet and 100% interest in two retail properties totalling 153,000 square feet;
- Quebec - disposition of 50% interest in one retail property representing 10,000 square feet, disposition of 89% in seven retail properties totalling 221,000 square feet and 100% interest in one retail property totalling 19,000 square feet; and,
- Saskatchewan - disposition of 50% interest in two retail properties totalling 39,000 square feet.

As at June 30, 2019, 722,000 square feet are considered to be assets held for sale representing 17 investment properties, of which 16 will be sold at an 89% interest to one buyer. On July 3, 2019, one retail property from the portfolio was disposed of and the remaining 15 properties are expected to close in the fall of 2019, as part of a previously announced transaction.

Changes in GLA included in Other in the above table include increases for additions/expansions to GLA on existing properties and decreases primarily related to GLA removals in preparation for property redevelopment.

As at June 30, 2019, our allocation of annual minimum rent consists of: Atlantic Canada 37.8%; Central Canada 22.5%; and Western Canada 39.7%. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

Property Categorization

As at June 30, 2019:

	Crombie Owned Properties				
	Investment Properties	Properties Under Development ("PUD")	Sub-total	Additional Properties in Joint Ventures ("JV")	Total
Same-asset	267	—	267	—	267
Non Same-Asset					
Acquisitions - 2019	—	—	—	—	—
Acquisitions - 2018	10	—	10	—	10
Other [1]	4	3	7	1	8
Active Major Development [2]	3	1	4	2	6
Total Non Same-asset	17	4	21	3	24
Total	284	4	288	3	291

[1] Other includes investment properties that have been designated for repositioning, land parcels included in PUD, or non-active major developments within a JV.
[2] Active Major Development includes:
Davie Street Retail
Avalon Mall Retail
Belmont Market Retail and Office
Pointe-Claire
JV - Davie Street Residential (not currently counted as a separate property)
- Le Duke
- Bronte Village

Davie Street is being developed as both a commercial (Crombie owned) and residential (JV owned) development. Currently, there is one title and, as such, this is counted as one property within Crombie owned Active Major Development. Upon reaching a specific milestone in the development, this will be treated as two properties, one Crombie owned and one as a separate property within the JV.

Portfolio Occupancy and Lease Activity

The portfolio occupancy and committed activity for the six months ended June 30, 2019 was as follows:

	Occupied space (sq. ft.)									
Province	January 1, 2019	Acquisitions (Dispositions)	New Leases[1]	Lease Expiries	Other Changes[2]	June 30, 2019	Economic Occupancy %	Committed Space (sq. ft.)[3]	Total Leased Space (sq. ft.)	Leased June 30, 2019
AB	3,418,000	(166,000)	—	(2,000)	—	3,250,000	99.8%	2,000	3,252,000	99.8%
BC	1,805,000	(108,000)	17,000	—	(6,000)	1,708,000	97.3%	30,000	1,738,000	99.0%
MB	640,000	(51,000)	—	—	—	589,000	99.3%	4,000	593,000	100.0%
NB	1,401,000	(41,000)	3,000	(13,000)	1,000	1,351,000	88.5%	26,000	1,377,000	90.2%
NL	1,159,000	(41,000)	42,000	(7,000)	(21,000)	1,132,000	95.9%	18,000	1,150,000	97.5%
NS	4,532,000	(130,000)	17,000	(11,000)	15,000	4,423,000	91.9%	11,000	4,434,000	92.1%
ON	2,383,000	(328,000)	3,000	(8,000)	8,000	2,058,000	94.8%	24,000	2,082,000	95.9%
PE	124,000	—	—	—	—	124,000	91.9%	11,000	135,000	100.0%
QC	2,117,000	(250,000)	—	—	1,000	1,868,000	98.3%	—	1,868,000	98.3%
SK	438,000	(39,000)	—	—	(5,000)	394,000	94.9%	—	394,000	94.9%
Total	18,017,000	(1,154,000)	82,000	(41,000)	(7,000)	16,897,000	95.2%	126,000	17,023,000	95.9%

[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 overall vacant space. Committed space increased to 126,000 square feet at June 30, 2019, from 124,000 square feet at December 31, 2018.

Overall leased space (occupied plus committed) decreased from 96.0% at December 31, 2018 to 95.9% at June 30, 2019. During 2019, Crombie had a net decrease from dispositions of 1,154,000 square feet and had new leases outpace lease expiries by 41,000 square feet.

New leases increased occupancy by 82,000 square feet at June 30, 2019 at an average first year rate of $23.34 per square foot. 126,000 square feet of space was committed at June 30, 2019 at an average first year rate of $20.06 per square foot.

For 2019, renewal activity was as follows:

	Quarter			YTD		
	Square Feet	Rate PSF	Growth%	Square Feet	Rate PSF	Growth %
2019 Renewals	116,000	$ 14.51	6.5%	260,000	$ 15.63	3.0 %
Future Year Renewals	1,000	29.00	13.7%	39,000	20.04	(2.1)%
Total	117,000	$ 14.69	6.7%	299,000	$ 16.21	2.1 %

Crombie's renewal activity for the six months ending June 30, 2019 included renewals on 299,000 square feet with an increase of 2.1% over expiring rate. 2019 renewals were negatively impacted by renewals on two commercial leases at lower rent in Q1. Retail renewals of 127,000 square feet reflected an increase of 6.8% over expiring rent. During the quarter, Crombie renewed 117,000 square feet with an increase of 6.7% over expiring rate.

Market Class

Portfolio diversification by market class is as follows:

Market Class	GLA	Economic Occupancy	Committed Occupancy	Number of Investment Properties	% of GLA	% of Investment Properties
VECTOM [1]	5,136,000	98.9%	98.9%	88	28.9%	31.0%
Major Markets [2]	4,703,000	95.7%	96.6%	60	26.5%	21.1%
Rest of Canada (RoC) [3]	7,907,000	92.5%	93.6%	136	44.6%	47.9%
Total	17,746,000	95.2%	95.9%	284	100.0%	100.0%

[1] VECTOM: Vancouver, Edmonton, Calgary, Toronto, Ottawa-Gatineau, Montreal, as defined by Statistics Canada 2016 CMA/CA boundaries.
[2] Major Markets consists of Abbotsford-Mission, Barrie, Chilliwack, Halifax, Hamilton, Kitchener-Cambridge-Waterloo, Oshawa, Quebec City, Regina, Saskatoon, Victoria, and Winnipeg, as defined by Statistics Canada 2016 CMA/CA boundaries.
[3] RoC includes all remaining geographies outside of VECTOM and Major Markets.

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, 2019, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Investment Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail and Commercial[2]	276	15,486,000	87.3%	93.2%	95.9%
Office	5	973,000	5.5%	4.1%	90.5%
Industrial[3]	3	1,287,000	7.2%	2.7%	100.0%
Total	284	17,746,000	100.0%	100.0%	95.9%

[1] For purposes of calculating leased percentage, Crombie considers GLA covered by head lease agreements as occupied.
[2] Retail and Commercial includes our substantial retail portfolio with commercial reflecting certain few additional properties which comprise both retail and office space. These properties have been consistently included in our retail category.
[3] Industrial includes retail distribution centres owned in Toronto, Montreal and Calgary.

As at June 30, 2018, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Investment Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased[1]
Retail and Commercial[2]	282	16,492,000	87.8%	93.7%	96.3%
Office	5	999,000	5.3%	3.7%	88.5%
Industrial[3]	3	1,287,000	6.9%	2.6%	100.0%
Total	290	18,778,000	100.0%	100.0%	96.1%

[1] For purposes of calculating leased percentage, Crombie considers GLA covered by head lease agreements as occupied.
[2] Retail and Commercial includes our substantial retail portfolio with commercial reflecting certain few additional properties which comprise both retail and office space. These properties have been consistently included in our retail category.
[3] Industrial includes retail distribution centres owned in Toronto, Montreal and Calgary.

Retail and commercial properties represent 87.3% of Crombie's GLA and 93.2% of annual minimum rent at June 30, 2019 compared to 87.8% of GLA and 93.7% of annual minimum rent at June 30, 2018.

Leased space in retail and commercial properties of 95.9% at June 30, 2019, decreased from 96.3% at June 30, 2018. Leased space in office properties of 90.5% increased from 88.5% at June 30, 2018. Leased space in industrial properties of 100.0% at June 30, 2019, remained constant from 100.0% at June 30, 2018.

Lease Maturities

The following table sets out, as of June 30, 2019, the number of leases maturing during the periods indicated, 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 [1]	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per sq. ft. at Expiry
2019	157	920,000	5.2%	$ 16.24
2020	173	655,000	3.7%	19.53
2021	159	785,000	4.4%	17.34
2022	174	778,000	4.4%	19.38
2023	140	689,000	3.9%	18.90
2024	104	677,000	3.8%	17.87
2025	72	801,000	4.5%	14.83
2026	71	813,000	4.6%	15.45
2027	78	870,000	4.9%	18.49
2028	64	759,000	4.3%	18.30
Thereafter	308	9,276,000	52.2%	19.27
Total	1,500	17,023,000	95.9%	$ 18.49

(1) Assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights.

Largest Tenants

The following table illustrates the 20 largest tenants in Crombie's portfolio of investment properties as measured by their percentage contribution to total annual minimum rent as at June 30, 2019.

	Tenant	% of Annual Minimum Rent	Average Remaining Lease Term	DBRS Credit Rating
1.	Sobeys [1]	55.4%	13.2 years	BBB (low)
2.	Shoppers Drug Mart	4.2%	8.9 years	BBB
3.	Province of Nova Scotia	1.5%	2.6 years	A (high)
4.	Dollarama	1.3%	5.9 years	BBB
5.	Government of Canada	1.2%	3.6 years	AAA
6.	CIBC	1.2%	12.1 years	AA
7.	Bank of Nova Scotia	1.1%	3.0 years	AA
8.	Cineplex	1.1%	10.0 years	
9.	GoodLife Fitness	1.1%	8.6 years	
10.	Bank of Montreal	1.0%	8.1 years	AA
11.	Canadian Tire Corporation	1.0%	3.9 years	BBB(high)
12.	Restaurant Brands International	0.6%	6.2 years	
13.	Bell Canada	0.6%	5.6 years	BBB (high)
14.	Metro	0.6%	8.1 years	BBB
15.	Royal Bank of Canada	0.5%	2.7 years	AA(high)
16.	SAQ/Province of Quebec	0.5%	4.8 years	A (high)
17.	Leon's Furniture	0.5%	6.6 years	
18.	Giant Tiger	0.5%	5.1 years	
19.	Staples	0.5%	3.1 years	
20.	NTT Data	0.4%	8.4 years	
	Total	74.8%		

(1) Includes all subsidiaries under Empire Company Limited.

Other than Sobeys which accounts for 55.4% of annual minimum rent and Shoppers Drug Mart which accounts for 4.2% of annual minimum rent, no other tenant accounts for more than 1.5% of Crombie's annual minimum rent.

For the six months ended June 30, 2019, Sobeys also represents 53.5% of total property revenue. Total property revenue includes annual minimum rent as well as operating and realty tax cost recovery income and percentage rent. These additional amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs.

The weighted average remaining term of all Crombie leases is approximately 10.0 years. This remaining lease term is influenced by the average Sobeys remaining lease term of 13.2 years.

Property Development/Redevelopment ("Development")

Property Development is a strategic priority for Crombie to improve net asset value ("NAV"), cash flow growth and Unitholder value. With urban intensification an important reality across the country, Crombie is focused on evaluating and undertaking major developments at certain properties, where incremental costs to develop are greater than $50 million and where Development may include a combination of commercial and/or residential uses ("Major Developments").

Crombie has the potential to unlock significant value within its current pipeline of 33 Major Development properties (six Active Major Developments (March 31, 2019 - five) and 27 Potential Major Developments (March 31, 2019 - 19)) over the next decade or longer. Crombie benefits from having solid income (FFO and AFFO) generated by these properties while working through the various approvals, entitlements and advance preparations required before each Major Development can commence. In aggregate, Crombie currently achieves an in-place NOI yield of approximately 5.2% on existing asset cost for our development pipeline properties.

Crombie has a strategic relationship with Sobeys. Most of our Major Development properties have Sobeys as an anchor tenant and our strategic relationship should enable us to ensure a seamless transition from existing property / store operations to construction / development of each of these sites on mutually agreeable terms.

Our Major Developments will be planned and executed either alone, or with partners, to complete development of mixed-use properties with a focus on grocery-anchored retail and, wherever practical, primarily purpose built residential rental accommodations that provide both revenue diversification and growth to Crombie. We view this approach as the optimal way to drive both NAV and AFFO growth. In certain cases, residential condominium uses may also be considered, as will certain other uses, to satisfy municipal and/or market requirements. Crombie may also have the option, if desired, to monetize our density value by selling certain air rights, or purpose built rental properties to third parties in lieu of, or after, development.

Our range of options enables us, on a case by case basis, to make choices that optimize Unitholder value. In today's environment where NOI yield on cost for Major Development projects are projected to be in the 5% - 6% range and where exit capitalization rates in markets like Vancouver, Toronto and Montreal (where Crombie has 19 Major Development properties) (March 31, 2019 - 14) are in a current approximate range of 3% - 4% for comparable developments, NAV creation through development can be substantial.

In the sections that follow (Active Major Developments and Potential Major Developments), Crombie has identified 33 Major Development projects as at June 30, 2019 (March 31, 2019 - 24), with a total projected cost to develop these properties of $4.0 to $5.8 billion (March 31, 2019 - $3 to $4.6 billion). The upper end of this updated cost to develop range has Crombie at closer to 100% ownership of the projected costs and potential projects, but Crombie may enter joint venture or other partnership arrangements for these properties to share cost, revenue, risks and development expertise depending upon the nature of each project.

(Costs in billions of CAD $)	# of Projects	Total Projected Cost Range	Commercial GLA on Completion [1]	Commercial Incremental GLA [1]	Residential Incremental GLA [1]	Residential # of Units [1]
Active Major Development	6	$ 0.6	737,000	540,000	976,000	1,200
Potential Major Development	27	3.4 - 5.2	1,447,000	786,000	8,802,000	10,000
Total Developments	**33**	**$ 4.0 - 5.8**	**2,184,000**	**1,326,000**	**9,778,000**	**11,200**

[1] GLA and Units reflective of upper range of costs.

Active Major Developments

The below table provides additional detail into Crombie's Active Major Developments by property type.

							At Crombie's Share ($ in millions)			
Property	**CMA[1]**	**Use**	**Commercial GLA on Completion**	**Residential GLA on Completion**	**Residential Units**	**Estimated Final Completion Date**	**Estimated Annual NOI**	**Estimated Total Cost[2]**	**Estimated Yield on Cost [2]**	**Estimated Cost to Complete**
Investment Properties ("IP") - Major Development										
Davie Street[3]	Vancouver	Retail	53,000	—	—	Q1 2020	$ 1.8	$ 28.4	6.3%	$ 11.0
Avalon Mall - Phase I	St. John's	Retail	—	—	—	Q3 2019	—	54.5	—	14.0
Avalon Mall - Phase II [4]	St. John's	Retail	165,000	—	—	Q2 2020	5.8-6.4	57.8	10.0%-11.0%	36.3
Subtotal IP - Major Development			**218,000**	**—**	**—**		**$ 7.6-8.2**	**$ 140.7**	**5.4%-5.8%**	**$ 61.3**
Properties Under Development ("PUD")										
Belmont Market [5]	Victoria	Retail, Office	160,000	—	—	Q4 2020 [5]	$ 5.1-5.8	$ 93.0	5.5%-6.3%	$ 26.3
Pointe-Claire	Montreal	Industrial	285,000	—	—	2021	6.0-6.5	100.0	6.0%-6.5%	66.7
Subtotal PUD			**445,000**	**—**	**—**		**$11.1-12.3**	**$ 193.0**	**5.8%-6.4%**	**$ 93.0**
Total Investment Properties			**663,000**	**—**	**—**		**$18.7-20.5**	**$ 333.7**	**5.6%-6.1%**	**$ 154.3**
Properties Held in Joint Ventures										
Davie Street[3]	Vancouver	Residential	—	253,000	330	Q3 2020	$ 4.0	$ 76.4	5.2%	$ 33.8
Le Duke[7]	Montreal	Retail, Residential	26,000	251,000	390	Q1 2021	3.2-3.6	61.8	5.2%-5.8%	44.9
Bronte Village[7]	Toronto	Retail, Residential	48,000	472,000	480	Q3 2021	6.9-8.3	138.6	5.0%-6.0%	86.4
Total Properties Held in Joint Venture			**74,000**	**976,000**	**1,200**		**$14.1-15.8**	**$ 276.8**	**5.1%-5.7%**	**$ 165.1**
Total Active Major Developments			**737,000**	**976,000**	**1,200**		**$32.8-36.3**	**$ 610.5**	**5.4%-5.9%**	**$ 319.4**

[1] CMA: Census Metropolitan Area
[2] Estimated Total Cost and Estimated Yield on Cost includes all costs associated with the development, including but not limited to, estimated value of air rights and/or land value, pre-development costs, construction costs, tenant costs and financing costs.
[3] Crombie will own 100% of the retail with a total project cost of $28.4 million. Sobeys will continue lease payments through the development period to retain the rights under their existing lease. Incremental NOI for the commercial component is $0.6 million. Crombie has entered into a JV partnership agreement with Vancouver based Westbank Corp. and will own 50% of the residential with a total project cost of $152.8 million.
[4] Avalon Mall total GLA is expected to be 593,000 square feet when Phase II is complete. 165,000 square feet relates to the expected square footage of the redeveloped portion of the mall.
[5] Costs related to completed phases have been transferred out of Properties under Development and into Investment Properties in Q4 2018 and Q2 2019. Full project costs are shown in chart above.
[6] Rents from certain leases in Phase I of Belmont Market development commenced in Q4 2018 and the remaining phases will be completed throughout 2019 and 2020 and with timing dependent on pre-leasing activity.
[7] The development agreement with Princedev Inc. was executed in April 2018. Under this agreement, Crombie has sold a 50% interest in the Bronte Village development in South Oakville and acquired a 50% interest in Le Duke. Title transfer closed in August 2018.

1641 Davie Street, Vancouver, British Columbia

Davie Street is currently under active development and is being developed in conjunction with our partner, Westbank Corp., as an approximate 306,000 square foot mixed-use property. Construction of the retail podium and tower concrete is nearing completion and Crombie's first major mixed-use project is making an impact on the Vancouver skyline. This development includes a new Safeway store at approximately 44,000 square feet with almost 9,000 square feet of ancillary retail space and rental residential space totalling 253,000 square feet (330 rental units) in two residential towers. Estimated total project cost is $181 million, $104.8 million at Crombie's share, and is expected to be completed in Q3 2020. Crombie will own 100% of the commercial component and 50% of the rental residential component. The residential component is fully funded within the joint venture partnership with in-place mortgage financing. Crombie also has in-place mortgage financing on the commercial component.

Avalon Mall - Phase I & II, St. John's, Newfoundland and Labrador

Avalon Mall is the only regional shopping mall in Newfoundland and Labrador and is located in St. John's. Crombie is two years into a three year capital investment program to enhance Avalon Mall's position as the dominant regional mall in the province. The investment program began in 2017 and Phase I includes construction of a four-level 875 space parkade, redesign and phased renovation of the mall's interior common areas, and the redesign and realignment of the main mall vehicular access with a combined capital investment of $54.5 million over three years. The parkade was completed 2018. The redesign and renovation of the common areas began in January 2018 and will continue in phases through 2019 and 2020.

Crombie obtained possession of the 129,000 square foot space formerly occupied by Sears effective February 2018, enabling the redevelopment of this section of the mall. This $57.8 million Phase II redevelopment involves demolition of approximately 50,000 square feet of the Sears space, renovation of the remaining portion into new retail units, and an expansion of the existing shopping centre toward Kenmount Road. The redevelopment provides an opportunity to replace the former Sears space with new and/or completely renovated modern tenant spaces, common areas, and mall exterior. This phase of the redevelopment commenced in March 2018 with the start of the Sears demolition, and occupancy of the new retail units is expected to begin in Q3 2019. Construction of the expansion area will continue throughout 2019 with occupancy expected in 2020. Avalon Mall continues its market dominance with occupancy at June 30 at 97.3%. Leasing activity to date for the redevelopment area includes a new and expanded Winners HomeSense, H&M, GAP/Banana Republic, and Old Navy. Including this leasing activity, 62.5% of the leaseable square footage in this redevelopment has been executed to date. Advanced discussions with other potential national anchor and CRU tenants continue.

A Phase III development is also planned for an 8.6 acre property abutting Avalon Mall, on Kenmount Road.The redevelopment may replace two buildings with new retail space with modern design, additional parking, and integration of this property with Avalon Mall by significantly improving vehicular and pedestrian connectivity between the two properties.

Belmont Market, Langford (Victoria), British Columbia

Belmont Market is being developed as a grocery-anchored retail centre in Langford. Crombie is developing and owns 100% of the 160,000 square foot retail component currently under active development. The retail development is expected to cost approximately $93.0 million and includes a 53,000 square foot Thrifty Foods store and approximately 107,000 square feet of additional retail and office space on 13 acres of land. The Thrifty Foods grocery store is now open and driving additional traffic to the centre. Additional construction consisting of 33,000 square feet in four buildings is now complete with many tenants now open for business. The mixed-use buildings that form the High Street of the development are complete with our first tenants taking possession to fixture their premises, and opening expected to be late fall. As at June 30, 2019 there has been 108,000 square feet added to GLA with committed occupancy of 92.9%.

The final portion of the project totalling 23,000 square feet in three buildings is in active pre-leasing and deals pending on approximately 11,000 square feet of the available space. Construction is likely to commence on at least one of these buildings by year-end.

Crombie has completed the sale of 5.55 acres of land to Ledcor Developments, who are under construction on over half of the anticipated 437 residential units, with the delivery of the first units along High Street in late fall.

Le Duke, 297 Rue Duke, Montreal, Quebec

Le Duke is located near the new Bonaventure Greenway in Old Montreal. The development with partner Princedev Inc. has total project costs estimated at $123.5 million, $61.8 million at Crombie's share, and includes a 25 storey mixed-use tower with 251,000 square feet and 390 residential rental units, a 25,000 square foot grocery store, 1,000 square feet of retail space, and 200 underground parking stalls. Development of Le Duke began late in 2017 with demolition of the existing structure. Concrete work for the below grade parking structure is now complete and the at-grade retail well underway. This development is expected to be complete in Q1 2021.

The partnership agreement with Princedev Inc. was executed in April 2018. Under this agreement, Crombie sold a 50% interest in the Bronte Village development in South Oakville and acquired a 50% interest in Le Duke. Title transfer closed in August 2018.

Bronte Village, 2441 Lakeshore Road West, Oakville (Toronto), Ontario

Bronte Village is located in South Oakville at the intersection of Lakeshore and Bronte Roads. The 5.66 acre property is being redeveloped from a single storey, retail mall, to a mixed-use residential property in conjunction with our partner, Princedev Inc. This development includes the existing 30,000 square foot grocery store while adding 18,000 square feet of retail and two luxury residential towers totalling 472,000 square feet of residential rental space in up to 480 units. The existing grocery store will remain operational during the development. Demolition of the existing mall was completed in June 2018. Site plan approval and building permits have been obtained for the development. Cranes are now on site as excavation is complete and the below grade parking structure is well underway. Total project cost is estimated at $277.2 million, $138.6 million at Crombie's share. This development is expected to be completed in Q3 2021.

Pointe-Claire, (Montreal), Quebec

The property is a 20.25 acre industrial site situated in Pointe-Claire, three kilometers from Montreal's P. E. Trudeau International Airport. The property was acquired in the first quarter of 2019. Crombie has executed an agreement with Sobeys to develop a new 285,000 square foot state-of-the-art Customer Fulfillment Centre ("CFC"). The approximately $100.0 million development, including land, will be powered by Ocado's world-leading online grocery platform, and will become Sobeys' e-commerce distribution hub for Quebec and the Ottawa area. Crombie will be the owner and developer of the CFC and will work collaboratively with Sobeys to develop the CFC. The site is currently zoned for its intended use. Sobeys will lease the location from Crombie and Crombie will build the site to Sobeys' specifications. The launch of *Voilà par IGA*, the e-commerce service for Quebec and the Ottawa area is expected in 2021.

Potential Major Developments

In the quarter, Pointe-Claire (Montreal) was moved from Potential Major Developments to Active Major Developments. The Potential Major Developments listing was also updated to split Halifax's Scotia Square from one to two distinct projects (West Hill and Brunswick Place) and add eight new projects to the listing, which are shaded in grey in the chart that follows. This results in Potential Major Developments increasing to 27 from 19 last quarter.

In addition to Active Major Developments in the previous section, Crombie's current Potential Major Developments have the potential to add up to 786,000 square feet (March 31, 2019 - 825,000 square feet) of commercial GLA and up to 8,802,000 square feet (up to 10,000 units) (March 31, 2019 - 7,500,000 square feet and 9,000 units) of residential GLA (which may include a combination of rental or condominium units).

Based on Crombie's current estimates, total costs to develop these properties could reach $3.4 to $5.2 billion ($4.0 to 5.8 billion including Active Major Developments). This is up from Q1, 2019 where our range was $2.5 - $4.1 billion ($3.0 to $4.6 billion including Active Developments). Crombie may enter joint venture or other partnership arrangements for these properties 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 including financial accretion analysis and Board of Trustees approval.

As at June 30, 2019, Crombie has identified the following 27 Potential Major Development locations as having potential to become Active 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. The precise timing of each project is not determinable at present. The time horizon of these projects may change, project scope may change, and/or Crombie may choose to not proceed with development on some properties after further review and completion of financial projections.

	Existing Property	CMA[1]	Site Size (acres)	Transit Oriented	Existing Tenants	Potential Commercial Expansion	Potential Residential Expansion	Status
1	**Park West**	**Halifax**	**6.44**	**No**	**Retail**	**Yes**	**Yes**	**Pre-planning**
2	**Penhorn Lands**	**Halifax**	**26.12**	**No**	**Land**	**Yes**	**Yes**	**Pre-planning**
3	**Westhill**	**Halifax**	**0.46[2]**	**Yes**	**n/a**	**Yes**	**Yes**	**Pre-planning**
4	**10355 King George Boulevard**	**Vancouver**	**5.07**	**Yes**	**Safeway**	**Yes**	**Yes**	**Pre-planning**
5	**1780 East Broadway (Broadway and Commercial)**	**Vancouver**	**2.43**	**Yes**	**Safeway**	**Yes**	**Yes**	**Pre-planning**
6	**5235 Kingsway (Royal Oak)**	**Vancouver**	**2.76**	**Yes**	**Safeway**	**Yes**	**Yes**	**Pre-planning**
7	**Belmont Market - Phase II**	**Victoria**	**1.70**	**No**	**Land**	**Yes**	**Yes**	**Pre-planning**
8	1818 Centre Street	Calgary	2.18	Yes	Safeway	Yes	Yes	TBD[3]
9	410 10 Street NW (Kensington)	Calgary	1.73	Yes	Safeway	Yes	Yes	TBD
10	524 Elbow Drive SW (Mission)	Calgary	1.6	No	Safeway	Yes	Yes	TBD
11	813 11 Avenue SW (Beltline)	Calgary	2.59	Yes	Safeway	Yes	Yes	TBD
12	10930 82 Avenue (Whyte Ave)	Edmonton	2.44	No	Safeway/Other tenants	Yes	Yes	TBD
13	Brunswick Place	Halifax	0.75[4]	Yes	n/a	Yes	Yes	TBD
14	Triangle Lands	Halifax	0.68	No	Land	Yes	Yes	TBD
15	Centennial Parkway	Hamilton	2.75	No	Retail	Yes	Yes	TBD
16	3130 Danforth	Toronto	0.79	Yes	The Beer Store	Yes	Yes	TBD
17	Brampton Mall	Toronto	8.74	No	Office/Retail	Yes	Yes	TBD
18	McCowan & Ellesmere	Toronto	4.48	Yes	Sobeys/Other tenants	Yes	Yes	TBD
19	1170 East 27 Street (Lynn Valley)	Vancouver	2.82	No	Safeway	Yes	Yes	TBD
20	2733 West Broadway	Vancouver	1.95	Yes	Safeway	Yes	Yes	TBD
21	3410 Kingsway (Kingsway +Tyne)	Vancouver	3.74	Yes	Safeway/Other tenants	Yes	Yes	TBD
22	990 West 25 Avenue (King Edward)	Vancouver	1.8	No	Safeway	Yes	Yes	TBD
23	East Hastings	Vancouver	3.3	No	Safeway/Other tenants	Yes	Yes	TBD
24	Fleetwood	Vancouver	4.45	Yes	Safeway	Yes	Yes	TBD
25	New Westminister	Vancouver	2.82	No	Safeway	Yes	Yes	TBD
26	Port Coquitlum	Vancouver	5.31	No	Safeway	Yes	Yes	TBD
27	Robson Street	Vancouver	1.15	No	Safeway	Yes	Yes	TBD

[1] CMA: Census Metropolitan Area
[2] Westhill can be developed through densification on 0.46 acres of the existing 9.05 acre Scotia Square site
[3] TBD: to be determined
[4] Brunswick Place can be developed through densification on the existing 0.75 acre Brunswick Place Parkade

These are projects already owned by Crombie where future development is a possibility. 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.

Properties in the Pre-Planning Phase

Park West, Halifax, Nova Scotia

Park West is located in Halifax NS in a prime location abutting adjacent retail and residential on Lacewood Drive and Dunbrack Street. The 6.44 acre site (which formally was the home to a Canadian Tire Store) abuts Crombie owned Park West Centre; home of Sobeys, Lawtons, RBC plus additional retail and services. Crombie is currently exploring mixed-use development options. Rezoning of this property is required prior to proceeding with any development.

Penhorn Lands, Dartmouth (Halifax), Nova Scotia

The Penhorn Lands is a development site located at the intersection of Highway 111 and Portland Street in Dartmouth (Halifax), Nova Scotia. Crombie has initiated pre-planning activity for future mixed residential development on 26 acres of this development site located adjacent to a Crombie owned grocery-anchored property, Penhorn Plaza.

Westhill, Halifax, Nova Scotia

Westhill is a multi-unit residential addition to Crombie’s existing Scotia Square commercial complex, located at a prime location in Downtown Halifax. The approximately 0.46 acre site is situated within the Downtown Halifax Plan Area, which enables approximately 17 storeys of residential development at this location. Site plan approval is required in order to proceed with any future development and preliminary development analysis is currently underway.

1780 East Broadway (Broadway and Commercial), Vancouver, British Columbia

1780 East Broadway is a 2.43 acre site located at the intersection of Commercial Drive and East Broadway in Vancouver, British Columbia. The single storey 38,000 square foot Safeway grocery store is situated at one of the busiest transit nodes in Western Canada. Crombie is currently working through the rezoning process to capitalize on the recently adopted community plan.

10355 King George Boulevard, Surrey (Vancouver), British Columbia

King George is located in Surrey, BC, in a prime location within Surrey City Centre and immediately adjacent the King George SkyTrain stop. The approximate 5 acre site is within the City of Surrey Official Community Plan and the Surrey City Centre Plan, which both designate the site for high-density development of floor to space ratio of up to 7.5 times. Rezoning of the site is required in order to proceed with any future redevelopment, and preliminary development analysis is currently underway.

5235 Kingsway (Royal Oak), Burnaby (Vancouver), British Columbia

The Royal Oak site is located in close proximity to Metrotown in Burnaby - an area experiencing significant redevelopment as a result of a recently adopted Metrotown Downtown Plan in 2017. The high profile, 2.76 acre site has the potential for redevelopment to occur in the near future. Initial planning has commenced and a comprehensive rezoning plan is being developed to facilitate discussions with the City of Burnaby.

Belmont Market - Phase II, Langford (Victoria), British Columbia

Belmont Market Phase II is currently contemplated as the final piece of the larger shopping centre development with a potential to add 140,000 square feet of commercial space on the remaining 1.70 acres of land.

FINANCIAL RESULTS

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As At June 30, 2019	As At December 31, 2018
Total assets	$ 3,915,210	$ 4,071,074
Total investment property debt and unsecured debt	$ 2,281,622	$ 2,479,143
Debt to gross book value - fair value basis[1]	49.2%	51.0%

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

Compared to December 31, 2018, the balance sheet changes are primarily attributable to:

- investment property dispositions totalling $243,491, which include the sale of a 50% interest in seven properties in the first quarter of 2019 and sale of an 89% interest in 26 properties in the second quarter of 2019; and,
- repayment or disposition of $131,551 in fixed rate mortgages and repayment of $99,135 of the credit facilities with proceeds from disposition of properties during 2019.

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	Variance	2019	2018	Variance
Property revenue	$ 99,332	$ 104,143	$ (4,811)	$ 204,572	$ 209,848	$ (5,276)
Property operating expenses	28,222	29,925	1,703	60,588	62,829	2,241
Property NOI	71,110	74,218	(3,108)	143,984	147,019	(3,035)
NOI margin percentage	71.6%	71.3%	0.3%	70.4%	70.1%	0.3%
Other items:						
Gain on disposal of investment properties	16,661	33,502	(16,841)	43,290	45,343	(2,053)
Impairment of investment properties	—	(8,000)	8,000	—	(8,000)	8,000
Depreciation and amortization	(18,140)	(19,719)	1,579	(38,058)	(47,751)	9,693
General and administrative expenses	(5,970)	(4,626)	(1,344)	(11,754)	(9,117)	(2,637)
Finance costs - operations	(24,335)	(26,381)	2,046	(50,002)	(53,090)	3,088
Income from equity accounted investments	123	39	84	217	74	143
Operating income attributable to Unitholders	39,449	49,033	(9,584)	87,677	74,478	13,199
Finance costs - distributions to Unitholders	(33,744)	(33,688)	(56)	(67,480)	(67,294)	(186)
Finance (costs) income - change in fair value of financial instruments	(332)	(50)	(282)	(1,003)	245	(1,248)
Increase in net assets attributable to Unitholders	$ 5,373	$ 15,295	$ (9,922)	$ 19,194	$ 7,429	$ 11,765
Operating income attributable to Unitholders per Unit, Basic and Diluted	$ 0.26	$ 0.32		$ 0.58	$ 0.49	
Basic weighted average Units outstanding (in 000's)	151,518	151,225		151,497	151,032	
Diluted weighted average Units outstanding (in 000's)	151,650	155,694		151,628	155,502	
Distributions per Unit to Unitholders	$ 0.22	$ 0.22		$ 0.45	$ 0.45	

Operating Results

Three months

Operating income attributable to Unitholders decreased by $9,584 or 19.5% primarily impacted by gain on disposal of investment properties of $16,661 in the second quarter of 2019 versus $33,502 in the second quarter of 2018.

Six months

Operating income attributable to Unitholders increased by $13,199 or 17.7% as a result of the sale of investment properties which reduced depreciation, amortization and financing costs, as well as impairment in the second quarter of 2018.

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)	**2019**	2018	**2019**	2018
Operating income attributable to Unitholders	**$ 39,449**	$ 49,033	**$ 87,677**	$ 74,478
Finance costs - distributions to Unitholders	**(33,744)**	(33,688)	**(67,480)**	(67,294)
Finance (costs) income - change in fair value of financial instruments	**(332)**	(50)	**(1,003)**	245
Increase in net assets attributable to Unitholders	**$ 5,373**	$ 15,295	**$ 19,194**	$ 7,429

Property NOI

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

Same-asset properties are properties owned and operated by Crombie throughout the current and comparative reporting periods, excluding any property that was designated for redevelopment during either the current or comparative period. Same-asset property NOI reflects Crombie's proportionate ownership of jointly operated properties.

Property NOI on a cash basis, which excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts, is as follows:

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	**2019**	2018	Variance	**2019**	2018	Variance
Property NOI	**$ 71,110**	$ 74,218	$ (3,108)	**$ 143,984**	$ 147,019	$ (3,035)
Non-cash straight-line rent	**(2,992)**	(2,504)	(488)	**(5,525)**	(5,390)	(135)
Non-cash tenant incentive amortization	**3,411**	2,468	943	**7,026**	6,090	936
Property cash NOI	**71,529**	74,182	(2,653)	**145,485**	147,719	(2,234)
Acquisitions, dispositions and development property cash NOI	**9,375**	13,978	(4,603)	**21,493**	28,161	(6,668)
Same-asset property cash NOI	**$ 62,154**	$ 60,204	$ 1,950	**$ 123,992**	$ 119,558	$ 4,434

Three months

Same-asset property cash NOI increased by $1,950 or 3.2% compared to the second quarter of 2018 primarily due to rate increases on existing tenant leases, new leasing activity and revenues from land use intensifications at certain properties, making up $1,648 (or 2.7%) of the increase, with the remaining $302 (or 0.5%) due to the favourable impact from the adoption of IFRS 16 'Leases' on January 1, 2019.

Six months

On a year to date basis, rate increases on existing tenant leases, new leasing activity, and revenues from land use intensifications account for approximately $3,844 (3.2%) of the increase in same-asset cash NOI, with the remaining $590 (or 0.5%) increase due to the favourable impact from the adoption of IFRS 16.

Same-asset property cash NOI is as follows:

	Three months ended June 30,				Six months ended June 30,			
(In thousands of CAD dollars)	**2019**	2018	Variance	Percent	**2019**	2018	Variance	Percent
Retail and Commercial	**$ 59,095**	$ 57,768	$ 1,327	2.3%	**$ 117,951**	$ 114,665	$ 3,286	2.9%
Office	**3,059**	2,436	623	25.6%	**6,041**	4,893	1,148	23.5%
Same-asset property cash NOI	**$ 62,154**	$ 60,204	$ 1,950	3.2%	**$ 123,992**	$ 119,558	$ 4,434	3.7%

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

	Three months ended June 30,			Year ended June 30,		
(In thousands of CAD dollars)	**2019**	2018	Variance	**2019**	2018	Variance
Acquisitions and dispositions property cash NOI	**$ 2,550**	$ 7,708	$ (5,158)	**$ 7,836**	$ 15,674	$ (7,838)
Development property cash NOI	**6,825**	6,270	555	**13,657**	12,487	1,170
Total acquisitions, dispositions and development property cash NOI	**$ 9,375**	$ 13,978	$ (4,603)	**$ 21,493**	$ 28,161	$ (6,668)

Development properties include properties earning cash NOI that are: currently being developed; have recently completed development; and, properties scheduled for development. 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 significant disruption in others. Consequently, comparison of period-over-period development operating results may not be meaningful.

Property NOI for the three and six months ended June 30, 2019 by province was as follows:

	Three months ended June 30,			Six months ended June 30,		
	2019	2018		**2019**	2018	
(In thousands of CAD dollars)	**Property NOI**	Property NOI	Variance	**Property NOI**	Property NOI	Variance
AB	**$ 15,766**	$ 16,315	$ (549)	**$ 31,961**	$ 32,638	$ (677)
BC	**9,383**	9,072	311	**19,520**	18,347	1,173
MB	**3,216**	3,361	(145)	**6,527**	6,739	(212)
NB	**3,787**	3,635	152	**7,386**	6,840	546
NL	**6,520**	6,539	(19)	**13,128**	13,273	(145)
NS	**14,194**	15,407	(1,213)	**28,118**	29,566	(1,448)
ON	**9,415**	10,452	(1,037)	**19,234**	21,524	(2,290)
PE	**454**	437	17	**879**	857	22
QC	**6,712**	7,254	(542)	**13,888**	13,641	247
SK	**1,663**	1,746	(83)	**3,343**	3,594	(251)
Total	**$ 71,110**	$ 74,218	$ (3,108)	**$ 143,984**	$ 147,019	$ (3,035)

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 from operating activities or any other measure prescribed under IFRS. Management uses FFO as 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 earnings amount is a measure of Crombie's ability to generate cash from earnings. 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") (February 2019 white paper) 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 of investment properties, including amortization of tenant incentives charged against property revenue;
- Incremental internal leasing expenses;
- Adjustments for equity accounted entities;
- Operational expenses from right of use assets;
- 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 as recommended by REALPAC, Crombie also adds back the amortization of tenant incentives ("TI"). 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, 2019 and 2018 is as follows:

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	**2019**	2018	Variance	**2019**	2018	Variance
Increase (decrease) in net assets attributable to Unitholders	**$ 5,373**	$ 15,295	$ (9,922)	**$ 19,194**	$ 7,429	$ 11,765
Add (deduct):						
Amortization of tenant incentives	**3,411**	2,468	943	**7,026**	6,090	936
Loss (gain) on disposal of investment properties	**(16,661)**	(33,502)	16,841	**(43,290)**	(45,343)	2,053
Impairment of investment properties	**—**	8,000	(8,000)	**—**	8,000	(8,000)
Depreciation and amortization of investment properties	**17,845**	19,709	(1,864)	**37,488**	47,731	(10,243)
Principal payments on right of use assets	**(22)**	—	(22)	**(49)**	—	(49)
Depreciation of investment properties included in Income from equity accounted investments	**20**	8	12	**41**	15	26
Internal leasing costs	**525**	609	(84)	**1,134**	1,218	(84)
Finance costs - distributions to Unitholders	**33,744**	33,688	56	**67,480**	67,294	186
Finance costs (income) - change in fair value of financial instruments	**332**	50	282	**1,003**	(245)	1,248
FFO as calculated based on REALPAC recommendations	**$ 44,567**	$ 46,325	$ (1,758)	**$ 90,027**	$ 92,189	$ (2,162)

Three and six months

The decrease is primarily due to the disposition of properties in the current and prior quarters as well as increases in general and administrative costs, primarily related to the impact of increased unit prices on unit-based compensation.

Adjusted Funds from Operations (AFFO)

Crombie follows the recommendations of REALPAC's February 2019 white paper in calculating AFFO and has applied these recommendations to the AFFO amounts included in this MD&A. Crombie considers AFFO to be a useful measure in evaluating the recurring economic performance of its operating results which will be used to support future distribution payments. AFFO reflects earnings after the adjustments in arriving at FFO (excluding internal leasing costs) and the provision for non-cash straight-line rent included in revenue, amortization of effective swap agreements, maintenance capital expenditures, maintenance tenant incentives and leasing costs and any settlement of effective interest rate swap agreements.

The calculation of AFFO for the three and six months ended June 30, 2019 and 2018 is as follows:

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	**2019**	2018	Variance	**2019**	2018	Variance
FFO as calculated based on REALPAC recommendations	**$ 44,567**	$ 46,325	$ (1,758)	**$ 90,027**	$ 92,189	$ (2,162)
Add (deduct):						
Amortization of effective swap agreements	**544**	568	(24)	**1,095**	1,143	(48)
Straight-line rent adjustment	**(2,992)**	(2,504)	(488)	**(5,525)**	(5,390)	(135)
Internal leasing costs	**(525)**	(609)	84	**(1,134)**	(1,218)	84
Maintenance expenditures on a square footage basis	**(4,045)**	(4,288)	243	**(8,254)**	(8,568)	314
AFFO as calculated based on REALPAC recommendations	**$ 37,549**	$ 39,492	$ (1,943)	**$ 76,209**	$ 78,156	$ (1,947)

Three and six months

The decline in AFFO is primarily due to the disposition of properties in the current and prior quarters, decreasing maintenance expenditures on a square footage basis, as well as increases in general and administrative costs, primarily related to the impact of increased unit prices on unit-based compensation.

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

Maintenance expenditures represent costs incurred in sustaining and maintaining existing space and exclude expenditures that are revenue enhancing. Crombie considers revenue enhancing expenditures to be costs that expand the GLA of a property, increase the property NOI by a minimum threshold, or otherwise enhance the property's overall value.

Crombie's policy is to charge AFFO and ACFO with maintenance expenditures based on a normalized rate per square foot as these expenditures are not generally incurred on a consistent basis during the year, or from year to year. Crombie also discloses actual maintenance expenditures for comparative purposes. The rate per square foot 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. For 2019, Crombie has maintained the normalized rate of $0.90 per square foot of GLA that was charged in 2018 based on the actual spend for 2018 and 2017 and estimated spend for 2019. Additionally, Crombie combines maintenance capital expenditures with maintenance tenant incentive (TI) and deferred leasing costs in arriving at the normalized per square foot charge to AFFO based on the fact that in years where TI and leasing expenditures are reduced, spending on maintenance capital expenditures may be accelerated and vice versa.

Maintenance Expenditures - Actual

	Three months ended		Six months ended		Year ended	Three months ended				Year ended
(In thousands of CAD dollars)	**Jun. 30, 2019**	**Mar. 31, 2019**	**Jun. 30, 2019**	Jun. 30, 2018	Dec. 31, 2018	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017
Total additions to investment properties	**$ 20,602**	**$ 17,219**	**$ 37,821**	$ 39,879	$ 91,211	$ 29,716	$ 21,616	$ 16,877	$ 23,002	$ 46,800
Less: revenue enhancing expenditures	**(19,951)**	**(15,339)**	**(35,290)**	(36,177)	(82,647)	(26,488)	(19,982)	(15,316)	(20,861)	(34,317)
Maintenance capital expenditures	**651**	**1,880**	**2,531**	3,702	8,564	3,228	1,634	1,561	2,141	12,483
Total additions to TI and deferred leasing costs	**11,336**	**3,608**	**14,944**	10,760	17,488	3,099	3,629	2,779	7,981	19,660
Less: revenue enhancing expenditures	**(9,612)**	**(2,081)**	**(11,693)**	(7,701)	(10,936)	(2,295)	(940)	(1,267)	(6,434)	(15,160)
Maintenance TI and deferred leasing costs	**1,724**	**1,527**	**3,251**	3,059	6,552	804	2,689	1,512	1,547	4,500
Total maintenance expenditures - actual	**$ 2,375**	**$ 3,407**	**$ 5,782**	$ 6,761	$ 15,116	$ 4,032	$ 4,323	$ 3,073	$ 3,688	$ 16,983
Reserve amount charged against AFFO and ACFO	**$ 4,045**	**$ 4,209**	**$ 8,254**	$ 8,568	$ 17,027	$ 4,238				$ 17,682

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.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and are reflective of the leasing activity during 2019 and 2018.

Revenue enhancing expenditures are capitalized and depreciated or charged against revenue over their useful lives, but not deducted when calculating AFFO or ACFO. Revenue enhancing expenditures during the six months ended June 30, 2019 consisted primarily of development work and GLA expansions.

Depreciation, Amortization and Impairment

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $793,721 at June 30, 2019 (June 30, 2018 - $861,527). 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.

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	**2019**	2018	Variance	**2019**	2018	Variance
Same-asset depreciation and amortization	**$ 15,695**	$ 16,304	$ 609	**$ 32,329**	$ 32,705	$ 376
Acquisitions, dispositions and development depreciation/ amortization	**2,445**	3,415	970	**5,729**	15,046	9,317
Depreciation and amortization	**$ 18,140**	$ 19,719	$ 1,579	**$ 38,058**	$ 47,751	$ 9,693

Three and six months

The decrease in depreciation and amortization is due to the dispositions of properties in the third quarter of 2018 and in the first and second quarters of 2019 as well as classification of investment properties as assets held for sale in the second quarter of 2019, for which depreciation is not recorded.

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)	**2019**	2018	Variance	**2019**	2018	Variance
Salaries and benefits	**$ 3,952**	$ 3,044	$ (908)	**$ 8,025**	$ 6,038	$ (1,987)
Professional fees	**350**	302	(48)	**616**	557	(59)
Public company costs	**533**	581	48	**1,117**	1,102	(15)
Rent and occupancy	**181**	170	(11)	**323**	353	30
Other	**954**	529	(425)	**1,673**	1,067	(606)
General and administrative expenses	**$ 5,970**	$ 4,626	$ (1,344)	**$ 11,754**	$ 9,117	$ (2,637)
As a percentage of property revenue	**6.0%**	4.4%	(1.6)%	**5.7%**	4.3%	(1.4)%

Three and six months

The increase in expenses is primarily due to increased salaries and benefits costs, the majority of which is due to the increase in Crombie's unit price and its impact on unit-based compensation plans.

General and administrative expenses as a percentage of property revenue has increased in part due to the decline in property revenue as a result of the property dispositions.

Finance Costs - Operations

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	**2019**	2018	Variance	**2019**	2018	Variance
Finance costs	**$ 22,878**	$ 24,720	$ 1,842	**$ 47,082**	$ 49,738	$ 2,656
Amortization of effective swaps and deferred financing charges	**1,457**	1,661	204	**2,920**	3,352	432
Finance costs - operations	**$ 24,335**	$ 26,381	$ 2,046	**$ 50,002**	$ 53,090	$ 3,088

Three and six months

Finance costs decreased by $1,842 and $2,656 respectively primarily due to repayments and dispositions of mortgages to joint operations during 2019 as a result of property dispositions.

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.

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)	**2019**	2018	**2019**	2018
Distributions to Unitholders	**$ 19,946**	$ 19,913	**$ 39,887**	$ 39,777
Distributions to Special Voting Unitholders	**13,798**	13,775	**27,593**	27,517
Total distributions	**$ 33,744**	$ 33,688	**$ 67,480**	$ 67,294
FFO payout ratio	**75.7%**	72.7%	**75.0%**	73.0%
AFFO payout ratio	**89.9%**	85.3%	**88.5%**	86.1%
ACFO payout ratio	**83.1%**	78.7%	**84.6%**	83.1%

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 2018 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.

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
2018 per $ of distribution	19.6%	62.8%	0.0%	17.6%
2017 per $ of distribution	51.8%	48.0%	0.0%	0.2%
2016 per $ of distribution	24.9%	54.5%	0.0%	20.6%
2015 per $ of distribution	56.3%	28.8%	13.4%	1.5%
2014 per $ of distribution	64.4%	18.1%	0.0%	17.5%

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 and has the following sources of financing available:

(i) secured short-term financing through an authorized revolving credit facility, maturing June 30, 2022, of up to $400,000, subject to available borrowing base, of which $55,707 ($61,468 including outstanding letters of credit) was drawn at June 30, 2019;

(ii) unsecured short-term financing through an authorized floating rate revolving credit facility, maturing May 14, 2021, of up to $100,000, of which $24,000 was drawn at June 30, 2019;

(iii) recycling capital through the disposition of select investment properties;

(iv) secured mortgage and term debt on unencumbered properties, Crombie currently has $953,738 of fair value in unencumbered properties, which is defined as those properties that are free and clear of any encumbrances, including mortgages and pledging as security for floating rate revolving credit facility;

(v) the issuance of additional senior unsecured notes;

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

(vii) the issuance of new units.

In addition to the above, Crombie has a number of active major developments and potential major developments as discussed under the Property Development/Redevelopment ("Development") section of this MD&A. Financing for these Development projects is expected to include specific project/construction financing in place before significant incurrence of project expenditures as well as financing from the various above-noted sources.

Capital Structure

(In thousands of CAD dollars)	**June 30, 2019**		December 31, 2018	
Fixed rate mortgages	**$ 1,496,194**	**39.7%**	$ 1,601,584	40.8%
Credit facilities	**86,555**	**2.3%**	178,843	4.6%
Senior unsecured notes	**698,873**	**18.5%**	698,716	17.8%
Crombie REIT Unitholders	**873,348**	**23.2%**	864,779	22.1%
Special Voting Units and Class B Limited Partnership Unitholders	**585,003**	**15.5%**	578,061	14.7%
Lease liabilities	**29,436**	**0.8%**	—	—%
	$ 3,769,409	**100.0%**	$ 3,921,983	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”), with a maturity date of June 30, 2022, of which $55,707 ($61,468 including outstanding letters of credit) was drawn as at June 30, 2019. The revolving credit facility is secured by a pool of first and second mortgages on certain properties. Borrowings under the revolving credit facility can be by way of Bankers Acceptance or Prime Rate Advances and the Floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change 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 June 30, 2019, Crombie had sufficient Borrowing Base to permit $398,555 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See “Borrowing Capacity and Debt Covenants”.

Joint Operation Credit Facility

In conjunction with the 89% sale of a portfolio of assets in the second quarter of 2019, Crombie and its co-owner entered into a credit agreement with a Canadian Chartered Bank for a $62,250 term loan facility and a $5,050 revolving credit facility. Both facilities are secured and have a term of five years maturing on April 25, 2024. Borrowings under both facilities can be by way of Bankers Acceptance or Prime Rate Advance and the floating interest rate is contingent on the type of advance plus the applicable spread or margin. Concurrent with entering into these facilities, Crombie and its co-owner entered into a fixed for floating interest rate swap effectively fixing the interest rate on both facilities at 3.58%. At the end of the second quarter of 2019, the term loan was fully drawn. As an 11% co-owner, Crombie‘s portion of this facility is $6,848 for the term loan.

Unsecured Bilateral Credit Facility

The unsecured bilateral credit facility has a maximum principal amount of $100,000, of which $24,000 was drawn as at June 30, 2019, and was renewed for an additional year in the second quarter of 2019 and now matures May 14, 2021. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. Borrowings under the bilateral credit facility can be by way of Bankers Acceptance or Prime Rate Advance and the floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie’s unsecured bond rating with DBRS.

Mortgage debt and credit facilities

Crombie had fixed rate mortgages outstanding consisting of:

	June 30, 2019	December 31, 2018
Fixed rate mortgages	$ 1,502,931	$ 1,608,749
Unamortized fair value debt adjustment	1,164	1,891
	1,504,095	1,610,640
Deferred financing charges	(7,901)	(9,056)
Total mortgage debt	$ 1,496,194	$ 1,601,584

The mortgages carry a weighted average interest rate of 4.28% (after giving effect to the interest rate subsidy from Empire under an omnibus subsidy agreement) and a weighted average term to maturity of 4.2 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 interest rate swap agreements in place on $114,592 of floating rate debt.

During the second quarter of 2019, Crombie disposed of $41,557 in mortgages as part of the disposition of an 89% interest in 26 properties. For the six months ended June 30, 2019, $44,531 in mortgages were disposed.

Principal repayments of the fixed rate mortgages and credit facilities are scheduled as follows:

(In thousands of CAD dollars)	Maturing Debt Balances						
12 Months Ending	Mortgages	Credit Facilities	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
Remainder of 2019	$ 102,610	$ —	$ 102,610	7.7%	$ 25,504	$ 128,114	8.1%
December 31, 2020	222,326	—	222,326	16.6%	44,640	266,966	16.8%
December 31, 2021	83,856	24,000	107,856	8.1%	43,170	151,026	9.5%
December 31, 2022	166,385	55,707	222,092	16.6%	37,634	259,726	16.3%
December 31, 2023	242,839	—	242,839	18.2%	30,868	273,707	17.2%
Thereafter	431,925	6,848	438,773	32.8%	71,174	509,947	32.1%
Total [1]	$ 1,249,941	$ 86,555	$ 1,336,496	100.0%	$ 252,990	$ 1,589,486	100.0%

[1] Excludes fair value debt adjustment and deferred financing charges.

Of the maturing debt balances, only 32.7% of mortgages and 32.4% of total maturing debt balances mature over the next three years.

Senior unsecured notes

	Maturity Date	Interest Rate	June 30, 2019	December 31, 2018
Series B	June 1, 2021	3.962%	$ 250,000	$ 250,000
Series C	February 10, 2020	2.775%	125,000	125,000
Series D	November 21, 2022	4.066%	150,000	150,000
Series E	January 31, 2025	4.802%	175,000	175,000
Unamortized Series B issue premium			850	1,068
Deferred financing charges			(1,977)	(2,352)
			$ 698,873	$ 698,716

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

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

For the six months ended June 30, 2019, Crombie issued 51,221 REIT Units and 36,321 Class B LP Units under its DRIP. Until May 22, 2018, Units were issued under the DRIP at a three percent (3%) discount to market prices. Effective on that date, Crombie amended the DRIP to eliminate the discount such that future Units issued under the DRIP are issued at a price equal to 100% of the volume-weighted average trading price of the REIT Units on the TSX for the five trading days immediately preceding the relevant distribution payment date.

Total units outstanding at July 31, 2019, were as follows:

Units	89,654,795
Special Voting Units [1]	62,020,565

[1] Crombie Limited Partnership, a subsidiary of Crombie, has also issued 62,020,565 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.

Sources and Uses of Funds

	Three months ended June 30,			Six months ended June 30,		
(In thousands of CAD dollars)	2019	2018	Variance	2019	2018	Variance
Cash provided by (used in):						
Operating activities	$ (18,203)	$ (8,278)	$ (9,925)	$ 2,782	$ 17,534	$ (14,752)
Financing activities	(89,097)	22,943	(112,040)	(127,588)	(13,290)	(114,298)
Investing activities	107,300	(14,665)	121,965	124,806	(4,244)	129,050
Net change during the period	$ —	$ —	$ —	$ —	$ —	$ —

Operating Activities

Three and six months

The decrease from the prior year on both a quarterly and year to date basis is primarily due to the decreased cash operating income as a result of property dispositions as well as increased working capital requirements.

Financing Activities

Three and six months

The increase in cash used by financing activities is due to repayment of mortgages and credit facilities with the proceeds from the disposition of properties.

Investing Activities

Three and six months

The increase in cash provided by investing activities is due to the proceeds from disposition of properties and lower acquisition costs associated with investment property acquisitions during 2019.

Adjusted Cash Flow from Operations (ACFO)

Crombie considers ACFO to be a useful measure in evaluating its ability to generate sustainable, economic cash flows from operating activities to fund distributions to unitholders. ACFO is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. As such, this non-GAAP financial measure should not be considered as an alternative to cash provided from operating activities or any other measure prescribed under IFRS. ACFO as computed by Crombie may differ from similar computations as reported by other REITs and, accordingly, may not be comparable to other such issuers. Crombie follows the recommendations of REALPAC's February 2019 white paper in calculating ACFO and defines ACFO as cash flow from operations (computed in accordance with IFRS), adjusted for the following applicable amounts:

- Distributions to unitholders included in cash flow from operations;
- Non-cash DRIP amounts included in distributions;
- Change in working capital;
- Capital expenditures;
- Operational revenue and expenses from right of use assets; and,
- Deferred financing charges.

REALPAC provides for other adjustments in determining ACFO which are currently not applicable to Crombie, therefore not included in the above list. The calculation of ACFO for the three and six months ended June 30, 2019 and 2018 is as follows:

	Three months ended June 30,		Six months ended June 30,	
(In thousands of CAD dollars)	**2019**	2018	**2019**	2018
Cash flow from operations	**$ (18,203)**	$ (8,278)	**$ 2,782**	$ 17,534
Add (deduct):				
Distributions to unitholders included in cash flow from operations	**33,744**	33,688	**67,480**	67,294
Non-cash DRIP amount included in above distributions	**(473)**	(3,629)	**(1,220)**	(8,613)
Change in non-cash working capital balances not indicative of sustainable cash flows	**30,537**	26,390	**20,844**	15,539
Reserve for maintenance expenditures	**(4,045)**	(4,288)	**(8,254)**	(8,568)
Principal payments on right of use assets	**(22)**	—	**(49)**	—
Amortization of deferred financing charges	**(913)**	(1,093)	**(1,825)**	(2,209)
ACFO as calculated based on REALPAC recommendations	**40,625**	42,790	**79,758**	80,977
Total distributions declared during the period	**33,744**	33,688	**67,480**	67,294
Excess of ACFO over total distributions	**$ 6,881**	$ 9,102	**$ 12,278**	$ 13,683
ACFO payout ratio	**83.1%**	78.7%	**84.6%**	83.1%

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 June 30, 2019, the remaining amount available under the revolving credit facility was approximately $343,000 (prior to reduction for standby letters of credit outstanding of $5,761) and was not limited by the Aggregate Borrowing Base. At June 30, 2019, 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 is, 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 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 the carrying value included in Crombie's financial statements. Crombie's methodology for determining fair value includes capitalization of net operating income using quarterly capitalization rates from external property valuators. All investment properties are also subject to external, independent appraisals on a rotational basis over a period of not more than four years. The valuation techniques are more fully described in Crombie's year end audited financial statements.

The debt to gross book value on a fair value basis was 49.2% at June 30, 2019 compared to 49.9% at June 30, 2018. This leverage ratio is 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 reasonable overall indebtedness so as to maintain and strengthen its investment grade rating.

During the six months ended June 30, 2019, Crombie's weighted average cap rate used in the determination of the fair value of its investment properties decreased 0.02% to 6.08%.

(In thousands of CAD dollars, except as otherwise noted)	As at				
	Jun. 30, 2019	**Mar. 31, 2019**	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018
Fixed rate mortgages	**$ 1,504,095**	**$ 1,572,402**	$ 1,610,640	$ 1,618,489	$ 1,631,707
Senior unsecured notes	**700,000**	**700,000**	700,000	700,000	625,000
Convertible debentures	**—**	**—**	—	—	74,400
Revolving credit facility	**55,707**	**107,986**	108,843	54,148	32,422
Joint operation credit facility	**6,848**	**—**	—	—	—
Bilateral credit facility	**24,000**	**40,000**	70,000	100,000	100,000
Lease liabilities	**29,436**	**29,689**	—	—	—
Total debt outstanding	**2,320,086**	**2,450,077**	2,489,483	2,472,637	2,463,529
Less: Applicable fair value debt adjustment	**(676)**	**(746)**	(818)	(891)	(965)
Debt	**$ 2,319,410**	**$ 2,449,331**	$ 2,488,665	$ 2,471,746	$ 2,462,564
Investment properties, at fair value	**$ 4,592,000**	**$ 4,755,000**	$ 4,776,000	$ 4,786,000	$ 4,862,000
Other assets, cost [1]	**75,629**	**59,077**	52,677	57,181	60,354
Deferred financing charges	**9,878**	**10,379**	11,408	11,058	12,815
Investment in joint ventures	**41,913**	**41,807**	39,485	37,578	2,715
Interest rate subsidy	**(676)**	**(746)**	(818)	(891)	(965)
Gross book value - fair value basis	**$ 4,718,744**	**$ 4,865,517**	$ 4,878,752	$ 4,890,926	$ 4,936,919
Debt to gross book value - fair value basis	**49.2%**	**50.3%**	51.0%	50.5%	49.9%

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

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

Coverage Ratios

EBITDA is a non-GAAP measure and 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. Crombie believes EBITDA is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties. Crombie's measurement of EBITDA may not be comparable to that used by other entities.

	Three months ended							
	Jun. 30, 2019	**Mar. 31, 2019**	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017
Property revenue	**$ 99,332**	**$ 105,240**	$ 104,296	$ 100,505	$ 104,143	$ 105,705	$ 105,667	$ 102,424
Amortization of tenant incentives	**3,411**	**3,615**	3,451	3,334	2,468	3,622	3,507	2,759
Adjusted property revenue	**102,743**	**108,855**	107,747	103,839	106,611	109,327	109,174	105,183
Property operating expenses	**(28,222)**	**(32,366)**	(30,817)	(27,660)	(29,925)	(32,904)	(31,622)	(28,259)
General and administrative expenses	**(5,970)**	**(5,784)**	(5,184)	(4,925)	(4,626)	(4,491)	(4,246)	(4,675)
Income (loss) from equity accounted investments	**123**	**94**	111	69	39	35	(7)	41
EBITDA (1)	**$ 68,674**	**$ 70,799**	$ 71,857	$ 71,323	$ 72,099	$ 71,967	$ 73,299	$ 72,290
Trailing 12 months EBITDA (4)	**$ 282,653**	**$ 286,078**	$ 287,246	$ 288,688	$ 289,655	$ 287,181		
Finance costs – operations	**$ 24,335**	**$ 25,667**	$ 25,968	$ 26,573	$ 26,381	$ 26,709	$ 26,681	$ 26,244
Amortization of deferred financing charges	**(913)**	**(912)**	(930)	(2,019)	(1,093)	(1,116)	(996)	(1,010)
Amortization of effective swap agreements	**(544)**	**(551)**	(557)	(563)	(568)	(575)	(580)	(586)
Adjusted interest expense (2)	**$ 22,878**	**$ 24,204**	$ 24,481	$ 23,991	$ 24,720	$ 25,018	$ 25,105	$ 24,648
Debt principal repayments (3)	**$ 12,917**	**$ 13,647**	$ 13,108	$ 13,124	$ 13,124	$ 13,880	$ 13,661	$ 13,078
Debt outstanding (see Debt to Gross Book Value) (5) [1]	**$ 2,319,410**	**$ 2,449,331**	$ 2,488,665	$ 2,471,746	$ 2,462,564	$ 2,478,325		
Interest service coverage ratio {(1)/(2)}	**3.00x**	**2.93x**	2.94x	2.97x	2.92x	2.88x	2.92x	2.93x
Debt service coverage ratio {(1)/((2)+(3))}	**1.92x**	**1.87x**	1.91x	1.92x	1.91x	1.85x	1.89x	1.92x
Debt to trailing 12 months EBITDA {(5)/(4)}	**8.21x**	**8.56x**	8.66x	8.56x	8.50x	8.63x		

[1] Outstanding debt previously calculated as part of the Debt to Gross Book Value - Fair Value Basis calculation.

ACCOUNTING

Related Party Transactions

As at June 30, 2019, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with key management personnel and post-employment benefit plans.

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Crombie's transactions with related parties are as follows:

	Three months ended June 30,		Six months ended June 30,	
(In thousands of CAD dollars)	**2019**	2018	**2019**	2018
Property revenue				
Property revenue	**$ 57,235**	$ 59,425	**$ 109,465**	$ 109,989
Head lease income	**$ 247**	$ 161	**$ 409**	$ 340
Lease termination income	**$ 34**	$ —	**$ 454**	$ —
Property operating expenses	**$ (20)**	$ (19)	**$ (24)**	$ (24)
General and administrative expenses				
Property management services recovered	**$ 159**	$ 126	**$ 278**	$ 283
Other general and administrative expenses	**$ (69)**	$ (35)	**$ (122)**	$ (93)
Finance costs - operations				
Interest rate subsidy	**$ 70**	$ 76	**$ 142**	$ 152
Finance costs - distributions to Unitholders	**$ (14,000)**	$ (13,977)	**$ (27,997)**	$ (27,921)

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. Revenue generated from the Management Agreement is being recognized as a reduction of General and administrative expenses.

Included in the above, during the six months ended June 30, 2019, Crombie issued 36,321 (June 30, 2018 - 285,697) Class B LP Units to ECLD under the DRIP.

Amounts due from related parties include $15,545 (December 31, 2018 - $14,636) in 6% Subordinated Notes Receivable due from Bronte Village Limited Partnership and The Duke Limited Partnership.

Additional details on Crombie's related party transactions are described in the MD&A for the year ended December 31, 2018.

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, 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 2018 Annual MD&A.

Critical Judgments

Critical judgments are discussed under the section "Critical Judgments" in the 2018 Annual MD&A.

Application of new IFRS

In January 2016, the IASB issued IFRS 16 “Leases” which replaces IAS 17 and its associated interpretative guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. A lessee is required to recognize a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. Lessor accounting remains largely unchanged with the distinction between operating and finance leases retained and no adjustments were required, except for where Crombie has sub-leases. Under IFRS 16, Crombie reassessed the classifications of sub-lease contracts previously classified as operating leases under IAS 17. Certain land sub-leases were reassessed as finance leases under IFRS 16 and accordingly, a finance lease receivable was recognized on January 1, 2019, included in other assets.

Crombie adopted the standard on January 1, 2019 using the modified retrospective approach, and accordingly, has not restated comparatives for the 2018 reporting period. The reclassifications and the adjustments arising from the new standard are recognized in the opening consolidated balance sheet on January 1, 2019.

Crombie elected to retain the previous determination of whether a contract is a lease for existing contracts. On initial application, Crombie used the following practical expedients permitted by the standard:

- Reliance on previous assessments on whether leases are onerous;
- Accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- Exclusion of low-value asset leases;
- Exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application; and,
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On adoption of IFRS 16, Crombie recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17, consisting primarily of ground leases on land and fleet vehicle leases. These liabilities were measured at the present value of the remaining lease payments, discounted using Crombie’s incremental borrowing rate as of January 1, 2019.

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.

There were no transfers between levels of the fair value hierarchy during the six months ended June 30, 2019.

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
- 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, 2019		December 31, 2018	
(In thousands of CAD dollars)	**Fair Value**	**Carrying Value**	Fair Value	Carrying Value
Financial assets				
Long-term receivables[1]	**$ 23,362**	**$ 23,354**	$ 21,885	$ 21,882
Financial liabilities				
Investment property debt	**$ 1,654,687**	**$ 1,590,650**	$ 1,829,772	$ 1,789,483
Senior unsecured notes	**722,898**	**700,000**	702,893	700,000
Total other financial liabilities	**$ 2,377,585**	**$ 2,290,650**	$ 2,532,665	$ 2,489,483

[1]Long-term receivables include amounts in other assets for capital expenditure program, interest rate subsidy and receivable from related parties.

The fair value of the long-term receivables, investment property debt and senior unsecured notes are Level 2 measurements.

Commitments, Contingencies and Guarantees

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, 2019, Crombie has a total of $5,761 in outstanding letters of credit related to:

(In thousands of CAD dollars)	**June 30, 2019**	June 30 2018
Construction work being performed on investment properties	**$ 3,921**	$ 3,879
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	**1,840**	4,840
Total outstanding letters of credit	**$ 5,761**	$ 8,719

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

As at June 30, 2019, Crombie had signed construction contracts totalling $161,377 of which $114,536 has been paid.

Crombie has 100% guarantees on mortgages related to properties in which it has less than a 100% interest. The mortgages payable related to these guarantees are secured by specific charges against the properties. As at June 30, 2019, Crombie has provided guarantees of approximately $75,952 (June 30, 2018 - $38,842) on mortgages in excess of their ownership interest in the properties. Responsibility for ongoing payments of principal and interest on these mortgages remains with the joint owners of the properties. The mortgages have a weighted average term to maturity of 4.8 years.

Under the terms of head leases with certain of Crombie's joint operation partners, Crombie guarantees its joint operation partners their portion of any uncollected rent receivable from the sub-tenant.

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 2018 Annual MD&A. There have been no significant change in Crombie's risk management since that time. Crombie is providing specific risk updates for June 30, 2019 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, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants.

In measuring tenant concentration, Crombie considers both the annual minimum rent and total property revenue of major tenants.

- Crombie's largest tenant, Sobeys (including other subsidiaries of Empire), represents 55.4% of annual minimum rent; no other tenant accounts for more than 4.2% of Crombie's total minimum rent, and;
- Total property revenue includes operating and realty tax cost recovery income and percentage rent. These amounts can vary by property type, specific tenant leases and where tenants may directly incur and pay operating and realty tax costs. Crombie earned total property revenue of $57,235 and $109,465 respectively for the three and six months ended June 30, 2019 (three and six months ended June 30, 2018 - $59,425 and $109,989 respectively) from Sobeys Inc. and other subsidiaries of Empire.

Over the next five years, leases representing no more than 5.2% of the gross leaseable area of Crombie will expire in any one year.

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.

At each balance sheet date, Crombie assesses whether there is objective evidence that a financial asset carried at amortized cost is impaired. If such evidence exists, Crombie recognizes an impairment loss, as the difference between the carrying value of the instrument and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate or a discount rate based on the risk associated with the financial asset being tested. The carrying amount of the asset is reduced by this amount through a charge to the statement of comprehensive income.

There have been no significant changes to Crombie's credit risk since December 31, 2018.

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, 2019:

- Crombie's weighted average term to maturity of its fixed rate mortgages is 4.2 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 $55,707 at June 30, 2019;
- Crombie has a floating rate bilateral credit facility available to a maximum of $100,000 with a balance of $24,000 at June 30, 2019;
- Crombie has an 11% interest in a $62,250 floating rate term loan credit facility which is fully utilized as of June 30, 2019 (Crombie's portion - $6,848);
- Crombie has an 11% interest in a $5,050 floating rate revolving credit facility; and,
- Crombie has interest rate swap agreements in place on $114,592 of floating rate debt.

Crombie estimates that $1,070 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the remaining two quarters of 2019, based on all settled swap agreements as of June 30, 2019.

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:

(In thousands of CAD dollars)	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, 2019	**$ 77**	**$ (77)**
Three months ended June 30, 2018	$ 177	$ (177)
Six months ended June 30, 2019	**$ 248**	**$ (248)**
Six months ended June 30, 2018	$ 223	$ (223)

There have been no significant changes to Crombie's interest rate risk since December 31, 2018.

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 and recycling capital from property dispositions.

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,					
(In thousands of CAD dollars)	Contractual Cash Flows[1]	2020	2021	2022	2023	2024	Thereafter
Fixed rate mortgages[2]	$ 1,730,612	$ 376,654	$ 152,702	$ 263,506	$ 253,819	$ 350,686	$ 333,245
Senior unsecured notes	788,964	151,812	273,579	14,499	160,774	8,400	179,900
Lease Liabilities	150,193	2,533	2,487	2,269	2,173	2,059	138,672
	2,669,769	530,999	428,768	280,274	416,766	361,145	651,817
Credit facilities	85,778	2,823	26,713	48,945	245	7,052	—
Total	$ 2,755,547	$ 533,822	$ 455,481	$ 329,219	$ 417,011	$ 368,197	$ 651,817

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

There have been no significant changes to Crombie's liquidity risk since December 31, 2018.

SUBSEQUENT EVENTS

(a) On July 3, 2019, Crombie disposed of an 89% interest in a retail property totalling 50,000 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately $9,750.

(b) On July 4, 2019, Crombie disposed of a 100% interest in a retail property totalling 36,000 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately $12,255.

(c) On July 22, 2019, Crombie declared distributions of 7.417 cents per Unit for the period from July 1, 2019 to and including, July 31, 2019. The distributions will be paid on August 15, 2019, to Unitholders of record as of July 31, 2019.

(d) On August 1, 2019, Crombie acquired a 50% interest in a retail property in Toronto from Sobeys, a related party. The property, totalling 15,000 square feet, was acquired for $9,500, excluding closing and transaction costs.

(e) On August 2, 2019, Crombie transferred air rights at its Davie Street property to 1600 Davie Limited Partnership. As agreed upon in the 2016 joint venture arrangement, total gain on the transfer, before closing adjustments and transaction costs, is approximately $14,882 of which Crombie will recognize $7,441.

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, 2019. 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 as at December 31, 2018, 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.

The appropriate changes to ICFR in relation to Crombie's migration to the new ERP system have been made in order to continue to maintain appropriate internal controls over financial reporting. Other than these changes, there were no changes to Crombie's ICFR that occurred during the three months ended June 30, 2019 that have materially affected or are reasonably likely to materially affect Crombie's ICFR.

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.

	Three Months Ended							
(In thousands of CAD dollars, except per unit amounts)	**Jun. 30 2019**	**Mar. 31 2019**	Dec. 31 2018	Sep. 30 2018	Jun. 30 2018	Mar. 31 2018	Dec. 31 2017	Sep. 30 2017
Property revenue	**$ 99,332**	**$ 105,240**	$ 104,296	$ 100,505	$ 104,143	$ 105,705	$ 105,667	$ 102,424
Property operating expenses	**28,222**	**32,366**	30,817	27,660	29,925	32,904	31,622	28,259
Property net operating income	**71,110**	**72,874**	73,479	72,845	74,218	72,801	74,045	74,165
Gain on disposal	**16,661**	**26,629**	4,580	100	33,502	11,841	2,474	—
Expenses:								
General and administrative	**(5,970)**	**(5,784)**	(5,184)	(4,925)	(4,626)	(4,491)	(4,246)	(4,675)
Finance costs - operations	**(24,335)**	**(25,667)**	(25,968)	(26,573)	(26,381)	(26,709)	(26,681)	(26,244)
Income (loss) from equity accounted investments	**123**	**94**	111	69	39	35	(7)	41
Depreciation and amortization	**(18,140)**	**(19,918)**	(19,906)	(28,696)	(19,719)	(28,032)	(20,619)	(21,966)
Impairment	**—**	**—**	(7,000)	—	(8,000)	—	—	—
Operating income before taxes	**39,449**	**48,228**	20,112	12,820	49,033	25,445	24,966	21,321
Taxes - current	**—**	**—**	(1)	(2)	—	—	2,082	—
Operating income	**39,449**	**48,228**	20,111	12,818	49,033	25,445	27,048	21,321
Finance costs - distributions to Unitholders	**(33,744)**	**(33,736)**	(33,724)	(33,711)	(33,688)	(33,606)	(33,511)	(33,385)
Finance income (costs) - change in fair value of financial instruments	**(332)**	**(671)**	197	(40)	(50)	295	18	25
Increase (decrease) in net assets attributable to Unitholders	**$ 5,373**	**$ 13,821**	$ (13,416)	$ (20,933)	$ 15,295	$ (7,866)	$ (6,445)	$ (12,039)
Operating income per unit - Basic	**$ 0.26**	**$ 0.32**	$ 0.13	$ 0.08	$ 0.32	$ 0.17	$ 0.18	$ 0.14

	Three Months Ended							
(In thousands of CAD dollars, except per unit amounts)	**Jun. 30 2019**	**Mar. 31, 2019**	Dec. 31 2018	Sep. 30 2018	Jun. 30 2018	Mar. 31 2017	Dec. 31 2017	Sep. 30 2017
Distributions								
Distributions	**$ 33,744**	**$ 33,724**	$ 33,724	$ 33,711	$ 33,688	$ 33,606	$ 33,511	$ 33,385
Per unit	**$ 0.22**	**$ 0.22**	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22
AFFO								
Basic	**$ 37,549**	**$ 39,771**	$ 39,771	$ 37,867	$ 39,492	$ 38,664	$ 39,481	$ 38,713
Per unit - Basic	**$ 0.25**	**$ 0.26**	$ 0.26	$ 0.25	$ 0.26	$ 0.26	$ 0.26	$ 0.26
Payout ratio	**89.9%**	**84.8%**	84.8%	89.0%	85.3%	86.9%	84.9%	86.2%
FFO								
Basic	**$ 44,567**	**$ 46,490**	$ 46,490	$ 45,355	$ 46,325	$ 45,864	$ 47,237	$ 46,652
Per unit - Basic	**$ 0.29**	**$ 0.31**	$ 0.31	$ 0.30	$ 0.31	$ 0.30	$ 0.31	$ 0.31
Payout ratio	**75.7%**	**72.5%**	72.5%	74.3%	72.7%	73.3%	70.9%	71.6%

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

- Property acquisitions and dispositions (gross proceeds excluding closing and transaction costs) for each of the above three month periods were:
    - June 30, 2019 - disposition of one retail property for proceeds of $21,500 and disposition of an 89% interest in 26 retail properties for proceeds of $161,589;

- March 31, 2019 - acquisition of one development property for a total purchase price of $32,439, disposition of three retail properties for proceeds of $64,780 and disposition of a 50% interest in seven retail properties for proceeds of $41,614;
- December 31, 2018 - acquisition of one retail property and an addition to an existing retail property for a total purchase price of $14,900 and disposition of three retail properties for proceeds of $26,600;
- September 30, 2018 - acquisition of an addition to an existing retail property for a total purchase price of $3,735 and disposition of one retail property for proceeds of $39,682;
- June 30, 2018 - acquisition of ten retail properties and additions to two existing retail properties for a total purchase price of $100,610, disposition of two retail properties and one mixed-use property for proceeds of $74,250 and disposition of a 50% interest in nine retail properties for proceeds of $77,929;
- March 31, 2018 - disposition of two retail properties for proceeds of $35,627 and the disposition of residential lands adjacent to a development property for proceeds of $5,725;
- December 31, 2017 - disposition of one retail property for proceeds of $15,600; and,
- September 30, 2017 - acquisition of six retail properties for a total purchase price of $100,257, and acquisition of additional development on a pre-existing retail property for a total purchase price of $7,671.

- 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 7, 2019

New Glasgow, Nova Scotia, Canada

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

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

	Note	June 30, 2019	December 31, 2018
Assets			
Non-current assets			
Investment properties	3	$ 3,429,304	$ 3,759,643
Investment in joint ventures	4	41,913	39,485
Other assets	5	241,437	248,818
		3,712,654	4,047,946
Current assets			
Other assets	5	33,347	23,128
Investment properties held for sale	6	169,209	—
		202,556	23,128
Total Assets		3,915,210	4,071,074
Liabilities			
Non-current liabilities			
Fixed rate mortgages	7	1,287,541	1,421,062
Credit facilities	7	86,555	178,843
Senior unsecured notes	8	573,873	698,716
Lease liabilities		28,766	—
Employee future benefits obligation		8,956	8,824
Trade and other payables		14,629	11,488
		2,000,320	2,318,933
Current liabilities			
Fixed rate mortgages	7	208,653	180,522
Senior unsecured notes	8	125,000	—
Employee future benefits obligation		296	296
Trade and other payables		122,590	128,483
		456,539	309,301
Total liabilities excluding net assets attributable to Unitholders		2,456,859	2,628,234
Net assets attributable to Unitholders		$ 1,458,351	$ 1,442,840
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		$ 873,348	$ 864,779
Special Voting Units and Class B Limited Partnership Unitholders		585,003	578,061
		$ 1,458,351	$ 1,442,840
Commitments, contingencies and guarantees	18		
Subsequent events	19		

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss)
(in thousands of CAD dollars)

		Three months ended June 30,		Six months ended June 30,	
	Note	**2019**	2018	**2019**	2018
Property revenue	9	**$ 99,332**	$ 104,143	**$ 204,572**	$ 209,848
Property operating expenses		**28,222**	29,925	**60,588**	62,829
Net property income		**71,110**	74,218	**143,984**	147,019
Gain on disposal of investment properties	3	**16,661**	33,502	**43,290**	45,343
Impairment of investment properties		**—**	(8,000)	**—**	(8,000)
Depreciation and amortization	3,5	**(18,140)**	(19,719)	**(38,058)**	(47,751)
General and administrative expenses	11	**(5,970)**	(4,626)	**(11,754)**	(9,117)
Finance costs - operations	12	**(24,335)**	(26,381)	**(50,002)**	(53,090)
Income from equity accounted investments	4	**123**	39	**217**	74
Operating income attributable to Unitholders		**39,449**	49,033	**87,677**	74,478
Finance costs - other					
Distributions to Unitholders		**(33,744)**	(33,688)	**(67,480)**	(67,294)
Change in fair value of financial instruments	11	**(332)**	(50)	**(1,003)**	245
		(34,076)	(33,738)	**(68,483)**	(67,049)
Increase in net assets attributable to Unitholders		**5,373**	15,295	**19,194**	7,429
Other comprehensive income					
Items that will be subsequently reclassified to Increase in net assets attributable to Unitholders:					
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		**544**	568	**1,095**	1,143
Net change in derivatives designated as cash flow hedges		**(1,516)**	294	**(3,837)**	918
Other comprehensive (loss) income		**(972)**	862	**(2,742)**	2,061
Comprehensive income		**$ 4,401**	$ 16,157	**$ 16,452**	$ 9,490

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Unaudited Interim Condensed Consolidated Statements of Changes in Net Assets Attributable to Unitholders
(In thousands of CAD dollars)

	REIT Units, Special Voting Units and Class B LP Units	Net Assets (Liabilities) Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
	(Note 13)					
Balance, January 1, 2019, as previously reported	$ 1,756,458	$ (312,287)	$ (1,331)	$ 1,442,840	$ 864,779	$ 578,061
Adjustments related to adoption of IFRS 16 [1]	—	(2,505)	—	(2,505)	(1,501)	(1,004)
Adjustments related to EUPP	338	6	—	344	344	—
Statements of comprehensive income (loss)	—	19,194	(2,742)	16,452	9,016	7,436
Units issued under Distribution Reinvestment Plan ("DRIP")	1,220	—	—	1,220	710	510
Balance, June 30, 2019	$ 1,758,016	$ (295,592)	$ (4,073)	$ 1,458,351	$ 873,348	$ 585,003

(1) See IFRS 16 transition note (note 2(e))

	REIT Units, Special Voting Units and Class B LP Units	Net Assets (Liabilities) Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
	(Note 13)					
Balance, January 1, 2018	$ 1,746,139	$ (285,388)	$ (3,496)	$ 1,457,255	$ 873,478	$ 583,777
Adjustments related to EUPP	30	11	—	41	41	—
Statements of comprehensive income	—	7,429	2,061	9,490	5,335	4,155
Units issued under DRIP	8,613	—	—	8,613	5,036	3,577
Units Issued under unit based compensation plan	158	—	—	158	158	—
Balance, June 30, 2018	$ 1,754,940	$ (277,948)	$ (1,435)	$ 1,475,557	$ 884,048	$ 591,509

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Cash Flows
(In thousands of CAD dollars)

	Note	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash flows provided by (used in)					
Operating Activities					
Increase in net assets attributable to Unitholders		$ 5,373	$ 15,295	$ 19,194	$ 7,429
Items not affecting operating cash	14	3,785	(610)	174	22,574
Change in other non-cash operating items		(27,361)	(22,963)	(16,586)	(12,469)
Cash (used in) provided by operating activities		(18,203)	(8,278)	2,782	17,534
Financing Activities					
Issue of mortgages		—	—	25,288	—
Financing - other		(763)	(295)	(1,410)	(769)
Repayment of mortgages		(26,624)	(47,927)	(57,721)	(91,717)
Advance (repayment) of floating rate credit facilities		(68,279)	71,261	(99,135)	79,254
Advance (repayment) of joint operation credit facilities		6,848	—	6,848	—
Collection of EUPP loans receivable		155	15	338	30
Payments of lease liabilities		(161)	—	(324)	—
Collection of (advances on) long-term receivables		(273)	(111)	(1,472)	(88)
Cash (used in) provided by financing activities		(89,097)	22,943	(127,588)	(13,290)
Investing Activities					
Acquisition of investment properties and intangible assets		—	(104,795)	(32,439)	(104,795)
Additions to investment properties		(21,080)	(17,109)	(38,963)	(40,377)
Proceeds on disposal of investment properties	3	139,718	110,752	213,499	151,977
Acquisition of interest in joint ventures		—	(4)	—	(113)
Distributions from (contributions to) joint ventures		17	—	(2,216)	—
Additions to other assets		(11,355)	(3,509)	(15,075)	(12,188)
Proceeds on disposal of marketable securities		—	—	—	1,252
Cash provided by (used in) investing activities		107,300	(14,665)	124,806	(4,244)
Net change in cash and cash equivalents		—	—	—	—
Cash and cash equivalents, beginning of period		—	—	—	—
Cash and cash equivalents, end of period		$ —	$ —	$ —	$ —

See accompanying notes to the interim condensed consolidated financial statements.

1) GENERAL INFORMATION AND NATURE OF OPERATIONS

Crombie Real Estate Investment Trust (“Crombie”) is an unincorporated “open-ended” real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The principal business of Crombie is investing in income-producing retail, office and mixed-use properties in Canada. Crombie is registered in Canada and the address of its registered office is 610 East River Road, Suite 200, New Glasgow, Nova Scotia, Canada, B2H 3S2. The interim condensed consolidated financial statements for the three and six months ended June 30, 2019 and June 30, 2018 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 three and six months ended June 30, 2019 interim condensed consolidated financial statements were authorized for issue by the Board of Trustees on August 7, 2019.

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, 2018.

(b) Basis of presentation

These 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 either recognized as an Increase (decrease) in net assets attributable to Unitholders ("FVTPL" classification) or fair value through other comprehensive income ("FVOCI" classification).

(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) Leases

Crombie adopted IFRS 16 "Leases" on January 1, 2019. Refer to note 2(e) for impact of the adoption.

Crombie as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Crombie has determined that all of its leases with its tenants are operating leases. Revenue is recorded in accordance with Crombie’s revenue recognition policy.

Crombie as lessee

Crombie leases include land, office, equipment and vehicle leases. Crombie assesses whether a contract is or contains a lease at the inception of the contract.

Leases are recognized as a right of use asset with a corresponding liability at the date at which the leased asset is available for use by Crombie, except for short-term leases of 12 months or less or low value leases which are expensed in the consolidated income statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease; or if not determinable, the lessee’s incremental borrowing rate, specific to the term of the lease. Lease payments can include fixed payments; variable payments based on an index or a rate known at the commencement date; and extension option payments or purchase options, if Crombie is reasonably certain to exercise. The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related right of use asset) when there is a change in future lease payments in case of renegotiation, changes of an index or rate or in case of reassessment of options.

At inception of the lease, the right of use asset is measured at cost, comprising initial lease liability, initial direct costs and any future restoration or refurbishment costs, less any incentives granted by the lessors. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term of the underlying asset on a straight-line basis. The right of use asset is subject to testing for impairment if there is an indicator for impairment.

Right of use assets are included in Investment Property and Other Assets and the lease liability is presented separately.

Prior to adoption of IFRS 16, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were recognized in income on a straight-line basis over the period of the lease.

(e) Application of new IFRS

(i) IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 "Leases" which replaces IAS 17 and its associated interpretative guidance. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. A lessee is required to recognize a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. Lessor accounting remains largely unchanged with the distinction between operating and finance leases retained and no adjustments were required, except for where Crombie has sub-leases. Under IFRS 16, Crombie reassessed the classifications of a sub-lease contract previously classified as operating leases under IAS 17. Certain land sub-leases were reassessed as finance leases under IFRS 16 and accordingly, a finance lease receivable of $8,801 was recognized on January 1, 2019, included in other assets.

Crombie adopted the standard on January 1, 2019 using the modified retrospective approach, and accordingly, has not restated comparatives for the 2018 reporting period. The reclassifications and the adjustments arising from the new standard are recognized in the opening consolidated balance sheet on January 1, 2019.

Crombie elected to retain the previous determination of whether a contract is a lease for existing contracts. On initial application, Crombie used the following practical expedients permitted by the standard:

- Reliance on previous assessments on whether leases are onerous;
- Accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- Exclusion of low-value asset leases;
- Exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On adoption of IFRS 16, Crombie recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, consisting primarily of land and vehicle leases. These liabilities were measured at the present value of the remaining lease payments, discounted using Crombie's incremental borrowing rate as of January 1, 2019.

The following table presents the reconciliation of lease liabilities as of January 1, 2019:

Minimum lease payments under operating leases as of December 31, 2018	$	150,550
Effect from discounting at the incremental borrowing rate as of January 1, 2019		(120,810)
Lease liabilities recognized at January 1, 2019	$	29,740

The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.28%.

The associated right of use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial acquisition.

The recognized right of use assets as of January 1, 2019 relate to the following:

Land	$	16,812
Office		232
Fleet		1,390
Total right of use assets	$	18,434

The change in accounting policy affected the following items on the consolidated balance sheet on January 1, 2019:

		December 31, 2018 as reported		Impact of IFRS 16 adoption		January 1, 2019
Investment properties	$	3,759,643	$	16,812	$	3,776,455
Other assets	$	271,946	$	10,422	$	282,368
Lease liabilities	$	—	$	29,740	$	29,740
Net assets attributable to Unitholders represented by:						
Crombie REIT unitholders	$	864,779	$	(1,501)	$	863,278
Special Voting Units and Class B Limited Partnership Unitholders	$	578,061	$	(1,004)	$	577,057

3) INVESTMENT PROPERTIES

		June 30, 2019		December 31, 2018
Income properties	$	3,344,765	$	3,693,464
Properties under development		84,539		66,179
	$	3,429,304	$	3,759,643

Income properties

June 30, 2019		Land		Buildings		Intangibles		Deferred Leasing Costs		Total
Cost										
Opening balance, January 1, 2019	$	1,176,745	$	2,968,216	$	121,181	$	7,010	$	4,273,152
Impact of adoption of IFRS 16 (note 2(e))		16,812		—		—		—		16,812
Additions		2,479		28,151		—		718		31,348
Dispositions		(57,089)		(185,248)		(7,847)		(34)		(250,218)
Transfer to investment properties held for sale (note 6)		(54,693)		(124,993)		(4,159)		—		(183,845)
Reclassification from properties under development		5,943		12,851		—		122		18,916
Balance, June 30, 2019		1,090,197		2,698,977		109,175		7,816		3,906,165
Accumulated depreciation and amortization and impairment										
Opening balance, January 1, 2019		2,357		509,304		65,777		2,250		579,688
Depreciation and amortization		158		33,906		3,027		397		37,488
Dispositions		(4)		(30,421)		(3,309)		(9)		(33,743)
Transfer to investment properties held for sale (note 6)		—		(20,412)		(1,621)		—		(22,033)
Balance, June 30, 2019		2,511		492,377		63,874		2,638		561,400
Net carrying value, June 30, 2019	$	1,087,686	$	2,206,600	$	45,301	$	5,178	$	3,344,765

Included in land are right of use assets of $16,567 net of accumulated depreciation of $158 for land held under lease.

Properties under development

	Land	Buildings	Deferred Leasing Costs	Total
Opening balance, January 1, 2019	$ 49,967	$ 16,095	$ 117	$ 66,179
Acquisitions[1]	32,439	—	—	32,439
Additions	1,785	6,705	20	8,510
Dispositions	(3,673)	—	—	(3,673)
Reclassification to income producing properties	(5,943)	(12,851)	(122)	(18,916)
Balance, June 30, 2019	$ 74,575	$ 9,949	$ 15	$ 84,539

(1) During the quarter ended March 31, 2019, Crombie acquired a 20.25 acre site located in Pointe-Claire, Quebec for total costs of $32,439.

Fair value

Crombie's total fair value of investment properties exceeds carrying value by $793,721 at June 30, 2019 (December 31, 2018 - $797,088). 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.

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

	Fair Value	Carrying Value
June 30, 2019	$ 4,592,000	$ 3,798,279
December 31, 2018	$ 4,776,000	$ 3,978,912

Carrying value consists of the net carrying value of:

	Note	June 30, 2019	December 31, 2018
Income properties	3	$ 3,344,765	$ 3,693,464
Properties under development	3	84,539	66,179
Accrued straight-line rent receivable	5	81,798	81,689
Tenant incentives	5	117,968	137,580
Investment properties held for sale	6	169,209	—
Total carrying value		$ 3,798,279	$ 3,978,912

As at June 30, 2019, all properties have been subjected to external, independent appraisal over the past four years.

Crombie has utilized the following weighted average capitalization rates on its income properties. Related to the growth in properties under development, Crombie reports the weighted average capitalization rate excluding the value of properties under development with the comparative rates adjusted to reflect this change. Crombie 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, 2019	6.08%	$ (177,000)	$ 193,000
December 31, 2018	6.10%	$ (186,000)	$ 203,000

Income 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.

June 30, 2019

Transaction Date	Vendor/Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price
January 29, 2019	Third Party	(1)	(114,000)	$ (35,180)
February 5, 2019 [1]	Third Party	(7)	(148,000)	(41,614)
February 8, 2019	Third Party	(1)	(50,000)	(19,925)
February 14, 2019	Third Party	(1)	(19,000)	(9,675)
April 24, 2019 [2]	Third Party	(26)	(785,000)	(161,589)
April 29, 2019	Third Party	(1)	(39,000)	(21,500)
			(1,155,000)	**$ (289,483)**

(1) Disposal of 50% interest in seven retail properties to a third party

(2) Disposal of an 89% interest in 26 retail properties to a third party

The initial (disposition) prices stated above exclude closing and transaction costs.

	Three months ended June 30,		Six months ended June 30,	
Investment property disposed:	**2019**	2018	**2019**	2018
Gross proceeds	**$ 186,364**	$ 153,013	**$ 293,579**	$ 194,365
Selling costs	**(5,089)**	(3,290)	**(6,250)**	(3,417)
	181,275	149,723	**287,329**	190,948
Carrying values derecognized				
Land	**(39,300)**	(36,636)	**(60,758)**	(49,653)
Buildings	**(99,885)**	(72,413)	**(154,827)**	(87,626)
Intangibles	**(3,354)**	(1,395)	**(4,538)**	(1,494)
Deferred leasing costs	**(9)**	(215)	**(25)**	(230)
Tenant Incentives	**(17,434)**	(4,178)	**(17,938)**	(4,794)
Accrued straight-line rent	**(4,206)**	(1,228)	**(5,405)**	(1,609)
Provisions	**(426)**	(156)	**(548)**	(199)
Gain on disposal	**$ 16,661**	$ 33,502	**$ 43,290**	$ 45,343

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Proceeds	**$ 181,275**	$ 149,723	**$ 287,329**	$ 190,948
Mortgages assumed by buyer	**(41,557)**	(38,971)	**(73,830)**	(38,971)
Cash proceeds	**$ 139,718**	$ 110,752	**$ 213,499**	$ 151,977

4) INVESTMENT IN JOINT VENTURES

The following represents Crombie's interest in its equity accounted investments:

	June 30, 2019	December 31, 2018
1600 Davie Limited Partnership	50.0%	50.0%
140 CPN Limited	50.0%	50.0%
Bronte Village Limited Partnership	50.0%	50.0%
The Duke Limited Partnership	50.0%	50.0%

The following table represents 100% of the financial results of the equity accounted entities:

	June 30, 2019	December 31, 2018
Non-current assets	$ 201,932	$ 112,581
Current assets	28,695	30,043
Non-current liabilities	(140,677)	(68,166)
Current liabilities	(21,670)	(10,125)
Net assets	$ 68,280	$ 64,333
Crombie's investment in joint ventures	$ 41,913	$ 39,485

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue	$ 386	$ 190	$ 728	$ 332
Property operating expenses	(88)	(53)	(188)	(119)
General and administrative expenses	—	(32)	(2)	(20)
Depreciation of investment properties	(41)	(16)	(82)	(30)
Finance costs - operations	(11)	(12)	(23)	(16)
Net income	$ 246	$ 77	$ 433	$ 147
Crombie's income from equity accounted investments	$ 123	$ 39	$ 217	$ 74

5) OTHER ASSETS

	June 30, 2019			December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Net trade receivables	$ 6,430	$ —	$ 6,430	$ 8,337	$ —	$ 8,337
Prepaid expenses and deposits	27,488	—	27,488	11,857	—	11,857
Fair value of interest rate swap agreements	(997)	—	(997)	2,840	—	2,840
Other fixed assets [1] [2]	—	10,097	10,097	—	7,761	7,761
Finance lease receivable	332	8,314	8,646	—	—	—
Accrued straight-line rent receivable	—	81,798	81,798	—	81,689	81,689
Tenant incentives	—	117,968	117,968	—	137,580	137,580
Capital expenditure program	—	105	105	—	105	105
Interest rate subsidy	94	156	250	94	203	297
Amounts receivable from related parties	—	22,999	22,999	—	21,480	21,480
	$ 33,347	$ 241,437	$ 274,784	$ 23,128	$ 248,818	$ 271,946

[1] For the six months ended June 30, 2019, depreciation of other fixed assets was $570 (December 31, 2018 - $42).
[2] Other fixed assets includes right of use assets of $1,470 (December 31, 2018 - $nil) net of accumulated depreciation of $282 relating to office and vehicle leases.

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2019	$ 204,250	$ 66,670	$ 137,580
Additions	12,749	—	12,749
Amortization	—	7,026	(7,026)
Disposition	(19,915)	(1,977)	(17,938)
Transfer to investment properties held for sale	(8,644)	(1,247)	(7,397)
Balance, June 30, 2019	$ 188,440	$ 70,472	$ 117,968

See Note 16(a) for fair value information.

6) INVESTMENT PROPERTIES HELD FOR SALE

	Land	Buildings	Intangibles	Tenant Incentives	Total
Assets transferred to held for sale	$ 54,693	$ 104,581	$ 2,538	$ 7,397	$ 169,209
Net carrying value, June 30, 2019	$ 54,693	$ 104,581	$ 2,538	$ 7,397	$ 169,209

Crombie has determined that 17 of its investment properties meet the criteria for classification as held for sale as at June 30, 2019 based on the current status of the sales process. Included in the above is 89% of the carrying value of 16 properties that Crombie has agreed to sell to a third party.

Prior to the classification as held for sale, the properties were assessed for impairment, which, at that time, is the amount by which the carrying amount exceeds its recoverable amount, if any. No depreciation or amortization will be recorded while the properties are classified as held for sale. Crombie expects to complete the sale of the properties during the next 12 months.

7) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	June 30, 2019	December 31, 2018
Fixed rate mortgages	2.35 - 6.90%	4.28%	4.2 years	$ 1,504,095	$ 1,610,640
Floating rate revolving credit facility			3.0 years	55,707	108,843
Joint operation credit facility			4.8 years	6,848	—
Unsecured bilateral credit facility			1.9 years	24,000	70,000
Deferred financing charges				(7,901)	(9,056)
				$ 1,582,749	$ 1,780,427
Mortgages					
Non-current				$ 1,287,541	$ 1,421,062
Current				208,653	180,522
Credit facilities					
Non-current				86,555	178,843
Current				—	—
				$ 1,582,749	$ 1,780,427

Specific investment properties with a carrying value of $2,875,249 as at June 30, 2019 (December 31, 2018 - $3,002,822) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, as well as accrued straight-line rent receivable and tenant incentives which are included in other assets. Debt associated with the investment properties held for sale and that which will be assumed by the purchaser as part of the sale of the investment properties has been presented as current as the amounts owing will be settled or transferred within the next twelve months.

Mortgage Activity

			Weighted Average			
For the six months ended:	Type	Number of Mortgages	Rates	Terms in Years	Amortization Period in Years	Proceeds (Repayments)
June 30, 2019	New	6	3.61%	5.0	25.0	$ 25,288
	Repaid	10	4.52%			(60,456)
	Disposition [1]	11	4.35%			(44,531)
						$ (79,699)

[1] Represents disposition of interests in mortgages related to partial dispositions of a portfolio of properties.

Joint Operation Credit Facilities

In conjunction with the 89% sale of a portfolio of assets in Q2 2019, Crombie and its co-owner entered into a credit agreement with a Canadian Chartered Bank for a $62,250 term loan facility and a $5,050 revolving credit facility. Both facilities are secured and have a term of five years maturing on April 25, 2024. Borrowings under both facilities can be by way of Bankers Acceptance or Prime Rate Advance and the floating interest rate is contingent on the type of advance plus the applicable spread or margin. Concurrent with entering into these facilities, Crombie and its co-owner entered into a fixed for floating interest rate swap effectively fixing the interest rate on both facilities at 3.58%. At the end of Q2 2019, the term loan was fully drawn. As an 11% co-owner, Crombie‘s portion of this facility is $6,848 for the term loan.

Unsecured Bilateral Credit Facility

The unsecured bilateral credit facility agreement was renewed for an additional year in the second quarter of 2019. The unsecured bilateral credit facility has a maximum principal amount of $100,000 and matures May 14, 2021. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. Borrowings under the bilateral credit facility can be by way of Bankers Acceptance or Prime Rate Advance and the floating interest rate is contingent on the type of advance plus the applicable spread or margin. The respective spread or margin may change depending on Crombie’s unsecured bond rating with DBRS.

See Note 16(a) for fair value information.

8) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	June 30, 2019	December 31, 2018
Series B	June 1, 2021	3.962%	$ 250,000	$ 250,000
Series C	February 10, 2020	2.775%	125,000	125,000
Series D	November 21, 2022	4.066%	150,000	150,000
Series E	January 31, 2025	4.800%	175,000	175,000
Unamortized Series B issue premium			850	1,068
Deferred financing charges			(1,977)	(2,352)
			$ 698,873	$ 698,716

See Note 16(a) for fair value information.

9) PROPERTY REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Operating lease revenue				
Rental revenue contractually due from tenants [1]	$ 86,525	$ 89,402	$ 175,842	$ 180,766
Other operating lease revenue	165	515	204	406
Revenue from contracts with customers				
Common area cost recoveries	11,302	12,777	25,831	25,759
Parking revenue	1,340	1,449	2,695	2,917
	$ 99,332	$ 104,143	$ 204,572	$ 209,848

[1] Includes reimbursement of Crombie's property tax expense.

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

	Three months ended June 30,				Six months ended June 30,			
	2019		2018		2019		2018	
Sobeys Inc. (including all subsidiaries of Empire)	$ 57,235	57.6%	$ 59,425	57.1%	$ 109,465	53.5%	$ 109,989	52.4%

10) 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, 2019, is as follows:

	Remaining	Year Ending December 31,					
	2019	2020	2021	2022	2023	Thereafter	Total
Future minimum rental income	$ 133,534	$ 260,175	$ 248,143	$ 236,944	$ 225,431	$ 1,785,873	$ 2,890,100

11) CORPORATE EXPENSES AND CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) General and administrative expenses

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Salaries and benefits	$ 3,952	$ 3,044	$ 8,025	$ 6,038
Professional and public company costs	883	883	1,733	1,659
Occupancy and other	1,135	699	1,996	1,420
	$ 5,970	$ 4,626	$ 11,754	$ 9,117

(b) 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,	
	2019	2018	2019	2018
Wages and salaries	$ 6,631	$ 6,039	$ 16,899	$ 14,764
Post-employment benefits	222	206	464	438
	$ 6,853	$ 6,245	$ 17,363	$ 15,202

(c) Change in fair value of financial instruments

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Deferred Unit ("DU") Plan	$ (332)	$ (50)	$ (1,003)	$ 245

12) FINANCE COSTS - OPERATIONS

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Fixed rate mortgages	**$ 17,071**	$ 18,708	**$ 34,996**	$ 38,641
Floating rate term, revolving and demand facilities	**1,106**	1,547	**2,451**	2,282
Capitalized interest	**(1,178)**	(963)	**(2,195)**	(1,867)
Senior unsecured notes	**7,077**	6,021	**14,027**	11,901
Convertible debentures	**—**	1,068	**—**	2,133
Interest income on finance lease receivable	**(202)**	—	**(202)**	—
Interest on lease liability	**461**	—	**925**	—
Finance costs - operations, expense	**24,335**	26,381	**50,002**	53,090
Amortization of fair value debt adjustment and accretion income	**132**	205	**292**	434
Change in accrued finance costs	**233**	5,495	**4,658**	548
Amortization of effective swap agreements	**(544)**	(568)	**(1,095)**	(1,143)
Capitalized interest [1]	**1,178**	963	**2,195**	1,867
Amortization of issue premium on senior unsecured notes	**110**	96	**219**	191
Amortization of deferred financing charges	**(913)**	(1,093)	**(1,825)**	(2,209)
Finance costs - operations, paid	**$ 24,531**	$ 31,479	**$ 54,446**	$ 52,778

[1] For the three months ended June 30 2019, interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.65% (June 30, 2018 - 3.59%).

13) 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, 2019	**89,597,604**	**$ 1,040,804**	**61,980,011**	**$ 715,654**	**151,577,615**	**$ 1,756,458**
Net change in EUPP loans receivable	**—**	**338**	**—**	**—**	**—**	**338**
Units issued under DRIP	**51,221**	**710**	**36,321**	**510**	**87,542**	**1,220**
Balance, June 30, 2019	**89,648,825**	**$ 1,041,852**	**62,016,332**	**$ 716,164**	**151,665,157**	**$ 1,758,016**

	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, 2018	89,115,328	$ 1,034,683	61,646,953	$ 711,456	150,762,281	$ 1,746,139
Net change in EUPP loans receivable	—	30	—	—	—	30
Units issued under DRIP	402,858	5,036	285,697	3,577	688,555	8,613
Units issued under unit based compensation plan	12,627	158	—	—	12,627	158
Balance, June 30, 2018	89,530,813	$ 1,039,907	61,932,650	$ 715,033	151,463,463	$ 1,754,940

14) SUPPLEMENTARY CASH FLOW INFORMATION

Items not affecting operating cash

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Items not affecting operating cash:				
Straight-line rent recognition	$ (2,992)	$ (2,504)	$ (5,525)	$ (5,390)
Amortization of tenant incentives	3,411	2,468	7,026	6,090
Gain on disposal of investment properties	(16,661)	(33,502)	(43,290)	(45,343)
Impairment of investment properties	—	8,000	—	8,000
Depreciation and amortization	18,140	19,719	38,058	47,751
Unit-based compensation	1	4	6	11
Amortization of effective swap agreements, financing charges and other	1,348	1,565	2,702	3,161
Income from equity accounted investments	(123)	(39)	(217)	(74)
Non-cash distributions to Unitholders in the form of DRIP Units	473	3,629	1,220	8,613
Non-cash lease termination income	(144)	—	(809)	—
Change in fair value of financial instruments	332	50	1,003	(245)
	$ 3,785	$ (610)	$ 174	$ 22,574

15) RELATED PARTY TRANSACTIONS

As at June 30, 2019, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with key management personnel and post-employment benefit plans.

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Crombie's revenue (expense) transactions with related parties are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Property revenue				
Property revenue	$ 57,235	$ 59,425	$ 109,465	$ 109,989
Head lease income	$ 247	$ 161	$ 409	$ 340
Lease termination income	$ 34	$ —	$ 454	$ —
Property operating expenses	$ (20)	$ (19)	$ (24)	$ (24)
General and administrative expenses				
Property management services recovered	$ 159	$ 126	$ 278	$ 283
Other general and administrative expenses	$ (69)	$ (35)	$ (122)	$ (93)
Finance costs - operations				
Interest rate subsidy	$ 70	$ 76	$ 142	$ 152
Finance costs - distributions to Unitholders	$ (14,000)	$ (13,977)	$ (27,997)	$ (27,921)

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. Revenue generated from the management agreement is being recognized as a reduction of general and administrative expenses.

During the six months ended June 30, 2019, Crombie issued 36,321 (June 30, 2018 - 285,697) Class B LP Units to ECLD under the DRIP (Note 13).

Amounts due from related parties include $15,545 (December 31, 2018 - $14,636) in 6% Subordinated Notes Receivable due from Bronte Village Limited Partnership and The Duke Limited Partnership.

16) 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.

There were no transfers between levels of the fair value hierarchy during the period ended June 30, 2019.

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, 2019		December 31, 2018	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Long-term receivables[1]	$ 23,362	$ 23,354	$ 21,885	$ 21,882
Financial liabilities				
Investment property debt	$ 1,654,687	$ 1,590,650	$ 1,829,772	$ 1,789,483
Senior unsecured notes	722,898	700,000	702,893	700,000
Total other financial liabilities	$ 2,377,585	$ 2,290,650	$ 2,532,665	$ 2,489,483

[1]Long-term receivables include amounts in other assets for capital expenditure program, interest rate subsidy and receivable from related parties.

The fair value of the long-term receivables, investment property debt and senior unsecured notes are Level 2.

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
- Trade and other payables (excluding any 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, 2019. The more significant risks, and the actions taken to manage them, are discussed in our annual report.

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]	**2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**
Fixed rate mortgages[2]	$ 1,730,612	$ 376,654	$ 152,702	$ 263,506	$ 253,819	$ 350,686	$ 333,245
Senior unsecured notes	788,964	151,812	273,579	14,499	160,774	8,400	179,900
Lease Liabilities	150,193	2,533	2,487	2,269	2,173	2,059	138,672
	2,669,769	530,999	428,768	280,274	416,766	361,145	651,817
Credit facilities	85,778	2,823	26,713	48,945	245	7,052	—
Total	$ 2,755,547	$ 533,822	$ 455,481	$ 329,219	$ 417,011	$ 368,197	$ 651,817

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

There have been no significant changes to Crombie's liquidity risk since December 31, 2018.

17) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, at reasonable levels, 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, 2019	December 31, 2018
Fixed rate mortgages	**$ 1,496,194**	$ 1,601,584
Credit facilities	**86,555**	178,843
Senior unsecured notes	**698,873**	698,716
Crombie REIT Unitholders	**873,348**	864,779
SVU and Class B LP Unitholders	**585,003**	578,061
Lease liabilities	**29,436**	—
	$ 3,769,409	$ 3,921,983

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, 2019	December 31, 2018
Fixed rate mortgages	$ 1,504,095	$ 1,610,640
Senior unsecured notes	700,000	700,000
Revolving credit facility	55,707	108,843
Joint operation credit facility	6,848	—
Bilateral credit facility	24,000	70,000
Lease liabilities	29,436	—
Total debt outstanding	2,320,086	2,489,483
Less: Applicable fair value debt adjustment	(676)	(818)
Debt	$ 2,319,410	$ 2,488,665
Income properties, cost	$ 3,906,165	$ 4,273,152
Properties under development, cost	84,539	66,179
Below-market lease component, cost [1]	61,449	66,319
Investment in joint ventures	41,913	39,485
Other assets, cost	345,868	338,616
Deferred financing charges	9,878	11,408
Investment properties held for sale, cost	192,489	—
Interest rate subsidy	(676)	(818)
Gross book value	$ 4,641,625	$ 4,794,341
Debt to gross book value - cost basis	50.0%	51.9%

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 fair market value over first mortgage financing of assets subject to a second security position or a negative pledge. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

- annualized net operating income for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized net operating income on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements;
- access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit not to exceed the borrowing base security provided by Crombie; and,
- distributions to Unitholders are limited to 100% of distributable income as defined in the revolving credit facility.

As at June 30, 2019, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

18) COMMITMENTS, CONTINGENCIES, and GUARANTEES

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 in excess of existing accruals 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, 2019, Crombie has a total of $5,761 in outstanding letters of credit related to:

	June 30, 2019	December 31, 2018
Construction work being performed on investment properties	$ 3,921	$ 3,858
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	1,840	4,840
Total outstanding letters of credit	$ 5,761	$ 8,698

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

As at June 30, 2019, Crombie had signed construction contracts totalling $161,377 of which $114,536 has been paid.

Crombie has 100% guarantees on mortgages related to properties in which it has less than a 100% interest. The mortgages payable related to these guarantees are secured by specific charges against the properties. As at June 30, 2019, Crombie has provided guarantees of approximately $75,952 (June 30, 2018 - $38,842) on mortgages in excess of their ownership interest in the properties. Responsibility for ongoing payments of principal and interest on these mortgages remains with the joint owners of the properties. The mortgages have a weighted average term to maturity of 4.8 years.

Under the terms of head leases with certain of Crombie's joint operation partners, Crombie guarantees its joint operation partners their portion of any uncollected rent receivable from the sub-tenant.

19) SUBSEQUENT EVENTS

(a) On July 3, 2019, Crombie disposed of an 89% interest in a retail property totalling 50,000 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately $9,750.

(b) On July 4, 2019, Crombie disposed of a 100% interest in a retail property totalling 36,000 square feet of gross leaseable area. Total proceeds, before closing adjustments and transaction costs, were approximately $12,255.

(c) On July 22, 2019, Crombie declared distributions of 7.417 cents per Unit for the period from July 1, 2019 to and including, July 31, 2019. The distributions will be paid on August 15, 2019, to Unitholders of record as of July 31, 2019.

(d) On August 1, 2019, Crombie acquired a 50% interest in a retail property in Toronto from Sobeys, a related party. The property, totalling 15,000 square feet, was acquired for $9,500, excluding closing and transaction costs.

(e) On August 2, 2019, Crombie transferred air rights at its Davie Street property to 1600 Davie Limited Partnership. As agreed upon in the 2016 joint venture arrangement, total gain on the transfer, before closing adjustments and transaction costs, is approximately $14,882 of which Crombie will recognize $7,441.

20) 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.

UNITHOLDERS' INFORMATION

BOARD OF TRUSTEES

J. Michael Knowlton
Independent Trustee and Chairman

John Eby
Independent Trustee

Donald E. Clow
Trustee, President and Chief Executive Officer

Paul V. Beesley
Independent Trustee

James M. Dickson
Independent Trustee

Barbara Palk
Independent Trustee

Jason P. Shannon
Independent Trustee

Jana Sobey
Independent Trustee

Paul D. Sobey
Trustee

Elisabeth Stroback
Independent Trustee

OFFICERS

J. Michael Knowlton
Chairman

Donald E. Clow
President and Chief Executive Officer

Clinton D. Keay
Chief Financial Officer and Secretary

Glenn R. Hynes
Executive Vice President and Chief Operating Officer

Cheryl Fraser
Chief Talent Officer and Vice President Communications

John Barnoski
Senior Vice President Corporate Development

Trevor Lee
Senior Vice President Construction and Development

Arie Bitton
Senior Vice President Leasing and Operations

Fred Santini
General Counsel

CROMBIE REIT

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INVESTOR RELATIONS AND INQUIRIES

Unitholders, analysts, and investors
should direct their financial inquiries or request to:

Clinton D. Keay, CPA, CA
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, AST Trust Company (Canada).

UNIT SYMBOL

REIT Trust Units – CRR.UN

STOCK EXCHANGE LISTING

Toronto Stock Exchange

TRANSFER AGENT

AST Trust Company (Canada)
Investor Correspondence
P.O. Box 700
Montreal, Quebec, H3B 3K3

Telephone: (800) 387-0825
Email: inquiries@astfinancial.com
Website: www.astfinancial.com/ca

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Stewart McKelvey
Halifax, Nova Scotia

AUDITORS

PricewaterhouseCoopers, LLP
Halifax, Nova Scotia

MULTIPLE MAILINGS

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

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

WHY CROMBIE?

High-quality, everyday-needs oriented portfolio with steady net operating income and cash flow growth

Materially accretive development pipeline focused on Canada's top urban markets with the expectation to create $1-2 of NAV/unit over the next one to two years

Experienced management team with strong expertise in real estate portfolio management, ownership and development

Strong capital structure with moderate leverage and ample liquidity

Total return on investment superior to S&P/TSX Capped REIT Index and S&P/TSX Composite Index since March 2006 IPO