



Q2

FINANCIAL REPORT

JUNE 30, 2020



Contents

	<u>Page</u>
Letter to Unitholders	3
Key performance indicators - supplementary information	5
Second quarter financial performance	8
MANAGEMENT'S DISCUSSION AND ANALYSIS	9
INTRODUCTION	10
Forward-Looking Information	10
Non-GAAP Financial Measures	11
Highlights	11
Business Overview	13
Business Objectives and Strategy	13
BUSINESS ENVIRONMENT	13
Impacts as a Result of COVID-19 Pandemic	13
OVERVIEW OF THE PROPERTY PORTFOLIO	17
Property Acquisitions and Dispositions	17
Overview of the Property Portfolio	19
Portfolio Occupancy and Lease Activity	20
Sector Information	21
Lease Maturities	22
Largest Tenants	23
Property Development/Redevelopment ("Development")	23
FINANCIAL RESULTS	30
Comparison to Previous Year	30
Property NOI	31
FFO and AFFO	32
Maintenance Capital Expenditures	34
Depreciation, Amortization and Impairment	35
General and Administrative Expenses	36
Finance Costs - Operations	36
Finance Costs - Distributions	36
Income Taxes	37
Taxation of Distributions	37

LIQUIDITY AND CAPITAL RESOURCES	37
Liquidity and Financing Sources	38
Sources and Uses of Funds	40
ACFO	41
Borrowing Capacity and Debt Covenants	42
Debt to Gross Book Value - Fair Value Basis	42
Coverage Ratios	44
ACCOUNTING	44
Related Party Transactions	44
Critical Accounting Estimates and Assumptions	45
Critical Judgments	46
Application of New IFRS	46
Financial Instruments	46
Commitments, Contingencies and Guarantees	47
RISK MANAGEMENT	48
Enterprise and Risk Management	48
Credit Risk	48
Interest Rate Risk	49
Liquidity Risk	49
SUBSEQUENT EVENTS	50
CONTROLS AND PROCEDURES	50
QUARTERLY INFORMATION	51
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	53
Interim Condensed Consolidated Balance Sheets	54
Interim Condensed Consolidated Statements of Comprehensive Income (Loss)	55
Interim Condensed Consolidated Statements of Changes in Net Assets Attributable to Unitholders	56
Interim Condensed Consolidated Statements of Cash Flows	57
Notes to the Interim Condensed Consolidated Financial Statements	58
UNITHOLDERS' INFORMATION	76

Dear Fellow Unitholders:

Firstly, I would like to commend Crombie's employees, tenants, and business partners, especially Empire/Sobeys, for their resilience in mitigating the effects of the COVID-19 pandemic to deliver essential products and services to Canadians over the last five months. Together, we implemented strong health and safety protocols at all of our properties to keep customers and communities safe during this unprecedented and difficult time.

This has been a quarter unlike any we've ever experienced. When the global pandemic was declared in March, none of us knew how long it would last or what kind of impact it would have on our country. From March to May, retailers across the country, aside from those providing essential services, were closed by public health states of emergency. Fortunately for Crombie, most of the space within our portfolio was deemed essential and remained open throughout the shutdown. A smaller percentage of our tenancy was closed, and those tenants are impacted by ensuing economic losses. We reacted in March, by launching Crombie Values Small Business ("CVSB") to offer relief to qualifying small business tenants impacted by the pandemic. Over the last several months, our operations and leasing teams have worked very closely with these tenants to provide financial assistance through our CVSB program or the Federal government's Canada Emergency Commercial Rent Assistance ("CECRA") program. Additionally, individual conversations have been ongoing with other select tenants, who do not qualify for either CVSB or CECRA, to determine appropriate support for their businesses.

Crombie started 2020 with strong fundamentals including record occupancy, a strong relationship with our strategic partner Empire/Sobeys, and six active major development projects that were on time and on budget so we were excited to see what 2020 would bring. As we work through the challenges of the pandemic, Crombie's stamina has been tested and proven and our team remains committed to the long-term sustainable growth of Crombie and our stakeholders.

COVID-19 Impacts

Crombie collected 90% of gross rent for the second quarter. The solid rent collection was driven by our defensive grocery and pharmacy-anchored needs-based portfolio. Crombie has actively supported our tenants during this challenging time. Due to the uncertainty caused by COVID-19, a bad debt expense of \$8,722 was recognized, reducing property operating income for the second quarter. While it is not a line item we want to see on our income statement, we believe it is important to prudently acknowledge this doubtful accounts risk arising from the pandemic.

The impact of COVID-19 on our major development program caused some minor cost increases, despite being well managed. Construction has resumed at our active major development sites in Montreal after the six week shutdown. Due to these temporary shutdowns and work site restrictions at other sites, expected completion dates have been delayed slightly.

We are incredibly proud of our team and the work they do, especially at a time like this. Our office employees continue to work from home, while our on-site teams work to maintain properties that are operational, clean and safe. Thanks to their fine work, we continue to ensure that essential goods and services are accessible to our communities in this time of need.

Results and Fundamentals

Strong fundamentals are critical in these unprecedented times. Our team remains committed to ensuring our underlying business and core portfolio remain solid. Crombie experienced a small decrease in committed Q2 occupancy to 95.6%, however, renewal rent increases on existing tenant leases fared well at +4.0%. Same-asset property cash NOI* and FFO* and AFFO* per unit were negatively impacted as a result of specific bad debt expense which includes the impact of the CECRA program. Adjusting for COVID-19 impacts on Crombie's operating performance, results were strong and speak to the resilience of our defensive portfolio.

Empire

Our strategic relationship with Empire is a sustainable competitive advantage. Empire, as a critical retailer of food and other essential products, worked relentlessly to keep shelves stocked and customers safe and healthy. As a result of these efforts, and the shift of consumption from restaurants and hospitality businesses to grocery stores, Empire saw significant sales increases. Empire recently launched its e-commerce platform, Voilà by Sobeys, in the Greater Toronto Area and in July announced its new three-year growth strategy, Project Horizon.

We continue to work in partnership with Empire to align our strategies to maximize value creation. The announcement of Project Horizon articulated a plan to reinvest in and renovate current stores across the county, and we will continue to work with Empire through modernizations, FreshCo conversions, participation in the build-out of the Voilà e-commerce home delivery hub-and-spoke network, land-use intensifications and the unlocking of major developments.

Development

Our first six major developments continue to forge ahead as the economic returns and quality of our developments remain of utmost importance. At this time, project budgets remain intact, while slight adjustments have been made to completion dates as a result of delays caused by government required shutdowns, labour shortages and supply chain issues.

Due to the shutdown of nonessential construction in Montreal, our Le Duke and Pointe-Claire Customer Fulfillment Centre ("CFC") developments were closed from March 24th to May 11th. Construction continued at our other development sites in Vancouver, Victoria, GTA and St. John's during this time, albeit at a slower pace due to COVID-19 implications.

Absent a prolonged impact of COVID-19, we expect to reach substantial completion of the first three major development projects (Davie Street, Belmont Market and Avalon Mall) in 2020. We continue to invest in our remaining three projects (Bronte Village, Le Duke and the Pointe-Claire CFC), with substantial completion expected in 2021. These six projects are expected to create significant NAV and AFFO growth, increase our presence in the country's top urban markets, and diversify and improve our overall portfolio quality and income stream.

Funding

During these challenging times, Crombie remains in a strong financial condition with a strong and flexible balance sheet, ample liquidity and an ability to prudently allocate and creatively source capital. Crombie continues to focus on increasing the weighted average term to maturity of our debt, increasing our unencumbered asset pool, and reducing our leverage over the medium term. During the quarter, a 3.878% 16 year mortgage loan for \$118,000 on a retail-related industrial property was secured and funded.

Closing

Our country, and indeed the world, is attempting to fight the spread of COVID-19. The past few months have been extraordinary and difficult. I want to reassure you that Crombie is committed to delivering value through a business that remains strong and committed to our unchanged long-term strategy. I am proud of the work our team is doing to prioritize the health and wellbeing of our employees, tenants, and communities, while continuing to commit to a focus of strengthening our core business.

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 and used by management.

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 2020	\$9,393	
Q2 2019	\$39,449	-76.19%

Operating income		
YTD 2020	\$30,717	
YTD 2019	\$87,677	-64.97%

The decrease in operating income in both the quarter and year to date is driven by significant gains recognized on asset dispositions in 2019 and reduced income as a result of Crombie's capital recycling program. Bad debt expense increased as a result of estimates for credit losses on rents receivable as a result of COVID-19 and general and administrative expenses were higher in the quarter due to increased severance costs. The reduced property NOI is offset slightly by lower finance costs due to the repayment of mortgages and credit facilities related to 2019 asset sales.

Property revenue		
Q2 2020	\$96,501	
Q2 2019	\$99,332	-2.85%

Property revenue		
YTD 2020	\$198,753	
YTD 2019	\$204,572	-2.84%

The decrease in property revenue in both the quarter and year to date is due to property dispositions in 2019, the most significant being a 50% interest in seven properties sold in the first quarter of 2019, an 89% interest in 26 properties sold in the second quarter of 2019 and an 89% interest in 15 properties sold in the fourth quarter of 2019. In addition, parking revenue has been negatively impacted by reduced demand due to COVID-19.

Same-asset cash NOI		
Q2 2020	\$57,555	
Q2 2019	\$60,337	-4.61%

Same-asset cash NOI		
YTD 2020	\$118,721	
YTD 2019	\$120,466	-1.45%

The quarterly and year to date decrease in same-asset cash NOI is primarily due to decreased parking revenue and a significant increase in bad debt expense which lowered same-asset cash NOI by 4.61% for the quarter (1.45% year to date). The decrease in same-asset cash NOI is offset in part by revenues from capital investments. Excluding bad debt expense and reduced parking revenue, same-asset cash NOI increased 3.56% in Q2 and 3.04% year to date.

FFO per unit		
Q2 2020	\$0.22	
Q2 2019	\$0.29	-24.14%

FFO per unit		
YTD 2020	\$0.51	
YTD 2019	\$0.59	-13.56%

The decrease in FFO in both the quarter and year to date is driven primarily by bad debt expense related to the impacts of COVID-19 and reduced property NOI resulting from the disposition of properties in 2019. This is offset in part by a decrease in general and administrative expenses primarily related to a reduction in travel and other costs and the impact of decreased unit price on unit-based compensation plans, partially offset by the increase in severance costs in the quarter.

The increased number of Units outstanding as a result of the issuance of REIT Units and Class B LP Units in Q1 2020 also reduced FFO per unit.

FFO		payout ratio
Q2 2020	101.8%	
Q2 2019	75.7%	+26.10%

FFO		payout ratio
YTD 2020	87.1%	
YTD 2019	75.0%	+12.10%

AFFO		per unit
Q2 2020	\$0.18	
Q2 2019	\$0.25	-28.00%

AFFO		per unit
YTD 2020	\$0.43	
YTD 2019	\$0.50	-14.00%

AFFO		payout ratio
Q2 2020	125.2%	
Q2 2019	89.9%	+35.30%

AFFO		payout ratio
YTD 2020	103.1%	
YTD 2019	88.5%	+14.60%

Interest coverage ratio	
Q2 2020	2.64x
Q2 2019	3.00x -0.36x

Interest coverage ratio	
YTD 2020	2.91x
YTD 2019	2.96x -0.05x

Debt to gross book value - fair value	
Q2 2020	49.2%
Q2 2019	49.1% -0.10%

Debt to gross book value - fair value	
Q4 2019	48.9%
Q4 2018	51.0% +2.10%

The increased number of Units outstanding resulting from the \$100,012 issuance of REIT Units and Class B LP Units in Q1 2020 resulted in higher total distributions. This, combined with the reduction in FFO, drives the increase in the FFO payout ratio for both the quarter and year to date.

AFFO per unit decreased in the quarter primarily due to the lower FFO as described above, offset in part by the reduction of straight-line rent in the quarter resulting from disposition of properties in 2019.

On a year to date basis, AFFO per unit decreased due to the same factors as those impacting the quarter, offset in part by lower maintenance expenditures resulting from decreased square footage.

The higher weighted average number of Units outstanding for per unit measure calculations from the issuance of REIT Units and Class B LP Units in Q1 2020 also contributes to the reduction of AFFO per unit.

The increased number of Units outstanding from the issuance of REIT Units and Class B LP Units in Q1 2020 resulted in higher total distributions. This, combined with the reduction in AFFO, resulted in the increase in the AFFO payout ratio for both the quarter and year to date.

The quarter decrease in interest coverage ratio is due to the reduction in EBITDA caused by lower property revenue in the quarter and year to date. The decrease in property revenue and operating income results from property dispositions in 2019 and the reduced demand for parking due to the negative impact of COVID-19. Decline in operating income is due to bad debt expense related to COVID-19. This is offset in part by the decline in finance costs, primarily resulting from the repayment of mortgages, including 5.63% mortgages on Halifax, Nova Scotia properties, and disposition of properties and related mortgages to joint operations.

Debt to gross book value - fair value remained fairly constant when compared to the same quarter in 2019.

Fair value of investment properties improved during the quarter from improved assumptions on the potential short- and long-term impacts of COVID-19 and the increased cash flow from Empire modernization and energy upgrade investments and positive externally provided capitalization rate adjustments.

Leasing

Renewals		GLA
Q2 2020	230,000	
Q2 2019	117,000	+113,000

Renewals		GLA
YTD 2020	386,000	
YTD 2019	299,000	+87,000

During the second quarter of 2020, 230,000 square feet was renewed at rents 3.6% above the expiring rate.

Year to date, 386,000 square feet was renewed, representing an increase of 4.0% over the expiring rate.

Economic Occupancy**	
Q2 2020	95.1%
Q1 2020	95.5% -0.4%

Committed Occupancy***	
Q2 2020	95.6%
Q1 2020	96.2% -0.6%

Economic occupancy decreased primarily due to GLA additions, lease surrenders of 30,000 square feet (net of 33,000 square feet removed from GLA for development), lease expiries of 27,000 square feet and lease terminations of 17,000 square feet in the second quarter.

Committed occupancy decreased primarily as a result of the GLA additions, lease surrenders, expiries and terminations noted above, with new leases outpacing lease expiries by 21,000 square feet in the second quarter (59,000 square feet year to date) and 88,000 square feet of committed space at the end of the quarter.

The following table restates FFO, AFFO and same-asset cash NOI for the impacts of COVID-19 for the three months ended June 30, 2020.

For further information on these impacts, see the "Impacts as a Result of COVID-19 Pandemic" section beginning on page 6 of the MD&A.

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)

	FFO		AFFO		Same-asset cash NOI		Same-asset cash NOI growth	
	\$	Per unit	\$	Per unit	\$	\$	%	
Actual results	\$ 34,557	\$ 0.22	\$ 28,107	\$ 0.18	\$ 57,555	\$ (2,782)	(4.6)%	
Adjusted for:								
Bad debt expense	8,722	0.06	8,722	0.06	3,945	3,962	6.6 %	
Parking revenue	970	0.01	970	0.01	970	970	1.6 %	
Organizational realignment severance costs	1,509	0.01	1,509	0.01	—	—	— %	
Adjusted results - Q2 2020	\$ 45,758	\$ 0.30	\$ 39,308	\$ 0.26	\$ 62,470	\$ 2,150	3.6 %	
Q2 2019	\$ 44,567	\$ 0.29	\$ 37,549	\$ 0.25	\$ 60,337			

*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 and used by management.

**Economic occupancy represents space currently under lease contract.

***Committed occupancy represents current economic occupancy plus completed lease contracts for future occupancy of currently available 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 for the three months ended June 30, 2020.

Operating performance

- Reported operating income attributable to Unitholders for the quarter is \$9,393, a decrease of 76.2% compared to the same quarter in 2019. This decrease was impacted by property dispositions in 2019, current quarter increased bad debt expense primarily due to the impact of COVID-19 and increased general and administrative salaries and benefits costs primarily due to severance related to organizational realignment in the quarter.
- Reported FFO of \$0.22 per unit, a decrease of 24.1% from the second quarter in 2019, primarily impacted by the dispositions of investment properties in 2019 with investment of proceeds primarily in major development projects to be completed in 2020 and 2021 and by the impact of COVID-19 on bad debt expense.
- AFFO per unit of \$0.18 per unit, reflecting a 125.2% payout ratio.
- Same-asset cash NOI of \$57,555, a decrease of 4.6% over the second quarter of 2019, resulting from the negative impact of COVID-19 on parking revenue and the increased bad debt expense.
- Economic occupancy at 95.1%, with new leasing most notably at Davie Street in British Columbia and Loch Lomond Place in New Brunswick.
- Committed occupancy at 95.6%.
- Renewal activity totalled 230,000 square feet at an average rate of \$16.25 per square foot, representing 3.6% renewal growth, an increase over expiring rental rates in the quarter.
- New leases and expansions increased occupancy by 48,000 square feet.

Investing and Financing

- Modernization investments at an Empire property for a total cost of \$1,019 in the quarter.
- Energy upgrades of \$14,489 at 147 Empire properties.
- Mortgage repayments of \$21,067 and \$144,120 net of amounts drawn on credit facilities, which includes the short-term credit facility of \$75,000 that was fully drawn on June 30, 2020.
- Debt to gross book value on a fair value basis of 49.2%.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND
FINANCIAL CONDITION FOR THE
THREE AND SIX MONTHS ENDED
JUNE 30, 2020

INTRODUCTION

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)

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, 2020, with a comparison to the financial condition and results of operations for the comparable periods in 2019.

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, 2020, prepared in accordance with International Account 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, 2019, 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 5, 2020, 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, 2019 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 and anticipated impact on portfolio quality and diversification, net asset value, cash flow growth, unitholder value or other financial measures, all of which may be impacted by the economic impact of the COVID-19 crisis, 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 including the economic impact of the COVID-19 crisis, 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. Continuing uncertainty with respect to the severity, duration and overall impacts of the pandemic mean that forward-looking forecasts of operating and financial results for Crombie are uncertain at this time.

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, 2020 are as follows:

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended June 30,			
	2020	2019	Variance	Variance (%)
Property revenue	\$ 96,501	\$ 99,332	\$ (2,831)	(2.9)%
Property operating expenses	37,887	28,222	(9,665)	(34.2)%
Property NOI	\$ 58,614	\$ 71,110	\$ (12,496)	(17.6)%
NOI margin percentage	60.7%	71.6%		(10.9)%
Operating income attributable to Unitholders	\$ 9,393	\$ 39,449	\$ (30,056)	(76.2)%
Operating income per unit	\$ 0.06	\$ 0.26	\$ (0.20)	(76.9)%
Increase (decrease) in net assets attributable to Unitholders	\$ (26,006)	\$ 5,373	\$ (31,379)	(584.0)%
Same-asset property cash NOI	\$ 57,555	\$ 60,337	\$ (2,782)	(4.6)%
FFO				
Basic	\$ 34,557	\$ 44,567	\$ (10,010)	(22.5)%
Per unit - Basic	\$ 0.22	\$ 0.29	\$ (0.07)	(24.1)%
Payout ratio	101.8%	75.7%		26.1 %
AFFO				
Basic	\$ 28,107	\$ 37,549	\$ (9,442)	(25.1)%
Per unit - Basic	\$ 0.18	\$ 0.25	\$ (0.07)	(28.0)%
Payout ratio	125.2%	89.9%		35.3 %

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Six months ended June 30,			
	2020	2019	Variance	Variance (%)
Property revenue	\$ 198,753	\$ 204,572	\$ (5,819)	(2.8)%
Property operating expenses	73,124	60,588	(12,536)	(20.7)%
Property NOI	\$ 125,629	\$ 143,984	\$ (18,355)	(12.7)%
NOI margin percentage	63.2%	70.4%		(7.2)%
Operating income attributable to Unitholders	\$ 30,717	\$ 87,677	\$ (56,960)	(65.0)%
Operating income per unit	\$ 0.20	\$ 0.58	\$ (0.38)	(65.5)%
Increase (decrease) in net assets attributable to Unitholders	\$ (37,455)	\$ 19,194	\$ (56,649)	(295.1)%
Same-asset property cash NOI	\$ 118,721	\$ 120,466	\$ (1,745)	(1.4)%
FFO				
Basic	\$ 80,218	\$ 90,027	\$ (9,809)	(10.9)%
Per unit - Basic	\$ 0.51	\$ 0.59	\$ (0.08)	(13.6)%
Payout ratio	87.1%	75.0%		12.1 %
AFFO				
Basic	\$ 67,790	\$ 76,209	\$ (8,419)	(11.0)%
Per unit - Basic	\$ 0.43	\$ 0.50	\$ (0.07)	(14.0)%
Payout ratio	103.1%	88.5%		14.6 %

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Basic number of Units for all measures	158,123,088	151,518,271	156,669,974	151,496,728

OPERATING RESULTS

	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Number of investment properties ⁽¹⁾	286	285	285	284	284
Gross leasable area ⁽²⁾	17,614,000	17,583,000	17,558,000	17,732,000	17,746,000
Economic occupancy ⁽³⁾	95.1%	95.5%	95.4%	95.6%	95.2%
Committed occupancy ⁽⁴⁾	95.6%	96.2%	96.1%	96.1%	95.9%

⁽¹⁾ This includes properties owned at full and partial interests.

⁽²⁾ Gross leasable area is adjusted to reflect Crombie's proportionate interest in partially-owned properties.

⁽³⁾ Represents space currently under lease contract.

⁽⁴⁾ Represents current economic occupancy plus completed lease contracts for future occupancy of currently available space.

	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Investment properties, fair value	\$ 4,604,000	\$ 4,519,000	\$ 4,605,000	\$ 4,626,000	\$ 4,592,000
Unencumbered investment properties ⁽¹⁾	\$ 1,461,970	\$ 1,479,211	\$ 1,223,452	\$ 960,275	\$ 953,738
Available liquidity ⁽²⁾	\$ 406,303	\$ 449,898	\$ 449,016	\$ 450,967	\$ 413,087
Debt to gross book value - fair value ⁽³⁾	49.2%	50.0%	48.9%	48.9%	49.1%
Weighted average interest rate ⁽⁴⁾	4.05%	4.06%	4.17%	4.22%	4.19%
Debt to trailing 12 months EBITDA ⁽⁵⁾	9.12x	8.86x	8.52x	8.35x	8.21x
Interest coverage ratio ⁽⁵⁾	2.64x	3.18x	2.99x	2.90x	3.00x

⁽¹⁾ Represents fair value of unencumbered properties.

⁽²⁾ Represents the undrawn portion on the credit facilities, excluding joint facilities with joint operation partners.

⁽³⁾ See Debt to Gross Book Value - Fair Value Basis section.

⁽⁴⁾ Weighted average interest rate is calculated based on interest rates for all outstanding fixed rate debt.

⁽⁵⁾ See Coverage Ratios section.

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

	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Revolving credit facility	\$ 369,785	\$ 400,000	\$ 400,000	\$ 400,000	\$ 398,555
Amount drawn	(20,736)	(117,000)	(15,339)	(9,388)	(55,707)
Outstanding letters of credit	(5,746)	(5,759)	(5,645)	(5,645)	(5,761)
Available liquidity	343,303	277,241	379,016	384,967	337,087
Unsecured revolving bilateral credit facility	100,000	100,000	100,000	100,000	100,000
Amount drawn	(37,000)	(40,000)	(30,000)	(34,000)	(24,000)
Available liquidity	63,000	60,000	70,000	66,000	76,000
Short-term non-revolving credit facility	75,000	120,000	—	—	—
Amount drawn	(75,000)	(120,000)	—	—	—
Available liquidity	—	—	—	—	—
Cash	—	112,657	—	—	—
Total available liquidity	\$ 406,303	\$ 449,898	\$ 449,016	\$ 450,967	\$ 413,087

Business Overview

Crombie Real Estate Investment Trust ("Crombie") is an unincorporated, open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario. Crombie is one of the country's leading national retail property landlords with a strategy to own, operate and develop a portfolio of high-quality grocery and pharmacy-anchored shopping centres, freestanding stores and mixed-use developments, primarily in Canada's top urban and suburban markets. At June 30, 2020, Crombie owned full and partial interests in a portfolio of 286 investment properties in 10 provinces, comprising approximately 17.6 million square feet of gross leasable area ("GLA"). Empire Company Limited ("Empire"), through a subsidiary, holds a 41.5% economic and voting interest in Crombie at June 30, 2020. Crombie units trade on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

Business Objectives and Strategy

Crombie describes its business objectives and strategy in the MD&A for the year ended December 31, 2019.

BUSINESS ENVIRONMENT

Crombie describes its business environment in the MD&A for the year ended December 31, 2019. The following is in addition to that disclosure to reflect current conditions for the quarter.

Impacts as a Result of COVID-19 Pandemic

Near the end of the March 31, 2020 quarter end, the outbreak of the novel strain of coronavirus, COVID-19, was declared a world-wide pandemic. States of emergency were declared across Canada with varying degrees of mandatory business closures and operating restrictions, resulting in a complete economic slowdown. The duration and impact of the resulting emergency measures taken to prevent the spread of the virus and its impact on Crombie's financial results into the future are not known. Approximately 75% of Crombie's annual minimum rent is generated from grocery and pharmacy-anchored properties and to date, Crombie has collected approximately 90% of its contractual rents for the three months ended June 30, 2020.

At Crombie we are committed to the health and safety of our employees, tenants, customers and communities. Our Pandemic Planning Team, comprised of cross-functional leadership from across the organization, has been actively monitoring the COVID-19 pandemic as it progresses. We continuously review business needs and ensure everyone in the organization is empowered to take appropriate steps as they relate to prevention and vigilance, and in response to confirmed or suspected COVID-19 cases in one of our offices or properties across the country. This includes updating and implementing our Business Continuity Plans and responding to guidance from trusted sources including the World Health Organization and Public Health Agency of Canada.

Our tenants and customers

Our Business Continuity Plan contains steps to mitigate the risk of business interruption and ensure that we continue to deliver the same level of service and experience that our tenants and customers are accustomed to. During this time, we are working with key vendors and service providers to maintain services to our buildings.

Our regular cleaning activities continue to be of utmost importance as a protective measure against the virus, both in our offices and at each of our properties. Health authorities have advised that regular cleaning practices should be increased, and we have done so by increasing the frequency of our cleaning efforts and ensuring a focus on touch points. Hand sanitizer dispensers are available in all common areas.

We have been sharing updates with our tenants on a weekly basis and will continue to do so. Part of maintaining open lines of communication with our tenants includes establishing clear expectations around sharing known presumptive or confirmed cases with us, so we can ensure we take the necessary steps to inform and protect all tenants, our employees, customers and service providers.

Many tenants are faced with substantial changes to the way they serve their customers, so we have assisted with physical distancing protocols and improved site signage. We have a comprehensive internal communications plan that connects Operations, Talent Management and Executive teams, ensuring immediate awareness of any health and safety concerns, if they should arise. The health and safety of the tenants, visitors and employees on our sites remains a priority to our team. Crombie continues to support its tenants through their reopening. As of the end of July, 97% of tenants were open for business.

Rent collection

On March 27, 2020, Crombie announced the launch of Crombie Values Small Business, a program to offer relief to qualifying small business tenants impacted by the COVID-19 pandemic.

Crombie's small business support program includes relief that defers rent to assist small businesses during this unprecedented time. Effective April 1, 2020, small businesses within Crombie's portfolio that demonstrated a need for assistance qualified to defer a portion or all of their rent for two months. A team was established in March of 2020 to deal with the needs of our tenants and assess eligibility of tenants who requested rent relief.

In order to ensure Crombie is doing its part to contribute to the survivability of its tenants during the pandemic, Management has been actively working with tenants asking for rental concessions or who have stated that they are not going to pay their rent during the pandemic. To address certain needs, Crombie deferred amounts for qualifying tenants which are due to be repaid over a 12-month period and, as of August 5, 2020, there was approximately \$2,300 or 2.3% of the quarter's contractual rent deferred. This amount also includes rent deferral arrangements with our larger tenants who have been adversely affected by COVID-19. Most of Crombie's leases require that rent be paid on the first day of each month. During the three months ended June 30, 2020 and for the month of July, we have collected or expect to collect approximately the following contractual rents:

	April to June 2020		July 2020	
	% of Gross Rent Collected	% of Gross Rent, Total Portfolio	% of Gross Rent Collected	% of Gross Rent, Total Portfolio
Retail and Commercial	90%	91%	92%	91%
Office	96%	6%	96%	6%
Retail-Related Industrial	100%	3%	100%	3%
Total	90% ⁽¹⁾	100%	93% ⁽¹⁾	100%

⁽¹⁾ Excluding Avalon Mall, 94% of gross rent was collected for the period April to June 2020 and 95% for July 2020.

Of Crombie's properties, Avalon Mall was significantly impacted by the pandemic. Avalon Mall accounts for 51% of Crombie's total bad debt expense. Since reopening on June 8th, we are seeing recent improvements at Avalon. Currently, close to 93% of tenants are open for business; traffic counts, although lower than before the pandemic, are improving; improvement in rent collection from 38% in May to 60% in July; and, approximately 90% of the new expansion space is now leased.

In April, the federal government, in cooperation with all 10 provinces, unveiled the Canada Emergency Commercial Rent Assistance ("CECRA"), a program which subsidizes 50% of small and medium sized business rent for five months for qualifying business and requires landlords to reduce their rent receivable by 25%, effectively reducing rent payments for the tenants by 75%. Crombie has actively supported its tenants in the application for rent relief through the CECRA program.

For accounting purposes, Crombie has elected to treat the 25% reduction in rent receivable under the CECRA program as a credit loss under IFRS 9, where qualifying tenants had accounts receivable balances. Crombie assesses, on a tenant-by-tenant basis, losses expected with its rent receivables. In determining the provision for doubtful accounts, Crombie takes into account the payment history and future expectations of likely default events (i.e. tenant requests for rental concessions/abatements, applications for rental relief through government programs such as the CECRA program, or stating they will not be making rental payments on the due date) based on actual or expected insolvency filings or company voluntary arrangements and likely deferrals of payments due, and potential abatements to be granted by the landlord through tenant negotiations or under CECRA. Crombie's assessment is subjective due to the forward-looking nature of the assessments. As a result, the provision for doubtful accounts is subject to a degree of uncertainty and is made based on assumptions which may not prove to be accurate with the unprecedented uncertainty caused by COVID-19. Based on its review, Crombie recorded a bad debt expense of \$8,722, reducing property operating income for the three months ended June 30, 2020.

The following table further outlines the impact of COVID-19 on Crombie's operating performance for the three months ended June 30, 2020:

<i>(In thousands of CAD dollars, except per unit amounts and as otherwise noted)</i>	FFO		AFFO		Same-asset cash NOI	Same-asset cash NOI growth	
	\$	Per unit	\$	Per unit	\$	\$	%
Actual results	\$ 34,557	\$ 0.22	\$ 28,107	\$ 0.18	\$ 57,555	\$ (2,782)	(4.6)%
Adjusted for:							
Bad debt expense	8,722	0.06	8,722	0.06	3,945	3,962	6.6 %
Parking revenue	970	0.01	970	0.01	970	970	1.6 %
Organizational realignment severance costs	1,509	0.01	1,509	0.01	—	—	— %
Adjusted results - Q2 2020	\$ 45,758	\$ 0.30	\$ 39,308	\$ 0.26	\$ 62,470	\$ 2,150	3.6 %
Q2 2019	\$ 44,567	\$ 0.29	\$ 37,549	\$ 0.25	\$ 60,337		

Our major developments

Overall, COVID-19 has had a minimal impact on our development program. However, inefficiencies and delays have increased the risk around date and cost completion as well as future lease-up schedules.

The shutdown of nonessential construction in Quebec from March 24th to May 11th extended the completion date of the Le Duke development to Q3 2021. Despite the delay, Pointe-Claire remains on track to be substantially complete in 2021.

COVID-19 related measures and procedures caused slight delays in other major developments in British Columbia and Ontario. Project cost at Davie Street Retail was increased in the quarter by \$600, decreasing yields to 6.2% - 6.5% from 6.2% - 6.8% last quarter. Davie Street's Residential project cost increased in the quarter by \$1,800, decreasing yields to 5.0% - 5.5% from 5.1% - 5.6% in Q1. The 160,000 square foot Belmont Market development has achieved substantial completion in 2020, with the remaining 23,000 square feet of construction to be completed by Q4 2021 due to leasing disruption from COVID-19.

Due to slower than expected leasing activity and impact on short-term rents, NOI range projections at Avalon Mall were lowered from 10.3% - 11.0% in Q1 2020 to 9.2% - 10.1% in Q2.

The full impact of this business interruption is not clear at this time. Please refer to the "Active Developments" section of the MD&A for further details on each project.

Fair value impact

During the year, Crombie made assumptions when determining the fair value of its investment properties as to the potential short- and long-term impacts of COVID-19. Crombie adjusted net property income for expected impacts related to COVID-19. In the first quarter of 2020, this was the primary driver behind a reduction in the fair value of investment properties of \$86,000. In the second quarter ended June 30, 2020, Crombie updated expectations as to the impact of COVID-19 based on current operational results. In addition, fair value was further impacted by non-COVID related adjustments for capital investments in certain properties causing increased NOI and externally provided capitalization rate adjustments. The result was an increase in fair value of \$85,000 over Q1 fair value of \$4,519,000.

Our employees

In early March, following guidelines provided by trusted sources, we asked our employees to cancel all work-related travel, both international and domestic, reinforced the need to practice good sanitation/handwashing techniques, and consult a physician if ill. In keeping with guidelines to facilitate physical distancing, we implemented a work from home program in mid-March for a significant portion of our workforce, ensuring

technology solutions were in place to enable that capability with little to no disruption to business operations. These same protocols remain in place today.

We continue to leverage technology to maintain open lines of communication across the organization. We regularly share information from federal and provincial public health authorities about the importance of physical distancing, avoiding gathering in groups, and what to do if an employee has COVID-19 symptoms. Crombie ensures that all employees have access to updates from our insurance provider surrounding claims related to COVID-19 as well as mental health and wellness resources. The continued level of uncertainty around how the situation will evolve may require us to take further, longer-term decisions to ensure the wellbeing of our people and we will do our part to support containment objectives of leading health organizations.

Crombie is extremely proud of the efforts made by our team. While our office employees work from home, our Operations teams continue to ensure our properties are operational, clean and safe, and, because of them, we do our part to ensure that the essential goods and services that our communities rely on are accessible in this time of need. We are grateful and committed to ensuring our employees and their families do not suffer financially because of this temporary new reality and, accordingly, implemented a 16-week "thank you" pay for our front line workers.

Other constituents

Crombie's Business Continuity Plan contains mechanisms to ensure we complete all public company filings on a timely basis, maintain key internal and disclosure controls and continue to meet all other ordinary course business obligations.

COVID-19 related impacts are further discussed in the following sections of the MD&A: "Forward-Looking Information", "Property Development/ Redevelopment", "Property NOI", "Debt to Gross Book Value - Fair Value Basis", "Critical Accounting Estimates and Assumptions", "Enterprise and Risk Management", "Credit Risk", "Interest Rate Risk" and "Subsequent Events".

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 Investment Properties	Ownership		
						Interest	Sq. ft.	Price
2020 First Quarter								
January 9, 2020	Antigonish Land Addition	Antigonish	Third Party	Income-producing	—	100%	—	\$ 280
2020 Second Quarter								
May 28, 2020	Williams Lake	Williams Lake, BC	Empire	Income-producing	1	100%	29,000	4,535
Total acquisitions at June 30, 2020					1		29,000	\$ 4,815
2019 First Quarter								
March 25, 2019	Pointe-Claire, QC	Pointe-Claire, QC	Third Party	Development (PUD)	—	100%	—	\$ 32,000
2019 Third Quarter								
August 1, 2019	Broadview Avenue	Toronto, ON	Empire	Income-producing	1	50%	15,000	9,500
2019 Fourth Quarter								
October 29, 2019	Belmont - Ledcor Buildings ⁽¹⁾	Langford, BC	Third Party	Income-producing	—	100%	29,000	6,611
November 28, 2019	Marketway Lane, Timberlea	Halifax, NS	Empire	Income-producing	1	100%	40,000	12,422
December 16, 2019	Vaughan DC ⁽²⁾	Vaughan, ON	Empire	Income-producing	—	50%	397,000	95,900
							466,000	114,933
Total acquisitions at December 31, 2019					2		481,000	\$ 156,433

⁽¹⁾ Relates to an acquisition of additional density on a pre-existing retail property

⁽²⁾ Relates to an acquisition of remaining 50% interest in a pre-existing retail-related industrial property

Dispositions

Date	Property	Location	Number of Investment Properties	Ownership			
				Interest	Sq. ft.	Price	
2020 First Quarter							
February 4, 2020	Downsview Lands	Lower Sackville, NS	—	100%	—	\$ 1,000	
Total dispositions at June 30, 2020					—	—	\$ 1,000
2019 First Quarter							
January 7, 2019	1040 - 1070 Guillaume Couture Boulevard	Saint Romuald, QC	—	100%	—	\$ 821	
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
					<u>331,000</u>	<u>107,215</u>
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, BC	—	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, QC	—	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					<u>785,000</u>	<u>161,589</u>
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
					<u>824,000</u>	<u>186,364</u>
2019 Third Quarter						
July 3, 2019	400 University Avenue	Charlottetown, PE	—	89%	44,000	9,750
July 4, 2019	Grimsby Mews	Grimsby, ON	1	100%	36,000	12,255
August 2, 2019	Davie Street ⁽³⁾	Vancouver, BC	—	100%	—	27,379
September 25, 2019 ⁽⁴⁾	Charlotte Mall	St. Stephen, NB	—	100%	3,000	175
					<u>83,000</u>	<u>49,559</u>
2019 Fourth Quarter						
Oak Street II Portfolio ⁽⁵⁾						
October 7, 2019	Castleridge Safeway	Calgary, AB	—	89%	50,000	
October 7, 2019	Saddletowne Circle Safeway	Calgary, AB	—	89%	45,000	
October 7, 2019	Fort McMurray Safeway	Fort McMurray, AB	—	89%	36,000	
October 7, 2019	Spruce Grove Safeway	Spruce Grove, AB	—	89%	45,000	
October 7, 2019	Stony Plain Safeway	Stony Plain, AB	—	89%	40,000	
October 7, 2019	Chilliwack Safeway	Chilliwack, BC	—	89%	46,000	
October 7, 2019	Kamloops Safeway	Kamloops, BC	—	89%	44,000	
October 7, 2019	Smithers Safeway	Smithers, BC	—	89%	38,000	
October 7, 2019	Selkirk Safeway	Selkirk, MB	—	89%	38,000	
October 7, 2019	Ropewalk Lane	St. John's, NL	—	89%	45,000	
October 7, 2019	Panavista Sobeys	Dartmouth, NS	—	89%	43,000	
October 7, 2019	Bradford Sobeys	Bradford, ON	—	89%	31,000	
October 7, 2019	Orangeville Sobeys	Orangeville, ON	—	89%	41,000	
October 7, 2019	Lebourgneuf IGA Extra	Quebec, QC	—	89%	52,000	

October 7, 2019	Sherbrooke IGA Extra	Sherbrooke, QC	—	89%	47,000		
Oak Street II Portfolio total						641,000	193,333
Total dispositions as at December 31, 2019					5	1,879,000	\$536,471

⁽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.

⁽³⁾ Represents disposition of air rights to a joint venture in which Crombie holds 50% interest.

⁽⁴⁾ Represents disposition of a portion of a PID at 225 King Street, St. Stephen, NB.

⁽⁵⁾ Represents disposition of 89% interest in a portfolio of 15 retail properties. The square footage and price reflect the 89% amounts.

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

Overview of the Property Portfolio

As at June 30, 2020, Crombie's property portfolio consisted of full and partial ownership interests in 286 investment properties that contain, at Crombie's share, approximately 17.6 million square feet of GLA in all 10 provinces.

As at June 30, 2020, the portfolio distribution of the GLA by province was as follows:

Province	GLA (sq. ft.)				Number of Investment Properties	% of GLA	% of Annual Minimum Rent
	January 1, 2020	Acquisitions (Dispositions)	Other	June 30, 2020 ⁽¹⁾			
AB	3,041,000	—	1,000	3,042,000	58	17.3%	19.6%
BC	1,655,000	29,000	(9,000)	1,675,000	43	9.5%	13.2%
MB	561,000	—	—	561,000	15	3.2%	4.3%
NB	1,524,000	—	—	1,524,000	20	8.7%	6.4%
NL	1,194,000	—	—	1,194,000	13	6.7%	9.3%
NS	4,806,000	—	17,000	4,823,000	42	27.4%	21.2%
ON	2,470,000	—	—	2,470,000	42	14.0%	13.9%
PE	90,000	—	—	90,000	2	0.5%	0.6%
QC	1,802,000	—	10,000	1,812,000	43	10.3%	9.2%
SK	415,000	—	8,000	423,000	8	2.4%	2.3%
Total	17,558,000	29,000	27,000	17,614,000	286	100.0%	100.0%

⁽¹⁾ Totals include Crombie's ownership of partial dispositions.

During the six months ended June 30, 2020, Crombie had net increase of 29,000 square feet of GLA from acquisition activity including:

- British Columbia - acquisition of 100% interest in one retail property.

Changes in GLA included in Other in the above table primarily include increases for additions/expansions to GLA on existing properties. In BC, one property has had GLA removals in preparation for property redevelopment.

As at June 30, 2020, our allocation of annual minimum rent consists of: Atlantic Canada 37.5%; Central Canada 23.1%; and Western Canada 39.4%. 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, 2020:

	Crombie Owned Properties			Additional Properties in Joint Ventures ("JV")	Total
	Investment Properties ("IP")	Properties Under Development ("PUD")	Sub-total		
Same-asset	275	—	275	—	275
Non Same-Asset					
Acquisitions - 2020	1	—	1	—	1
Acquisitions - 2019	2	—	2	—	2
Other ⁽¹⁾	5	3	8	1	9
Active Major Development ⁽²⁾	3	1	4	3	7
Total Non Same-asset	11	4	15	4	19
Total	286	4	290	4	294

⁽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 (IP)
 Avalon Mall Retail (IP)
 Belmont Market Retail and Office (IP)
 Pointe-Claire (PUD)
 Davie Street Residential (JV)
 Le Duke (JV)
 Bronte Village (JV)

Davie Street is being developed as both a commercial (Crombie owned) and residential (Joint Venture owned) development. On August 2, 2019, Crombie transferred air rights to 1600 Davie Limited Partnership. Davie Street is treated as two properties, one Crombie owned Investment Property (retail) and a separate Active Major Development (residential rental property) within the 1600 Davie Limited Partnership Joint Venture (Additional Properties in Joint Ventures - Active Major Development).

Portfolio Occupancy and Lease Activity

The portfolio occupancy and committed activity for the six months ended June 30, 2020 was as follows:

Province	Occupied Space (sq. ft.)					Economic Occupancy %	Committed Space (sq. ft.) ⁽³⁾	Total Committed Space (sq. ft.)	Committed Occupancy June 30, 2020	
	January 1, 2020	Acquisitions (Dispositions)	New Leases ⁽¹⁾	Lease Expiries	Other Changes ⁽²⁾					June 30, 2020
AB	3,034,000	—	7,000	(4,000)	(5,000)	3,032,000	99.7%	3,000	3,035,000	99.8%
BC	1,628,000	29,000	15,000	(2,000)	(26,000)	1,644,000	98.1%	1,000	1,645,000	98.2%
MB	556,000	—	1,000	—	(1,000)	556,000	99.1%	—	556,000	99.1%
NB	1,355,000	—	48,000	—	(24,000)	1,379,000	90.5%	—	1,379,000	90.5%
NL	1,102,000	—	—	(6,000)	(22,000)	1,074,000	89.9%	45,000	1,119,000	93.7%
NS	4,444,000	—	18,000	(20,000)	(16,000)	4,426,000	91.8%	6,000	4,432,000	91.9%
ON	2,385,000	—	3,000	—	(10,000)	2,378,000	96.3%	23,000	2,401,000	97.2%
PE	90,000	—	—	—	—	90,000	100.0%	—	90,000	100.0%
QC	1,773,000	—	—	(1,000)	5,000	1,777,000	98.1%	10,000	1,787,000	98.6%
SK	386,000	—	—	—	8,000	394,000	93.1%	—	394,000	93.4%
Total	16,753,000	29,000	92,000	(33,000)	(91,000)	16,750,000	95.1%	88,000	16,838,000	95.6%

⁽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 decreased to 88,000 square feet at June 30, 2020, from 115,000 square feet at December 31, 2019.

Overall leased space (occupied plus committed) has decreased from 96.1% at December 31, 2019 to 95.6% at June 30, 2020. Various lease terminations and GLA additions have negatively impacted occupancy. During the six months ended June 30, 2020, Crombie had a net increase from acquisitions of 29,000 square feet and had new leases outpace lease expiries by 59,000 square feet.

New leases and expansions increased occupancy by 92,000 square feet at June 30, 2020 at an average first year rate of \$18.97 per square foot. New leases totaled 84,000 square feet at an average first year rate of \$18.04 per square foot. Expansions totaled 8,000 square feet at an average

first year rate of \$28.53 per square foot. As at June 30, 2020, 88,000 square feet of space was committed at an average first year rate of \$21.18 per square foot.

For 2020, renewal activity was as follows:

	Quarter			YTD		
	Square Feet	Rate PSF	Growth %	Square Feet	Rate PSF	Growth %
2020 Renewals	135,000	\$ 18.87	5.0%	216,000	\$ 20.35	4.1%
Future Year Renewals	95,000	12.55	1.0%	170,000	16.12	3.9%
Total	230,000	\$ 16.25	3.6%	386,000	\$ 18.50	4.0%

Crombie's renewal activity for the six months ended June 30, 2020 included retail and commercial renewals of 328,000 square feet with an increase of 4.2% over expiring rental rates. 58,000 square feet of office renewals were completed at a 2.4% increase over expiring rental rates. During the quarter, Crombie renewed 230,000 square feet with an increase of 3.6% over expiring rates.

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⁾	5,286,000	98.7%	98.8%	89	30.0%	31.1%
Major Markets ⁽²⁾	4,630,000	95.1%	95.4%	60	26.3%	21.0%
Rest of Canada (RoC) ⁽³⁾	7,698,000	92.6%	93.5%	137	43.7%	47.9%
Total	17,614,000	95.1%	95.6%	286	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, 2020, 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	Committed Occupancy
Retail and Commercial ⁽¹⁾	278	14,966,000	85.0%	91.7%	95.5%
Office	5	965,000	5.5%	4.1%	89.7%
Retail-Related Industrial ⁽²⁾	3	1,683,000	9.5%	4.2%	100.0%
Total	286	17,614,000	100.0%	100.0%	95.6%

⁽¹⁾ 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.

⁽²⁾ Retail-Related Industrial includes retail distribution centres owned in Toronto (100%), Montreal (50%) and Calgary (50%).

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	Committed Occupancy
Retail and Commercial ⁽¹⁾	276	15,486,000	87.3%	93.2%	95.9%
Office	5	973,000	5.5%	4.1%	90.5%
Retail-Related Industrial ⁽²⁾	3	1,287,000	7.2%	2.7%	100.0%
Total	284	17,746,000	100.0%	100.0%	95.9%

⁽¹⁾ 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.

⁽²⁾ Retail-Related Industrial includes retail distribution centres owned in Toronto (50%), Montreal (50%) and Calgary (50%).

Retail and commercial properties represent 85.0% of Crombie's GLA and 91.7% of annual minimum rent at June 30, 2020 compared to 87.3% of GLA and 93.2% of annual minimum rent at June 30, 2019. Since June 30, 2019, Crombie has acquired a 100% interest in two retail freestanding properties.

Leased space in retail and commercial properties of 95.5% at June 30, 2020, decreased from 95.9% at June 30, 2019. Leased space in office properties of 89.7% decreased from 90.5% at June 30, 2019. Leased space in retail-related industrial properties of 100.0% at June 30, 2020, is consistent with June 30, 2019.

Lease Maturities

The following table sets out, as of June 30, 2020, 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
2020	163	528,000	3.0%	\$ 16.84
2021	183	840,000	4.8%	18.07
2022	186	807,000	4.6%	19.67
2023	142	690,000	3.9%	18.84
2024	156	839,000	4.8%	18.09
2025	108	1,066,000	6.1%	15.23
2026	71	763,000	4.3%	15.89
2027	76	800,000	4.5%	18.91
2028	62	738,000	4.2%	18.13
2029	97	1,156,000	6.6%	19.69
Thereafter	292	8,611,000	48.8%	19.40
Total	1,536	16,838,000	95.6%	\$ 18.69

⁽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, 2020.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term	DBRS Credit Rating
1. Empire Company Limited ⁽¹⁾	54.2%	13.0 years	BBB (low)
2. Shoppers Drug Mart	4.1%	8.5 years	BBB
3. Province of Nova Scotia	1.5%	7.0 years	A (high)
4. Dollarama	1.4%	6.0 years	BBB
5. Government of Canada	1.2%	3.7 years	AAA
6. CIBC	1.2%	12.5 years	AA
7. Bank of Nova Scotia	1.1%	2.9 years	AA
8. Cineplex	1.1%	9.0 years	
9. GoodLife Fitness	1.1%	7.6 years	
10. Bank of Montreal	1.0%	7.3 years	AA
11. Canadian Tire Corporation	1.0%	4.1 years	BBB
12. Restaurant Brands International	0.7%	5.8 years	
13. Royal Bank of Canada	0.6%	2.9 years	AA (high)
14. Bell Canada	0.6%	4.7 years	BBB (high)
15. Metro	0.6%	7.1 years	BBB
16. TJX Canada ⁽²⁾	0.5%	8.1 years	
17. SAQ/Province of Quebec	0.5%	5.1 years	AA (low)
18. Leon's Furniture	0.5%	5.6 years	
19. Giant Tiger	0.5%	4.1 years	
20. Staples	0.5%	3.5 years	
Total	73.9%		

⁽¹⁾ Includes Sobeys and all other subsidiaries under Empire Company Limited.

⁽²⁾ TJX Canada's parent company, The TJX Companies, Inc., is rated A2 by Moody's.

Other than Empire which accounts for 54.2% of annual minimum rent and Shoppers Drug Mart which accounts for 4.1% 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, 2020, Empire represents 50.4% 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 9.9 years. This remaining lease term is influenced by the average Empire remaining lease term of 13.0 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 \$50,000 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 (June 30, 2019 - six) and 27 Potential Major Developments (June 30, 2019 - 27)) 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 5.4% on existing asset cost for our development pipeline properties.

Crombie has a strategic relationship with Empire. The majority of our development properties have Empire 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 requirements and/or market opportunities. 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) (June 30, 2019 - 19) 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, 2020 (June 30, 2019 - 33), with a total projected cost to develop these properties of \$4,000,000 to \$5,800,000 (June 30, 2019 - \$4,000,000 to \$5,800,000). Crombie may enter joint venture or other partnership arrangements for these properties to share cost, revenue, risk 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 and NAV analysis and Board of Trustees approval.

<i>(Costs in billions of CAD \$)</i>	# 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	759,000	560,000	961,000	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	2,206,000	1,346,000	9,763,000	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.

Property	CMA ⁽¹⁾	Use	Commercial GLA on Completion	Residential GLA on Completion	Residential Units	Estimated Final Completion Date	At Crombie's Share (\$ in millions)			
							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	54,000	—	—	Q2 2020	\$ 1.8-1.9	\$ 29.2	6.2%-6.5%	\$ 0.7
Belmont Market ⁽⁴⁾	Victoria	Retail, Office	160,000	—	—	Q4 2021 ⁽⁵⁾	5.4-5.7	93.0	5.8%-6.1%	6.3
Avalon Mall - Phase I	St. John's	Retail	—	—	—	Q3 2020	—	54.5	—	8.3
Avalon Mall - Phase II ⁽⁶⁾	St. John's	Retail	165,000	—	—	Q3 2020	5.3-5.8	56.8	9.2%-10.1%	16.7
Subtotal IP - Major Development			379,000	—	—		\$12.5-13.4	\$ 233.5	5.3%-5.7%	\$ 32.0
Properties Under Development ("PUD")										
Pointe-Claire	Montreal	Retail- Related Industrial	300,000	—	—	2021	6.1-6.4	100.0	6.1%-6.4%	48.0
Subtotal PUD			300,000	—	—		\$ 6.1-6.4	\$ 100.0	6.1%-6.4%	\$ 48.0
Total Investment Properties			679,000	—	—		\$18.6-19.8	\$ 333.5	5.6%-5.9%	\$ 80.0
Properties Held in Joint Ventures										
Davie Street ⁽³⁾	Vancouver	Residential	—	254,000	330	Q4 2020	\$ 4.0-4.4	\$ 80.3	5.0%-5.5%	\$ 16.5
Le Duke ⁽⁷⁾	Montreal	Retail, Residential	26,000	241,000	390	Q3 2021	3.2-3.4	59.1	5.4%-5.8%	30.7
Bronte Village ⁽⁷⁾	Toronto	Retail, Residential	54,000	466,000	480	Q4 2021	7.5-8.3	138.7	5.4%-6.0%	53.0
Total Properties Held in Joint Ventures			80,000	961,000	1,200		\$14.7-16.1	\$ 278.1	5.3%-5.8%	\$ 100.2
Total Active Major Developments			759,000	961,000	1,200		\$33.3-35.9	\$ 611.6	5.4%-5.9%	\$ 180.2

⁽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 land value, pre-development costs, construction costs, tenant costs and financing costs.

⁽³⁾ Crombie will own 100% of the retail with an estimated total project cost of \$29.2 million. Safeway will continue lease payments through the development period to retain the rights under their existing lease. Incremental NOI for the commercial component is estimated to be \$0.6 million. Crombie has entered into a JV partnership and will own 50% of the residential with an estimated total project cost of \$160.6 million.

⁽⁴⁾ Rents from certain leases in Phase I of Belmont Market development commenced in Q4 2018 with many tenants opening for business in 2019. New revenue will continue to come on-line in 2020 and 2021 with timing dependent on leasing and remaining construction activity.

⁽⁵⁾ Costs related to completed Belmont Market phases have been transferred out of Properties under Development and into Investment Properties in Q4 2018 and Q2 2019. Full project cost estimates are shown in chart above. Approximately 90% of this 160,000 sq ft grocery anchored open air plaza is built and occupied with the remaining 10% expected to be leased and constructed by the end of 2021.

⁽⁶⁾ 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.

⁽⁷⁾ The development agreement with our partner was executed in April 2018. Under this agreement, Crombie has sold a 50% interest in the Bronte Village development and acquired a 50% interest in the Le Duke development. Title transfer closed in August 2018.

As disclosed in the first quarter, COVID-19 delays are affecting project timelines. Due to the shutdown of nonessential construction in Quebec during COVID-19, Le Duke and the Montreal Customer Fulfillment Centre ("CFC") developments were shutdown from March 24th to May 11th. Le Duke's completion date moved from Q2 2021 to Q3 2021. COVID-19 related measures and procedures caused delays in other major projects in British Columbia and Ontario. Davie Street's residential completion date moved from Q3 2020 to Q4 2020. Belmont Market in British Columbia achieved substantial completion in 2020, with the remaining 23,000 of 160,000 square feet delayed to 2021 due to anticipated leasing disruption from COVID-19.

As a result of ongoing COVID-19 inefficiencies and delays, there is increased risk around date and cost of completion as well as future lease-up schedules. Project cost at Davie Street Retail was increased in the quarter by \$600 as a result of COVID-19 related delays, decreasing yields to 6.2% - 6.5% from 6.2% - 6.8% last quarter. The grand re-opening of Avalon Mall Phase II has been delayed from Fall 2020 to Spring 2021 due to COVID-19. The projected NOI range of this project has also been reduced from 10.3% - 11.0% to 9.2% - 10.1% in the quarter. Project cost

at Davie Street Residential was increased in the quarter by \$1,800 as a result of COVID-19 related delays, decreasing yields to 5.0% - 5.5% from 5.1% - 5.6% last quarter.

1641 Davie Street, Vancouver, British Columbia

Davie Street is currently under active development and is being constructed in conjunction with our partner, as an approximate 308,000 square foot mixed-use property. Construction of the retail podium, tower concrete and tower glazing are now complete for both towers. This development includes a new 45,000 square foot Safeway store with almost 9,000 square feet of ancillary retail space. Safeway opened on May 21, 2020. Scotiabank and a government liquor store are scheduled to open in Q4 2020. Rental residential space totalling 254,000 square feet (330 rental units) in two residential towers are also expected to open in Q4 2020. Estimated total project cost is \$189,800, \$109,500 at Crombie's share. Crombie owns 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 in its final year of a three year capital investment program to enhance Avalon Mall's position as the dominant regional mall in the province. The redesign and renovation of the common areas began in January 2018 and continues in phases through 2019 and 2020.

Construction of the expansion area formerly occupied by Sears will be completed in Q3 2020 with a grand re-opening in early 2021. Avalon Mall (excluding the redeveloped space) has occupancy at June 30, 2020 of 92.6%. Leasing activity to date for the redevelopment area includes a new and expanded Winners HomeSense, H&M, GAP/Banana Republic, Old Navy, Tommy Hilfiger, Sport Chek, and Levi Strauss bringing the total of the leasable square footage in this redevelopment space to 88.8% occupied. Advanced discussions with other potential national anchor and commercial retail unit tenants continue, albeit at a slower pace due to COVID-19.

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 \$93,000 and includes an operational 53,000 square foot Thrifty Foods store and approximately 107,000 square feet of additional retail and office space on 13 acres of land. A third-party completed construction of 29,000 square feet of ground floor retail space located along High Street in late 2019 on Crombie's behalf, which was purchased by Crombie in November 2019. Tenants are now open in these new buildings with others scheduled to open imminently. As at June 30, 2020 committed occupancy is 90.0%.

The final portion of the development totalling 23,000 square feet in three buildings is in active pre-leasing and deals are completed on approximately 6,000 square feet of the available retail space. Construction commenced on the first building in Q2 2020, with the remaining two buildings slated for 2021 construction.

Le Duke, 297 Rue Duke, Montreal, Quebec

Le Duke is located near the new Bonaventure Greenway in Old Montreal. The development has total project costs estimated at \$118,100 (\$59,100 at Crombie's share), and includes a 25 storey mixed-use tower with 241,000 square feet and 390 residential rental units, a 25,000 square foot IGA grocery store, 1,000 square feet of retail space, and 200 underground parking stalls. Development of Le Duke began late in 2017 and the residential structure is completed up to the 25th floor. This development is expected to be fully complete in Q3 2021 inclusive of COVID-19 related impacts.

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

Bronte Village is located in South Oakville at the intersection of Lakeshore and Bronte Road. 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. This development includes the existing 30,000 square foot grocery store while adding 24,000 square feet of retail and two luxury residential towers totalling 466,000 square feet of residential rental space in up to 480 units. The existing Sobeys grocery store remains operational during the development. The structure and pre-cast are complete on both Building A (west) and Building B (east). Glazing installation is up to level 11 on Building A and level 4 on Building B. Interior finishing work is progressing well on the lower residential levels. Total project cost is estimated at \$277,200, \$138,700 at Crombie's share. This development is expected to be completed in Q4 2021.

Pointe-Claire, (Montreal), Quebec

The property is a 20.25 acre retail-related e-commerce 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 executed an agreement with Empire to develop a new

300,000 square foot state-of-the-art CFC. Crombie's approximately \$100,000 project investment, including land, will be powered by Ocado's world-leading online grocery platform, and will become Empire's e-commerce distribution hub for major cities in Quebec and the Ottawa area. Crombie is the owner and developer of the CFC and will work collaboratively with Empire to develop the project. The site is currently zoned for its intended use. Empire will lease the location from Crombie and Crombie is building the site to Empire's specifications. Crombie expects substantial completion in 2021. The launch of Voilà par IGA, the grocery e-commerce service for Quebec and the Ottawa area is expected in 2022, delayed slightly due to the shutdown of nonessential construction in Quebec during the pandemic. Building construction commenced in May 2020. Foundations are in place and the steel superstructure is underway.

Potential Major Developments

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 (June 30, 2019 - 786,000 square feet) of commercial GLA and up to 8,802,000 square feet (up to 10,000 units) (June 30, 2019 - 8,802,000 square feet and 10,000 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 \$3,400,000 to \$5,200,000 (\$4,000,000 to \$5,800,000 including Active Major Developments). Crombie may develop independently or may enter joint venture or other partnership arrangements for these properties to share cost, revenue, risk and development expertise depending upon the nature of each project. Each project remains subject to normal development approvals, achieving required economic hurdles including financial NAV and accretion analysis and Board of Trustees approval.

As at June 30, 2020, 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	Scotia Square Residential ⁽²⁾	Halifax	0.46 ⁽³⁾	Yes	n/a	Yes	Yes	Pre-planning
2	Penhorn Lands	Halifax	26.12	No	Land	Yes	Yes	Pre-planning
3	1780 East Broadway (Broadway and Commercial)	Vancouver	2.43	Yes	Safeway	Yes	Yes	Pre-planning
4	Belmont Market - Phase II	Victoria	1.70	No	Land	Yes	Yes	Pre-planning
5	10355 King George Boulevard	Vancouver	5.07	Yes	Safeway	Yes	Yes	Pre-planning
6	1170 East 27 Street (Lynn Valley)	Vancouver	2.82	No	Safeway	Yes	Yes	Pre-planning
7	Park West	Halifax	6.44	No	Retail	Yes	Yes	Pre-planning
8	1818 Centre Street	Calgary	2.18	Yes	Safeway	Yes	Yes	TBD ⁽⁴⁾
9	410 10 Street NW (Kensington)	Calgary	1.73	Yes	Safeway	Yes	Yes	TBD
10	524 Elbow Drive SW (Mission)	Calgary	1.60	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 ⁽⁵⁾	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	FreshCo/Other tenants	Yes	Yes	TBD
19	5235 Kingsway (Royal Oak)	Vancouver	2.76	Yes	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	1.80	No	Safeway	Yes	Yes	TBD
23	East Hastings	Vancouver	3.30	No	Safeway/Other tenants	Yes	Yes	TBD
24	Fleetwood	Vancouver	4.45	Yes	Safeway	Yes	Yes	TBD
25	New Westminster	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⁾ Scotia Square Residential was formerly called Westhill

⁽³⁾ Scotia Square Residential can be developed through densification on 0.46 acres of the existing 9.05 acre Scotia Square site

⁽⁴⁾ TBD: to be determined

⁽⁵⁾ Brunswick Place can be developed through densification on the existing 0.75 acre Brunswick Place Parkade

These are projects owned by Crombie where future development is a possibility. Projects described as having a “pre-planning” status include projects where 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

Scotia Square Residential, Halifax, Nova Scotia

Scotia Square Residential is a potential multi-unit rental building 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 18 storeys of residential development. Site plan approval is required in order to proceed with any future development and preliminary development analysis is currently underway.

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 and an office building developed by Crombie in 2019 occupied by Sobeys National Pharmacy Group and Related Businesses Group.

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 Official Community Plan, which permits a total density of 5.7 floor to space ratio (FSR) including 4.5 FSR for residential and 1.2 FSR for commercial.

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 residential and/or commercial space on the remaining 1.70 acres of land.

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

King George is located in Surrey, British Columbia, 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 up to 7.5 FSR. Rezoning of the site is required in order to proceed with any future redevelopment, and preliminary development analysis is currently underway.

1170 East 27th Street, North Vancouver (Lynn Valley), British Columbia

Lynn Valley is located in the District of North Vancouver in the popular Lynn Valley Towne Centre. The 2.82 acre site currently has a 37,000 square foot Safeway as the major tenant. Crombie is currently developing plans to accommodate the targeted density of 3.5 FSR with maximum building heights of 12 storeys as set out in the Official Community Plan. Rezoning of this property is required prior to proceeding with any redevelopment.

Park West, Halifax, Nova Scotia

Park West is located in Halifax, Nova Scotia 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.

FINANCIAL RESULTS

Comparison to Previous Year

<i>(In thousands of CAD dollars, except per unit amounts and as otherwise noted)</i>	As At	
	June 30, 2020	December 31, 2019
Total assets	\$ 3,960,010	\$ 3,920,267
Total investment property debt and unsecured debt	\$ 2,300,794	\$ 2,279,297

Compared to December 31, 2019, the balance sheet changes are primarily attributable to:

- increased net trade receivables of \$7,113 as a result of COVID-19;
- increased prepaid expenses of \$5,696 primarily related to the timing of property tax payments;
- increased tenant incentives of \$24,393 due primarily to modernizations and energy upgrades in existing properties; and,
- net amount drawn on floating rate credit facilities of \$87,682 and issue of a mortgage for \$118,000, offset in part by repayment of \$189,487 in fixed rate mortgages.

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Variance	2020	2019	Variance
Property revenue	\$ 96,501	\$ 99,332	\$ (2,831)	\$ 198,753	\$ 204,572	\$ (5,819)
Property operating expenses	37,887	28,222	(9,665)	73,124	60,588	(12,536)
Property NOI	58,614	71,110	(12,496)	125,629	143,984	(18,355)
NOI margin percentage	60.7%	71.6%	(10.9)%	63.2%	70.4%	(7.2)%
Other items:						
Gain (loss) on disposal of investment properties	—	16,661	(16,661)	(829)	43,290	(44,119)
Impairment of investment properties	(2,100)	—	(2,100)	(2,100)	—	(2,100)
Depreciation and amortization	(18,278)	(18,140)	(138)	(37,596)	(38,058)	462
General and administrative expenses	(6,960)	(5,970)	(990)	(9,979)	(11,754)	1,775
Finance costs - operations	(22,006)	(24,335)	2,329	(44,646)	(50,002)	5,356
Income from equity accounted investments	123	123	—	238	217	21
Operating income attributable to Unitholders	9,393	39,449	(30,056)	30,717	87,677	(56,960)
Finance costs - distributions to Unitholders	(35,187)	(33,744)	(1,443)	(69,889)	(67,480)	(2,409)
Finance (costs) income - change in fair value of financial instruments	(212)	(332)	120	1,717	(1,003)	2,720
Increase (decrease) in net assets attributable to Unitholders	\$ (26,006)	\$ 5,373	\$ (31,379)	\$ (37,455)	\$ 19,194	\$ (56,649)
Operating income attributable to Unitholders per Unit, Basic	\$ 0.06	\$ 0.26		\$ 0.20	\$ 0.58	
Basic weighted average Units outstanding (in 000's)	158,123	151,518		156,670	151,497	
Distributions per Unit to Unitholders	\$ 0.22	\$ 0.22		\$ 0.45	\$ 0.45	

Operating Results

Three months

Operating income attributable to Unitholders decreased by \$30,056 or 76.2% compared to the second quarter of 2019 primarily due to the disposition of investment properties in 2019, resulting in a \$12,496 decrease in property NOI and a quarter-over-quarter decrease of \$16,661 in gain on disposal of investment properties. Additionally, an increase in bad debt expense of \$8,731 resulted from higher allowance for the potential impacts of COVID-19 on collection of receivable balances outstanding, write-off of specific bad debts and the impact of the federal government's CECRA program. In the second quarter of 2020, due to the uncertainty about COVID-19, Crombie chose to reduce operating expenses with an organizational realignment. The majority of the realignment related to the elimination of certain positions, including two at the vice president level, resulting in severance costs of \$1,509. The severance costs were the primary cause of the increase of \$990 in general and administrative expenses in the quarter. The reduced property NOI was offset slightly by a decrease of \$2,329 in finance costs from operations due to repayments of debt.

In the second quarter of 2020, impairments of \$2,100 were recognized on three retail properties. The impairments were the result of the fair value impact of tenant lease expiries and slower than expected leasing activity in secondary markets. Excluding the gains on sale of assets and COVID related impacts, operating income would be \$20,594 compared to \$22,779 for 2019, a decrease of \$2,185 or 9.6%.

Six months

Operating income attributable to Unitholders on a year to date basis decreased by \$56,960 or 65.0% compared to the same period in 2019. For the six month period, property NOI decreased \$18,355, gain on disposal of investment properties decreased by \$44,119 and bad debt expense increased \$9,845 as a result of COVID related collection risk. The reduced property NOI year to date was offset in part by a decrease of \$5,356 in finance costs from operations due to repayments of debt.

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:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Operating income attributable to Unitholders	\$ 9,393	\$ 39,449	\$ 30,717	\$ 87,677
Finance costs - distributions to Unitholders	(35,187)	(33,744)	(69,889)	(67,480)
Finance (costs) income - change in fair value of financial instruments	(212)	(332)	1,717	(1,003)
Increase (decrease) in net assets attributable to Unitholders	\$ (26,006)	\$ 5,373	\$ (37,455)	\$ 19,194

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:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Variance	2020	2019	Variance
Property NOI	\$ 58,614	\$ 71,110	\$ (12,496)	\$ 125,629	\$ 143,984	\$ (18,355)
Non-cash straight-line rent	(1,879)	(2,992)	1,113	(3,810)	(5,525)	1,715
Non-cash tenant incentive amortization	4,419	3,411	1,008	8,238	7,026	1,212
Property cash NOI	61,154	71,529	(10,375)	130,057	145,485	(15,428)
Acquisitions, dispositions and development property cash NOI	3,599	11,192	(7,593)	11,336	25,019	(13,683)
Same-asset property cash NOI	57,555	60,337	(2,782)	118,721	120,466	(1,745)
Adjusted for the impacts of COVID-19:						
Decrease in parking revenue	970	—	970	927	—	927
Bad debt expense	3,945	(17)	3,962	4,415	(63)	4,478
Same-asset property cash NOI, adjusted for COVID-19	\$ 62,470	\$ 60,320	\$ 2,150	\$ 124,063	\$ 120,403	\$ 3,660

Three months

Same-asset property cash NOI decreased by \$2,782 or 4.6% compared to the second quarter of 2019 primarily due to an increase in bad debt expense of \$3,962 on same-asset properties over the same period in 2019 as a result of specific bad debt write-offs, the impact of the federal government's CECRA program and allowance for the potential impacts of COVID-19 on the collection of receivable balances outstanding at June 30, 2020. Additionally, parking revenue decreased by \$970 as a result of reduced demand due to COVID-19. Same-asset property cash NOI restated for bad debt expense and the decrease in parking revenue is \$62,470, an increase of 3.6% compared to the second quarter of 2019.

Six months

Same-asset property cash NOI for the six months ended June 30, 2020 decreased by \$1,745 or 1.4% compared to the same period in 2019 primarily due to the reasons described above. On a year to date basis, the bad debt expense increased by \$4,478 on same-asset properties over the same period in 2019 and parking revenue decreased by \$927. Same-asset property cash NOI restated for the removal of these items is \$124,063, an increase of 3.0% compared to the six months ended June 30, 2019.

Same-asset property cash NOI is as follows:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,				Six months ended June 30,			
	2020	2019	Variance	Percent	2020	2019	Variance	Percent
Retail and Commercial ⁽¹⁾	\$ 52,865	\$ 55,321	\$ (2,456)	(4.4)%	\$ 108,882	\$ 110,505	\$ (1,623)	(1.5)%
Office	2,731	3,111	(380)	(12.2)%	5,986	6,151	(165)	(2.7)%
Retail-Related Industrial ⁽²⁾	1,959	1,905	54	2.8 %	3,853	3,810	43	1.1 %
Same-asset property cash NOI	\$ 57,555	\$ 60,337	\$ (2,782)	(4.6)%	\$ 118,721	\$ 120,466	\$ (1,745)	(1.4)%

⁽¹⁾ Commercial includes certain properties which comprise both retail and office space. These properties have been consistently included in our retail category.

⁽²⁾ Retail-Related Industrial includes retail distribution centres owned in Toronto, Montreal and Calgary.

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

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Variance	2020	2019	Variance
Acquisitions and dispositions property cash NOI	\$ 1,319	\$ 4,309	\$ (2,990)	\$ 2,552	\$ 11,250	\$ (8,698)
Development property cash NOI	2,280	6,883	(4,603)	8,784	13,769	(4,985)
Total acquisitions, dispositions and development property cash NOI	\$ 3,599	\$ 11,192	\$ (7,593)	\$ 11,336	\$ 25,019	\$ (13,683)

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 with significant disruption in others. Consequently, comparison of period-over-period development operating results may not be meaningful. Avalon Mall is currently under development and its NOI inclusive of COVID-19 impact is reflected herein.

Property NOI for the three and six months ended June 30, 2020 by province was as follows:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Variance	2020	2019	Variance
	Property NOI	Property NOI		Property NOI	Property NOI	
AB	\$ 13,696	\$ 15,766	\$ (2,070)	\$ 27,897	\$ 31,961	\$ (4,064)
BC	8,923	9,383	(460)	18,107	19,520	(1,413)
MB	3,030	3,216	(186)	6,066	6,527	(461)
NB	3,694	3,787	(93)	7,256	7,386	(130)
NL	1,107	6,520	(5,413)	6,511	13,128	(6,617)
NS	11,195	14,194	(2,999)	25,141	28,118	(2,977)
ON	9,009	9,415	(406)	18,670	19,234	(564)
PE	303	454	(151)	595	879	(284)
QC	6,107	6,712	(605)	12,268	13,888	(1,620)
SK	1,550	1,663	(113)	3,118	3,343	(225)
Total	\$ 58,614	\$ 71,110	\$ (12,496)	\$ 125,629	\$ 143,984	\$ (18,355)

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;
- Adjustments for equity accounted entities;
- Operational expenses from right of use assets;
- Incremental internal leasing expenses;
- 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 and Crombie considers these costs comparable to other capital costs incurred to earn property revenue. As a result, where 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. 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, 2020 and 2019 is as follows:

(In thousands of CAD dollars)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Variance	2020	2019	Variance
Increase (decrease) in net assets attributable to Unitholders	\$ (26,006)	\$ 5,373	\$ (31,379)	\$ (37,455)	\$ 19,194	\$ (56,649)
Add (deduct):						
Amortization of tenant incentives	4,419	3,411	1,008	8,238	7,026	1,212
Gain (loss) on disposal of investment properties	—	(16,661)	16,661	829	(43,290)	44,119
Impairment of investment properties	2,100	—	2,100	2,100	—	2,100
Depreciation and amortization of investment properties	17,966	17,845	121	36,974	37,488	(514)
Depreciation of investment properties included in Income from equity accounted investments	21	20	1	45	41	4
Principal payments on right of use assets	54	(22)	76	107	(49)	156
Internal leasing costs	604	525	79	1,208	1,134	74
Finance costs - distributions to Unitholders	35,187	33,744	1,443	69,889	67,480	2,409
Finance costs (income) - change in fair value of financial instruments	212	332	(120)	(1,717)	1,003	(2,720)
FFO as calculated based on REALPAC recommendations	\$ 34,557	\$ 44,567	\$ (10,010)	\$ 80,218	\$ 90,027	\$ (9,809)

Three months

The decrease in FFO is primarily due to reduced property NOI (a decrease of \$12,496 for the quarter) resulting from the disposition of properties in 2019, lower parking revenue (a decrease of \$970 for the quarter) as a result of reduced demand due to COVID-19 and a significant increase in bad debt expense of \$8,731 over the second quarter of 2019. The increased bad debt expense was a result of higher allowance for the potential impacts of COVID-19 on collection of receivable balances outstanding, write-off of specific bad debts and the impact of the federal government's CECRA program. Additionally, general and administrative expenses increased primarily due to \$1,509 of severance costs related to organizational realignment in the quarter, offset in part by lower expenditures for travel and other costs. The reduced property NOI was offset slightly by a decrease in finance costs of \$2,099 in the quarter resulting primarily from the repayment of mortgages and credit facilities related to the asset sales.

FFO per unit was reduced by the increased number of Units outstanding as a result of the issuance of REIT Units and Class B LP Units in the first quarter of 2020. FFO per unit of \$0.22 for the second quarter of 2020 would have been \$0.23 per unit had the Unit issuance not occurred.

Six months

On a year to date basis, the FFO decreased due to the same factors as for the quarter, including an increase in bad debt expense of \$9,845 over the same period in 2019, partially offset by a decrease in general and administrative expenses compared to the same period in 2019. This is primarily related to the reduction in travel and other costs mentioned above and to the impact of decreased unit price on unit-based compensation plans, mitigated in part by the \$1,509 of severance costs in the second quarter of 2020.

FFO per unit of \$0.51 for the six months ended June 30, 2020 would have been \$0.53 per unit without the issuance of additional Units in the first quarter.

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, 2020 and 2019 is as follows:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Variance	2020	2019	Variance
FFO as calculated based on REALPAC recommendations	\$ 34,557	\$ 44,567	\$ (10,010)	\$ 80,218	\$ 90,027	\$ (9,809)
Add (deduct):						
Amortization of effective swap agreements	—	544	(544)	510	1,095	(585)
Straight-line rent adjustment	(1,879)	(2,992)	1,113	(3,810)	(5,525)	1,715
Internal leasing costs	(604)	(525)	(79)	(1,208)	(1,134)	(74)
Maintenance expenditures on a square footage basis	(3,967)	(4,045)	78	(7,920)	(8,254)	334
AFFO as calculated based on REALPAC recommendations	\$ 28,107	\$ 37,549	\$ (9,442)	\$ 67,790	\$ 76,209	\$ (8,419)

Three months

The decrease in AFFO is largely due to the impact on FFO as described above and the conclusion of the amortization of effective swap agreements, offset in part by the reduction of straight-line rent of \$1,113 in the quarter resulting from disposition of properties in 2019.

Six months

The decrease in AFFO on a year to date basis is due to the same factors as those impacting the quarter with reduced straight-line rent of \$1,715, offset in part by lower maintenance expenditures resulting from the decreased square footage compared to the same period in 2019.

Maintenance Capital Expenditures, Maintenance Tenant Incentives ("TI") 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 applied to the weighted average GLA, 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 2020, Crombie has maintained the normalized rate of \$0.90 per square foot of weighted average GLA. Additionally, Crombie combines maintenance capital expenditures with maintenance TI and deferred leasing costs in arriving at a 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

(In thousands of CAD dollars)	Three months ended		Six months ended		Year ended Dec. 31, 2019	Three months ended				Year ended Dec. 31, 2018
	Jun. 30, 2020	Mar. 31, 2020	Jun. 30, 2020	Jun. 30, 2019		Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	
Total additions to investment properties	\$ 14,819	\$ 14,139	\$ 28,958	\$ 37,821	\$ 94,769	\$ 37,799	\$ 19,149	\$ 20,602	\$ 17,219	\$ 91,211
Less: revenue enhancing expenditures	(13,890)	(12,513)	(26,403)	(35,290)	(86,807)	(34,322)	(17,195)	(19,951)	(15,339)	(82,647)
Maintenance capital expenditures	929	1,626	2,555	2,531	7,962	3,477	1,954	651	1,880	8,564
Total additions to TI and deferred leasing costs	23,944	24,629	48,573	14,944	61,035	21,238	24,853	11,336	3,608	17,488
Less: revenue enhancing expenditures	(18,947)	(21,375)	(40,322)	(11,693)	(53,564)	(17,879)	(23,992)	(9,612)	(2,081)	(10,936)
Maintenance TI and deferred leasing costs	4,997	3,254	8,251	3,251	7,471	3,359	861	1,724	1,527	6,552
Total maintenance expenditures - actual	\$ 5,926	\$ 4,880	\$ 10,806	\$ 5,782	\$ 15,433	\$ 6,836	\$ 2,815	\$ 2,375	\$ 3,407	\$ 15,116
Reserve amount charged against AFFO and ACFO	\$ 3,967	\$ 3,953	\$ 7,920	\$ 8,254	\$ 16,113	\$ 3,877	\$ 3,982	\$ 4,045	\$ 4,209	\$ 17,027

Obligations for expenditures for TIs 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 2020 and 2019.

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, 2020 consisted primarily of development work, modernization investments, energy upgrades and land use intensification.

Depreciation, Amortization and Impairment

Crombie's total fair value of investment properties exceeds carrying value by \$781,728 at June 30, 2020 (June 30, 2019 - \$793,721). 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.

(In thousands of CAD dollars)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Variance	2020	2019	Variance
Same-asset depreciation and amortization	\$ 16,210	\$ 16,151	\$ (59)	\$ 32,379	\$ 32,678	\$ 299
Acquisitions, dispositions and development depreciation/ amortization	2,068	1,989	(79)	5,217	5,380	163
Depreciation and amortization	\$ 18,278	\$ 18,140	\$ (138)	\$ 37,596	\$ 38,058	\$ 462
Impairment	\$ 2,100	\$ —	\$ (2,100)	\$ 2,100	\$ —	\$ (2,100)

Three months

The increase in depreciation and amortization is due to additions, most notably the 50% acquisition of Vaughan Distribution Centre, an existing retail-related industrial property in December 2019 and the ongoing development of Avalon Mall. This is offset by the dispositions of properties in 2019.

During the quarter, Crombie recorded impairments totalling \$2,100 on three properties. The impairments were the result of the fair value impact of tenant lease expiries and slower than expected leasing activity in secondary markets. Impairment was measured on a per property basis and

was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be each property's fair value defined as the higher of the economic benefit of the continued use of the asset or the selling price less costs to sell.

Six months

The decrease in depreciation and amortization is due to the dispositions of properties in 2019. This is offset by the additions noted above and accelerated depreciation due to the partial demolition of a building at the Avalon Mall site in the first quarter of 2020.

General and Administrative Expenses

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

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Variance	2020	2019	Variance
Salaries and benefits	\$ 5,502	\$ 3,952	\$ (1,550)	\$ 6,881	\$ 8,025	\$ 1,144
Professional fees	414	350	(64)	770	616	(154)
Public company costs	478	533	55	931	1,117	186
Rent and occupancy	147	181	34	298	323	25
Other	419	954	535	1,099	1,673	574
General and administrative expenses	\$ 6,960	\$ 5,970	\$ (990)	\$ 9,979	\$ 11,754	\$ 1,775
As a percentage of property revenue	7.2%	6.0%	(1.2)%	5.0%	5.7%	0.7%

Three months

The increase in expenses is primarily due to \$1,509 of severance related to organizational realignment in the quarter, offset in part by lower office expenses.

Six months

The reduction in expenses year to date is due to the decrease in unit price and its impact on unit-based compensation plans, offset in part by severance in the second quarter of 2020.

Finance Costs - Operations

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Variance	2020	2019	Variance
Finance costs	\$ 21,323	\$ 23,422	\$ 2,099	\$ 43,212	\$ 48,177	\$ 4,965
Amortization of deferred financing charges	683	913	230	1,434	1,825	391
Finance costs - operations	\$ 22,006	\$ 24,335	\$ 2,329	\$ 44,646	\$ 50,002	\$ 5,356

Three and six months

Finance costs decreased by \$2,099 in the quarter and \$4,965 year to date primarily due to dispositions of properties and resulting repayments and dispositions of mortgages to joint operations in 2019. This is partially offset by the increased finance costs on additional senior unsecured notes issued in the latter half of 2019.

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:

<i>(In thousands of CAD dollars, except as otherwise noted)</i>	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Distributions to Unitholders	\$ 20,794	\$ 19,946	\$ 41,301	\$ 39,887
Distributions to Special Voting Unitholders ⁽¹⁾	14,393	13,798	28,588	27,593
Total distributions	\$ 35,187	\$ 33,744	\$ 69,889	\$ 67,480
FFO payout ratio	101.8%	75.7%	87.1%	75.0%
AFFO payout ratio	125.2%	89.9%	103.1%	88.5%
ACFO payout ratio ⁽²⁾	123.2%	83.1%	105.1%	84.6%

⁽¹⁾ Crombie Limited Partnership, a subsidiary of Crombie, has also issued 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.

⁽²⁾ Excludes special distribution paid in January 2020. Payout ratio including this payment is 123.2% for the quarter and 135.4% for the six months ended June 30, 2020.

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 2019 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, some 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.

Due to the significant disposition activity in 2019, substantially all of Crombie's distributions, inclusive of special distributions, were paid out of its taxable income and capital gains. This resulted in zero return of capital and a much higher allocation of capital gains in 2019.

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
2019 per \$ of distribution	0.0%	55.7%	0.0%	44.3%
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%

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 tenant incentive 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, 2023, of up to \$400,000, subject to available borrowing base, of which \$20,736 (\$26,482 including outstanding letters of credit) was drawn at June 30, 2020;

(ii) unsecured short-term financing through an authorized floating rate revolving credit facility, maturing May 14, 2021, of up to \$100,000, of which \$37,000 was drawn at June 30, 2020;

(iii) unsecured short-term financing through an authorized non-revolving term credit facility, maturing March 31, 2021, of up to \$75,000, of which \$75,000 was drawn at June 30, 2020;

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

(v) secured mortgage and term debt on unencumbered properties, Crombie currently has \$1,461,970 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;

(vi) the issuance of additional senior unsecured notes; 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

<i>(In thousands of CAD dollars)</i>	June 30, 2020		December 31, 2019	
Fixed rate mortgages	\$ 1,236,216	32.2%	\$ 1,302,510	34.6%
Credit facilities	141,990	3.7%	54,308	1.5%
Senior unsecured notes	922,588	24.0%	922,479	24.5%
Crombie REIT Unitholders	900,968	23.5%	870,792	23.1%
Special Voting Units and Class B Limited Partnership Unitholders	610,176	15.9%	584,251	15.5%
Lease liabilities	29,219	0.7%	29,419	0.8%
	\$ 3,841,157	100.0%	\$ 3,763,759	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, 2023, of which \$20,736 (\$26,482 including outstanding letters of credit) was drawn as at June 30, 2020. The revolving credit facility is secured by a pool of first 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, 2020, Crombie had sufficient Borrowing Base to permit \$369,785 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See "Borrowing Capacity and Debt Covenants".

Unsecured bilateral credit facility

The unsecured bilateral revolving credit facility has a maximum principal amount of \$100,000, with a maturity date of May 14, 2021, of which \$37,000 was drawn as at June 30, 2020. 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.

Unsecured short-term credit facility

The unsecured short-term credit facility is a floating rate non-revolving credit facility with a maximum principal amount of \$75,000 and matures March 31, 2021, of which \$75,000 was drawn as at June 30, 2020. Borrowings under the credit facility are by way of Bankers Acceptance and the floating interest rate is contingent on the applicable spread or margin.

Joint operation credit facilities

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 \$5,800 revolving credit facility. Both facilities are secured by first mortgages on select properties 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 June 30, 2020, Crombie's portion of the term and revolving credit facilities was \$6,848 and \$235, respectively.

In conjunction with the 89% sale of a portfolio of assets in the fourth quarter of 2019, Crombie and its co-owner entered into a credit agreement with a Canadian Chartered Bank for a \$16,500 term loan facility and a \$15,500 revolving credit facility. Both facilities are secured by first and second mortgages on select properties and have a term of five years maturing on October 7, 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 3.27%. At June 30, 2020, Crombie's portion of the term and revolving credit facilities was \$1,815 and \$356 respectively.

Mortgage debt and credit facilities

Crombie had fixed rate mortgages outstanding consisting of:

	June 30, 2020	December 31, 2019
Fixed rate mortgages	\$ 1,241,702	\$ 1,308,147
Unamortized fair value debt adjustment and interest rate subsidy	785	930
	1,242,487	1,309,077
Deferred financing charges on fixed rate mortgages	(6,272)	(6,567)
Total mortgage debt	\$ 1,236,215	\$ 1,302,510

The mortgages carry a weighted average interest rate of 4.03% and a weighted average term to maturity of 5.1 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 \$113,842 of floating rate debt.

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

12 Months Ending	Maturing Debt Balances				Payments of Principal	Total Required Payments	% of Total
	Mortgages	Credit Facilities	Total	% of Total			
Remainder of 2020	\$ 47,749	\$ —	\$ 47,749	4.1%	\$ 21,494	\$ 69,243	5.0%
December 31, 2021	83,856	112,000	195,856	17.1%	42,582	238,438	17.2%
December 31, 2022	159,451	—	159,451	13.9%	37,222	196,673	14.2%
December 31, 2023	238,384	20,736	259,120	22.6%	30,583	289,703	20.9%
December 30, 2024	226,268	9,254	235,522	20.5%	18,712	254,234	18.4%
Thereafter	249,823	—	249,823	21.8%	85,579	335,402	24.3%
Total ⁽¹⁾	\$ 1,005,531	\$ 141,990	\$ 1,147,521	100.0%	\$ 236,172	\$ 1,383,693	100.0%

⁽¹⁾ Excludes fair value debt adjustment and deferred financing charges.

Of the maturing debt balances, 28.9% of mortgages and 35.1% of total maturing debt balances mature over the next three years.

Senior unsecured notes

	Maturity Date	Interest Rate	June 30, 2020	December 31, 2019
Series B	June 1, 2021	3.962%	\$ 250,000	\$ 250,000
Series D	November 21, 2022	4.066%	150,000	150,000
Series E	January 31, 2025	4.802%	175,000	175,000
Series F	August 26, 2026	3.677%	200,000	200,000
Series G	June 21, 2027	3.917%	150,000	150,000
Unamortized Series B issue premium			407	627
Deferred financing charges			(2,819)	(3,148)
			\$ 922,588	\$ 922,479

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, 2020, Crombie issued 70,421 REIT Units and 49,927 Class B LP Units under its DRIP. 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.

On February 11, 2020, Crombie closed a public offering, on a bought deal basis, of 3,657,000 REIT Units, at a price of \$16.00 per Unit for proceeds of \$55,951 net of issue costs. On the same date, concurrently with the issuance of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments (ECLD), a wholly-owned subsidiary of Empire, purchased 2,593,750 Class B LP Units and the attached Special Voting Units at a price of \$16.00 per Class B LP Unit for proceeds of \$41,425 net of issue costs, on a private placement basis. After the closing of the offering and the private placement, Empire continues to hold a 41.5% economic and voting interest in Crombie.

Throughout the quarter, Crombie issued 58,090 REIT Units under its unit based compensation plan.

Total units outstanding at July 31, 2020, were as follows:

Units	93,491,971
Special Voting Units ⁽¹⁾	64,695,670

⁽¹⁾ Crombie Limited Partnership, a subsidiary of Crombie, has also issued 64,695,670 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

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Variance	2020	2019	Variance
Cash provided by (used in):						
Operating activities	\$ (43,522)	\$ (29,061)	\$ (14,461)	\$ (77,151)	\$ (11,020)	\$ (66,131)
Financing activities	(48,100)	(89,097)	40,997	112,274	(127,588)	239,862
Investing activities	(21,035)	118,158	(139,193)	(35,123)	138,608	(173,731)
Net change during the period	\$ (112,657)	\$ —	\$ (112,657)	\$ —	\$ —	\$ —

Operating Activities

Three months

The increase in cash used in operating activities during the quarter is primarily due to additions to tenant incentives, including modernizations for energy upgrades of \$14,489 and reduced operating income due to the following factors: decreased revenue as a result of the sale of assets in 2019 as part of Crombie's capital recycling program; increased bad debt expense of \$8,731 as a result of higher allowance for the potential impacts of COVID-19 on collection of receivable balances outstanding, write-off of specific bad debts and the impact of the federal government's CECRA program; and, severance of \$1,509 in general and administrative salaries and benefits costs related to organizational realignment in the quarter.

Six months

In addition to the items mentioned above for the quarter, the increase in cash used in operating activities on a year to date basis is primarily due to modernization investments of \$12,747 and payment of the special cash distribution of \$14,857 on January 15, 2020.

Financing Activities

Three months

The decrease in cash used in financing activities is due to the \$118,000 mortgage issue in the quarter, partially offset by repayment of credit facilities of \$144,120 compared to \$61,431 in the second quarter of 2019.

Six months

The increase in cash provided by financing activities on a year to date basis is due to the mortgage issue in the second quarter as mentioned above, the Unit issuance of \$97,376 net of costs and the net amount drawn on floating rate credit facilities of \$87,682, which includes the short-term credit facility of \$75,000 that was fully drawn on June 30, 2020. This is partially offset by repayment of mortgages of \$189,487.

Investing Activities

Three months

Crombie had no dispositions during the quarter, compared to proceeds from the disposition of investment properties of \$139,718 in the second quarter of 2019, which is driving the majority of the corresponding period variance.

Six months

On a year to date basis, Crombie had acquisitions of \$4,962 and proceeds from the disposition of investment properties of \$901 compared to disposition proceeds of \$213,499 (offset by \$32,439 in acquisitions) in same period in 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, 2020 and 2019 is as follows:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Cash flow from operations	\$ (43,522)	\$ (29,061)	\$ (77,151)	\$ (11,020)
Add (deduct):				
Distributions to Unitholders included in cash flow from operations	35,187	33,744	69,889	67,480
Non-cash DRIP amount included in above distributions	(721)	(473)	(1,700)	(1,220)
Change in non-cash working capital balances not indicative of sustainable cash flows	18,629	30,537	21,977	20,844
Reserve for maintenance capital expenditures	(3,967)	(4,045)	(7,920)	(8,254)
Tenant improvements	23,573	10,858	47,864	13,802
Principal payments on right of use assets	54	(22)	107	(49)
Amortization of deferred financing charges	(683)	(913)	(1,434)	(1,825)
ACFO as calculated based on REALPAC recommendations	28,550	40,625	51,632	79,758
Adjustments:				
Special distribution paid to Unitholders, January 2020	—	—	14,857	—
ACFO, as adjusted	28,550	40,625	66,489	79,758
Total distributions declared during the period	35,187	33,744	69,889	67,480
Excess (deficiency) of ACFO over total distributions	\$ (6,637)	\$ 6,881	\$ (3,400)	\$ 12,278
ACFO payout ratio ⁽¹⁾	123.2%	83.1%	105.1%	84.6%

⁽¹⁾ Payout ratio on unadjusted ACFO is 123.2% for the quarter and 135.4% for the six months ended June 30, 2020.

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, 2020, the remaining amount available under the revolving credit facility was approximately \$349,000 (prior to reduction for standby letters of credit outstanding of \$5,746) and was not limited by the Aggregate Borrowing Base. At June 30, 2020, Crombie remained in compliance with all debt covenants.

The terms of the unsecured bilateral revolving credit facility and the unsecured non-revolving short-term credit facility also require annualized NOI on all properties to be a minimum of 1.4 times the coverage of all annualized debt service requirements and distributions to Unitholders to be limited to 100% of distributable income as defined in the credit facilities.

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 biannual capitalization rates from external property valuers. The majority of 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.

During the quarter, Crombie made assumptions when determining the fair value of its investment properties as to the short- and potential long-term impacts of COVID-19. Crombie adjusted net property income for expected impacts related to COVID-19, by looking at potential bad debts or other lost income at each property and applying probability to several potential scenarios. Crombie also completed discounted cash flow models to support its fair value of investment properties. These assumptions are subject to change as the full impact of COVID-19 is yet to be determined.

The fair value included in this calculation reflects the fair value of the properties as at June 30, 2020 and 2019, respectively, based on each property's current use as a revenue generating investment property.

The debt to gross book value on a fair value basis was 49.2% at June 30, 2020 compared to 49.1% at June 30, 2019. 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, 2020, Crombie's weighted average capitalization rate used in the determination of the fair value of its investment properties decreased 0.05% to 5.94%.

<i>(In thousands of CAD dollars, except as otherwise noted)</i>	As at				
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019
Fixed rate mortgages	\$ 1,242,487	\$ 1,143,537	\$ 1,309,077	\$ 1,474,996	\$ 1,504,095
Senior unsecured notes	925,000	925,000	925,000	775,000	700,000
Revolving credit facility	20,736	117,000	15,339	9,388	55,707
Joint operation credit facility	9,254	9,111	8,969	6,926	6,848
Bilateral credit facility	37,000	40,000	30,000	34,000	24,000
Short-term credit facility	75,000	120,000	—	—	—
Lease liabilities	29,219	29,276	29,419	29,336	29,436
Total debt outstanding	2,338,696	2,383,924	2,317,804	2,329,646	2,320,086
Less: Applicable fair value debt adjustment	(408)	(473)	(539)	(607)	(676)
Debt	\$ 2,338,288	\$ 2,383,451	\$ 2,317,265	\$ 2,329,039	\$ 2,319,410
Investment properties, at fair value	\$ 4,604,000	\$ 4,519,000	\$ 4,605,000	\$ 4,626,000	\$ 4,592,000
Other assets, cost ⁽¹⁾	93,749	76,699	80,035	79,807	76,626
Cash and cash equivalents	—	112,657	—	—	—
Deferred financing charges	9,091	9,121	9,715	9,920	9,878
Investment in joint ventures	45,827	45,221	45,123	45,160	41,913
Interest rate subsidy	(408)	(473)	(539)	(607)	(676)
Gross book value - fair value basis	\$ 4,752,259	\$ 4,762,225	\$ 4,739,334	\$ 4,760,280	\$ 4,719,741
Debt to gross book value - fair value basis	49.2%	50.0%	48.9%	48.9%	49.1%

⁽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, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018
Property revenue	\$ 96,501	\$ 102,252	\$ 96,823	\$ 97,346	\$ 99,332	\$ 105,240	\$ 104,296	\$ 100,505
Amortization of tenant incentives	4,419	3,819	3,598	3,515	3,411	3,615	3,451	3,334
Adjusted property revenue	100,920	106,071	100,421	100,861	102,743	108,855	107,747	103,839
Property operating expenses	(37,887)	(35,237)	(29,852)	(27,205)	(28,222)	(32,366)	(30,817)	(27,660)
General and administrative expenses	(6,960)	(3,019)	(5,855)	(6,112)	(5,970)	(5,784)	(5,184)	(4,925)
Income (loss) from equity accounted investments	123	115	(8)	125	123	94	111	69
EBITDA (1)	\$ 56,196	\$ 67,930	\$ 64,706	\$ 67,669	\$ 68,674	\$ 70,799	\$ 71,857	\$ 71,323
Trailing 12 months EBITDA (4)	\$ 256,501	\$ 268,979	\$ 271,848	\$ 278,999	\$ 282,653	\$ 286,078	\$ 287,246	\$ 288,688
Finance costs - operations	\$ 22,006	\$ 22,640	\$ 22,810	\$ 24,504	\$ 24,335	\$ 25,667	\$ 25,968	\$ 26,573
Amortization of deferred financing charges	(683)	(751)	(827)	(922)	(913)	(912)	(930)	(2,019)
Amortization of effective swap agreements	—	(510)	(356)	(226)	(544)	(551)	(557)	(563)
Adjusted interest expense (2)	\$ 21,323	\$ 21,379	\$ 21,627	\$ 23,356	\$ 22,878	\$ 24,204	\$ 24,481	\$ 23,991
Debt principal repayments (3)	\$ 10,395	\$ 10,790	\$ 12,167	\$ 12,773	\$ 12,917	\$ 13,647	\$ 13,108	\$ 13,033
Debt outstanding (see Debt to Gross Book Value) (5) ⁽¹⁾	\$ 2,338,288	\$ 2,383,451	\$ 2,317,265	\$ 2,329,039	\$ 2,319,410	\$ 2,449,331	\$ 2,488,665	\$ 2,471,746
Interest service coverage ratio $\{(1)/(2)\}$	2.64x	3.18x	2.99x	2.90x	3.00x	2.93x	2.94x	2.97x
Debt service coverage ratio $\{(1)/((2)+(3))\}$	1.77x	2.11x	1.91x	1.87x	1.92x	1.87x	1.91x	1.93x
Debt to trailing 12 months EBITDA $\{(5)/(4)\}$	9.12x	8.86x	8.52x	8.35x	8.21x	8.56x	8.66x	8.56x

⁽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, 2020, 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 joint venture entities in which Crombie has a 50% interest, as well as 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:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Property revenue				
Property revenue	\$ 50,873	\$ 57,235	\$ 100,243	\$ 109,465
Head lease income	\$ 115	\$ 247	\$ 483	\$ 409
Lease termination income	\$ 34	\$ 34	\$ 68	\$ 454
Property operating expenses	\$ (17)	\$ (20)	\$ (24)	\$ (24)
General and administrative expenses				
Property management services recovered	\$ 165	\$ 159	\$ 204	\$ 278
Other general and administrative expenses	\$ (70)	\$ (69)	\$ (129)	\$ (122)
Finance costs - operations				
Interest rate subsidy	\$ 65	\$ 70	\$ 131	\$ 142
Finance costs - distributions to Unitholders	\$ (14,595)	\$ (14,000)	\$ (28,992)	\$ (27,997)

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, 2020, Crombie issued 49,927 (June 30, 2019 - 36,321) Class B LP Units to ECLD under the DRIP.

On February 11, 2020, ECLD purchased 2,593,750 Class B LP Units and the attached Special Voting Units at a price of \$16.00 per Class B LP Unit for proceeds of \$41,425, net of issue costs, on a private placement basis.

On May 28, 2020, Crombie purchased a property from a subsidiary of Empire for a total purchase price of \$4,535 before transaction costs.

During the six months ended June 30, 2020, Crombie invested \$12,747 in the modernizations and conversions of three existing properties anchored by subsidiaries of Empire. The amounts are included in tenant incentive additions and are being amortized over the amended lease terms.

During the six months ended June 30, 2020, Crombie invested \$14,489 in energy upgrades at 147 existing properties anchored by subsidiaries of Empire. Of the total costs, \$13,937 is included in tenant incentive additions and the remaining \$552 is included in income property additions, depending on the nature of the work completed. These completed costs are being amortized over the amended lease terms or useful life of the projects.

Amounts due from related parties include \$15,533 (December 31, 2019 - \$15,533) 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, 2019.

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.

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 2019 Annual MD&A. The estimates and assumptions that are critical to the determination of the amounts reported in the interim condensed consolidated financial statements relate to the following:

(i) Fair value measurement

A number of assets and liabilities included in Crombie's interim condensed consolidated financial statements require measurement at, and/or disclosure of, fair value. In estimating the fair value of an asset or a liability, Crombie uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Crombie estimates the fair value based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

(ii) Investment properties

Investment properties are carried at cost less accumulated depreciation. Crombie estimates the residual value and useful lives of investment properties and the significant components thereof to calculate depreciation and amortization.

(iii) Investment property valuation

External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of properties being valued, value substantially all of Crombie's investment property portfolio on a rotating basis over a maximum period of four years. The fair values, based on the measurement date, represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Internal quarterly valuations are performed using internally generated valuation models prepared by considering the aggregate trailing net property income received from leasing the property, that is stabilized for any major tenant movement. Crombie adjusted net property income for expected impacts related to COVID-19, by looking at potential bad debts at each property and applying probability to several potential scenarios. Crombie also completed discounted cash flow models to support its fair value of investment property. Biannual yields are obtained from an independent valuation company, which reflects the specific risks inherent in the net property income, to arrive at property valuations. As at June 30, 2020, management's determination of fair value was updated for current market assumptions, informed by market capitalization rates and recent appraisals provided by independent appraisal professionals.

(iv) Lease modifications

From time to time, Crombie may agree with tenants to modify the terms of lease agreements, including changes to the consideration under the lease. When the changes result in a reduction in amounts receivable relating to past lease periods, Crombie applies IFRS 9 in determining whether to partially or fully derecognize those receivables. Other changes to the terms and conditions of the lease are treated as lease modifications in accordance with IFRS 16, and the modified lease is accounted for as a new lease from the effective date of the modification, with any prepaid or accrued lease payments relating to the original lease included as part of the lease payments for the new lease.

Critical Judgments

Critical judgments are discussed under the section "Critical Judgments" in the 2019 Annual MD&A.

Application of new IFRS

Effective January 1, 2020, Crombie has applied the amendments to the requirements of IFRS 3, "Business Combinations" ("IFRS 3"), in relation to whether a transaction meets the definition of a business combination. The amendments help provide guidance on whether the acquired assets and activities constitute a business. The change is applied prospectively on or after the effective date and as such there was no impact on the adoption of this amendment.

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, 2020.

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:

<i>(In thousands of CAD dollars)</i>	June 30, 2020		December 31, 2019	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Long-term receivables ⁽¹⁾	\$ 24,581	\$ 24,557	\$ 23,911	\$ 24,120
Financial liabilities				
Investment property debt	\$ 1,436,981	\$ 1,384,477	\$ 1,400,821	\$ 1,363,385
Senior unsecured notes	954,082	925,000	946,700	925,000
Total other financial liabilities	\$ 2,391,063	\$ 2,309,477	\$ 2,347,521	\$ 2,288,385

⁽¹⁾Long-term receivables include amounts in other assets for the 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, 2020, Crombie has a total of \$5,746 in outstanding letters of credit related to:

<i>(In thousands of CAD dollars)</i>	June 30, 2020	December 31, 2019
Construction work being performed on investment properties	\$ 3,906	\$ 3,805
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	1,840	\$ 1,840
Total outstanding letters of credit	\$ 5,746	\$ 5,645

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

As at June 30, 2020, Crombie had signed construction contracts totalling \$318,269 of which \$219,738 has been paid. This includes contracts signed within joint ventures at Crombie's ownership percentage.

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, 2020, Crombie has provided guarantees of approximately \$143,173 (December 31, 2019 - \$145,713) 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 4.3 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.

In addition to the more fulsome description of Crombie's financial risk discussion under the section "Risk Management" in the 2019 Annual MD&A, Crombie is providing the following specific risk updates for June 30, 2020.

Enterprise and Risk Management

Markets have been negatively impacted by COVID-19, which was declared a pandemic by the World Health Organization ("WHO") on March 11, 2020. The continued spread of COVID-19 and the actions being taken by governments, businesses and individuals to limit this pandemic, including business closures and physical distancing, and the effects of resulting layoffs and other job losses on the available income of retail customers, may adversely impact our operations and development activities including, among others, increasing the credit risk associated with our receivables, limiting our ability to quickly respond to changes in credit risk, extending the time to completion and occupancy of our major developments and limiting our ability to serve our tenants. There is also increased risk as to the extent of the impact of COVID-19 on leasing, occupancy, tenant inducements, land use intensifications, market rents and capital expenditures if the current economic slowdown continues long-term, potentially impacting future operational expectations and valuation of assets. This has resulted in significant economic uncertainty, of which the potential impact on Crombie's future financial results is difficult to reliably measure.

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, Empire (including Sobeys and all other subsidiaries of Empire), represents 54.2% of annual minimum rent; no other tenant accounts for more than 4.1% 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 \$50,873 and \$100,243 for the three and six months ended June 30, 2020 (three and six months ended June 30, 2019- \$57,235 and \$109,465 respectively) from Sobeys Inc. and other subsidiaries of Empire.

Over the next five years, leases representing no more than 4.8% of the gross leasable area of Crombie will expire in any one year.

Receivables are substantially comprised of current balances due from tenants and past due receivables since the start of the pandemic, primarily April to June. The balance of accounts receivable past due is usually not significant; however, historically low receivable balances have increased significantly during the quarter as a result of the COVID-19 pandemic. 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.

Crombie determines the expected credit loss in accordance with IFRS 9's simplified approach for amounts receivable where its loss allowance is measured at initial recognition and throughout the life of the receivable. Trade receivables are written off when there is no reasonable expectation of recovery. Crombie continues to assess the impact of COVID-19 and has recorded increases in expected credit losses for certain tenants. Crombie's current provision for allowance for doubtful accounts is determined based on the age of receivable balances, risk rating and collection uncertainty assigned to individual tenants.

Crombie manages its residual risk in its investment properties through an active capital expenditure program and actively leasing any vacant spaces. The residual risk throughout Crombie's portfolio is not considered significant although a prolonged state of economic shutdown can impact Crombie's ability to execute on its capital expenditure program and leasing activity.

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.

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, 2020:

- Crombie's weighted average term to maturity of its fixed rate mortgages is 5.1 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 \$20,736 at June 30, 2020;
- Crombie has a floating rate bilateral credit facility available to a maximum of \$100,000 with a balance of \$37,000 at June 30, 2020;
- Crombie has a short-term floating rate credit facility available to a maximum of \$75,000 with a balance of \$75,000 at June 30, 2020; and,
- Crombie has interest rate swap agreements in place on \$113,842 of floating rate debt.

A fluctuation in interest rates would have had an impact on Crombie's operating income related to the use of floating rate debt. The following table looks at the impacts of selected interest rate moves on operating income:

<i>(In thousands of CAD dollars)</i>	Three months ended June 30, 2020		Six months ended June 30, 2020	
	Decrease in rate	Increase in rate	Decrease in rate	Increase in rate
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility				
Impact of a 0.5% interest rate change	\$ 166	\$ (166)	\$ 328	\$ (328)
Impact of a 1.0% interest rate change	\$ 331	\$ (331)	\$ 656	\$ (656)

In response to the COVID-19 pandemic and the economic uncertainties present in financial markets, the Bank of Canada has made significant cuts to its overnight lending rates. While most of Crombie's borrowings are fixed rate, these interest rate cuts will impact borrowing under our current credit facilities.

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 disciplined 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 additional financing that was obtained in the first quarter of 2020 (\$75,000 outstanding as at June 30, 2020) has strengthened Crombie's short-term liquidity.

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

<i>(In thousands of CAD dollars)</i>	Twelve Months Ending June 30,						
	Contractual Cash Flows ⁽¹⁾	2021	2022	2023	2024	2025	Thereafter
Fixed rate mortgages ⁽²⁾	\$ 1,463,209	\$ 147,821	\$ 258,110	\$ 251,248	\$ 316,126	\$ 114,042	\$ 375,862
Senior unsecured notes	1,073,366	286,809	27,729	174,004	21,630	193,130	370,064
Lease Liabilities	148,109	2,552	2,374	2,288	2,157	2,095	136,643
	2,684,684	437,182	288,213	427,540	339,913	309,267	882,569
Credit facilities	146,786	115,052	732	21,468	7,344	2,190	—
Total	\$ 2,831,470	\$ 552,234	\$ 288,945	\$ 449,008	\$ 347,257	\$ 311,457	\$ 882,569

⁽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.

SUBSEQUENT EVENTS

- (a) On July 7, 2020, Crombie acquired a 100% interest in a retail property totalling 9,900 square feet for \$4,750, excluding closing and transaction costs.
- (b) On July 16, 2020, Crombie declared distributions of 7.417 cents per Unit for the period from July 1, 2020 to and including July 31, 2020. The distributions will be paid on August 14, 2020, to Unitholders of record as of July 31, 2020.

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, 2020. 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, 2019 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 year.

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.

<i>(In thousands of CAD dollars, except per unit amounts)</i>	Three Months Ended							
	Jun. 30 2020	Mar. 31 2020	Dec. 31 2019	Sep. 30 2019	Jun. 30 2019	Mar. 31 2019	Dec. 31 2018	Sep. 30 2018
Property revenue	\$ 96,501	\$ 102,252	\$ 96,823	\$ 97,346	\$ 99,332	\$ 105,240	\$ 104,296	\$ 100,505
Property operating expenses	37,887	35,237	29,852	27,205	28,222	32,366	30,817	27,660
Property net operating income	58,614	67,015	66,971	70,141	71,110	72,874	73,479	72,845
Gain on disposal	—	(829)	30,198	8,315	16,661	26,629	4,580	100
Expenses:								
General and administrative	(6,960)	(3,019)	(5,855)	(6,112)	(5,970)	(5,784)	(5,184)	(4,925)
Finance costs - operations	(22,006)	(22,640)	(22,810)	(24,504)	(24,335)	(25,667)	(25,968)	(26,573)
Income (loss) from equity accounted investments	123	115	(8)	125	123	94	111	69
Depreciation and amortization	(18,278)	(19,318)	(18,347)	(17,908)	(18,140)	(19,918)	(19,906)	(28,696)
Impairment	(2,100)	—	(6,000)	—	—	—	(7,000)	—
Operating income before taxes	9,393	21,324	44,149	30,057	39,449	48,228	20,112	12,820
Taxes - current	—	—	—	(8)	—	—	(1)	(2)
Operating income	9,393	21,324	44,149	30,049	39,449	48,228	20,111	12,818
Finance costs - distributions to Unitholders	(35,187)	(34,702)	(48,936)	(33,753)	(33,744)	(33,736)	(33,724)	(33,711)
Finance income (costs) - change in fair value of financial instruments	(212)	1,929	(70)	(264)	(332)	(671)	197	(40)
Increase (decrease) in net assets attributable to Unitholders	\$ (26,006)	\$ (11,449)	\$ (4,857)	\$ (3,968)	\$ 5,373	\$ 13,821	\$ (13,416)	\$ (20,933)
Operating income per unit - Basic	\$ 0.06	\$ 0.14	\$ 0.29	\$ 0.20	\$ 0.26	\$ 0.32	\$ 0.13	\$ 0.08

<i>(In thousands of CAD dollars, except per unit amounts)</i>	Three Months Ended							
	Jun. 30 2020	Mar. 31 2020	Dec. 31 2019	Sep. 30 2019	Jun. 30 2019	Mar. 31 2019	Dec. 31 2018	Sep. 30 2018
Distributions								
Distributions	\$ 35,187	\$ 34,702	\$ 48,936	\$ 33,753	\$ 33,744	\$ 33,736	\$ 33,724	\$ 33,711
Per unit	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22
AFFO								
Basic	\$ 28,107	\$ 39,683	\$ 36,006	\$ 36,417	\$ 37,549	\$ 38,660	\$ 39,771	\$ 37,867
Per unit - Basic	\$ 0.18	\$ 0.26	\$ 0.24	\$ 0.24	\$ 0.25	\$ 0.26	\$ 0.26	\$ 0.25
Payout ratio ⁽¹⁾	125.2%	87.4%	93.8%	92.7%	89.9%	87.3%	84.8%	89.0%
FFO								
Basic	\$ 34,557	\$ 45,661	\$ 42,132	\$ 43,380	\$ 44,567	\$ 45,460	\$ 46,490	\$ 45,355
Per unit - Basic	\$ 0.22	\$ 0.29	\$ 0.28	\$ 0.29	\$ 0.29	\$ 0.30	\$ 0.31	\$ 0.30
Payout ratio ⁽²⁾	101.8%	76.0%	80.1%	77.8%	75.7%	74.2%	72.5%	74.3%

⁽¹⁾ Excludes special distribution December 31, 2019. Payout ratio for that quarter including total distributions is 135.4%.

⁽²⁾ Excludes special distribution December 31, 2019. Payout ratio for that quarter including total distributions is 115.8%.

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, 2020 - acquisition of one retail property for a total purchase price of \$4,535;

- March 31, 2020 - acquisition of a parcel of land adjacent to an existing retail property for a total purchase price of \$280 and disposition of a parcel of land adjacent to an existing retail property for proceeds of \$1,000;
 - December 31, 2019 - acquisition of one retail property and additions to one existing retail property and one existing retail-related industrial property for a total purchase price of \$114,933 and disposition of an 89% interest in 15 retail properties for proceeds of \$193,333;
 - September 30, 2019 - acquisition of a 50% interest in one retail property for a total purchase price of \$9,500, disposition of an 89% interest in one retail property for proceeds of \$9,750, disposition of 100% of one retail property for proceeds of \$12,255, disposition of air rights to a joint venture for proceeds of \$27,379 and disposition of a freestanding building adjacent to a retail property for proceeds of \$175;
 - June 30, 2019 - disposition of one retail property for proceeds of \$21,500, disposition of residential lands adjacent to a development property for proceeds of \$3,275 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 \$32,000, disposition of three retail properties for proceeds of \$64,780, disposition of a parcel of land adjacent to a retail property for proceeds of \$821 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; and,
 - 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.
- 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 5, 2020

New Glasgow, Nova Scotia, Canada

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE
THREE AND SIX MONTHS ENDED
JUNE 30, 2020

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

	Note	June 30, 2020	December 31, 2019
Assets			
Non-current assets			
Investment properties	3	\$ 3,555,315	\$ 3,557,572
Investment in joint ventures	4	45,827	45,123
Other assets	5	293,846	286,947
		3,894,988	3,889,642
Current assets			
Other assets	5	65,022	30,625
		65,022	30,625
Total Assets		3,960,010	3,920,267
Liabilities			
Non-current liabilities			
Fixed rate mortgages	6	1,136,229	1,045,015
Credit facilities	6	29,990	54,308
Senior unsecured notes	7	672,588	922,479
Employee future benefits obligation		8,255	8,122
Trade and other payables	8	12,620	14,613
Lease liabilities	18	28,498	28,675
		1,888,180	2,073,212
Current liabilities			
Fixed rate mortgages	6	99,987	257,495
Credit facilities	6	112,000	—
Senior unsecured notes	7	250,000	—
Employee future benefits obligation		289	289
Trade and other payables	8	97,689	133,484
Lease liabilities	18	721	744
		560,686	392,012
Total liabilities excluding net assets attributable to Unitholders		2,448,866	2,465,224
Net assets attributable to Unitholders		\$ 1,511,144	\$ 1,455,043
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		\$ 900,968	\$ 870,792
Special Voting Units and Class B Limited Partnership Unitholders		610,176	584,251
		\$ 1,511,144	\$ 1,455,043
Commitments, contingencies and guarantees	19		
Subsequent events	20		

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)

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Property revenue	9	\$ 96,501	\$ 99,332	\$ 198,753	\$ 204,572
Property operating expenses		37,887	28,222	73,124	60,588
Net property income		58,614	71,110	125,629	143,984
Gain (loss) on disposal of investment properties	3	—	16,661	(829)	43,290
Impairment of investment properties	3	(2,100)	—	(2,100)	—
Depreciation and amortization	3,5	(18,278)	(18,140)	(37,596)	(38,058)
General and administrative expenses	11	(6,960)	(5,970)	(9,979)	(11,754)
Finance costs - operations	12	(22,006)	(24,335)	(44,646)	(50,002)
Income from equity accounted investments	4	123	123	238	217
Operating income attributable to Unitholders		9,393	39,449	30,717	87,677
Finance costs - other					
Distributions to Unitholders		(35,187)	(33,744)	(69,889)	(67,480)
Change in fair value of financial instruments	11	(212)	(332)	1,717	(1,003)
		(35,399)	(34,076)	(68,172)	(68,483)
Increase (decrease) in net assets attributable to Unitholders		(26,006)	5,373	(37,455)	19,194
Other comprehensive income					
Items that will be subsequently reclassified to increase (decrease) in net assets attributable to Unitholders:					
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		—	544	510	1,095
Net change in derivatives designated as cash flow hedges		(677)	(1,516)	(6,797)	(3,837)
Other comprehensive income		(677)	(972)	(6,287)	(2,742)
Comprehensive income (loss)		\$ (26,683)	\$ 4,401	\$ (43,742)	\$ 16,452

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 (Note 13)	Net Liabilities Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
Balance, January 1, 2020	\$ 1,759,324	\$ (304,412)	\$ 131	\$ 1,455,043	\$ 870,792	\$ 584,251
Adjustments related to EUPP	22	—	—	22	22	—
Statements of comprehensive income (loss)	—	(37,455)	(6,287)	(43,742)	(27,537)	(16,205)
Units issued under Distribution Reinvestment Plan ("DRIP")	1,700	—	—	1,700	995	705
Units issued under unit based compensation plan	745	—	—	745	745	—
Unit issue proceeds, net of costs	97,376	—	—	97,376	55,951	41,425
Balance, June 30, 2020	\$ 1,859,167	\$ (341,867)	\$ (6,156)	\$ 1,511,144	\$ 900,968	\$ 610,176

	REIT Units, Special Voting Units and Class B LP Units (Note 13)	Net Assets (Liabilities) Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to	
					REIT Units	Class B LP Units
Balance, January 1, 2019	\$ 1,756,458	\$ (312,287)	\$ (1,331)	\$ 1,442,840	\$ 864,779	\$ 578,061
Adjustments related to adoption of IFRS 16	—	(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 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

See accompanying notes to the interim condensed consolidated financial statements.

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Cash flows provided by (used in)					
Operating Activities					
Increase (decrease) in net assets attributable to Unitholders		\$ (26,006)	\$ 5,373	\$ (37,455)	\$ 19,194
Special cash distribution		—	—	(14,857)	—
Additions to tenant incentives		(23,573)	(10,858)	(47,864)	(13,802)
Items not affecting operating cash	14	24,056	3,785	46,086	174
Change in other non-cash operating items	14	(17,999)	(27,361)	(23,061)	(16,586)
Cash (used in) provided by operating activities		(43,522)	(29,061)	(77,151)	(11,020)
Financing Activities					
Issue of mortgages	6	118,000	—	118,000	25,288
Financing - other		(690)	(763)	(955)	(1,410)
Repayment of mortgages - principal		(10,395)	(12,917)	(21,185)	(26,564)
Repayment of mortgages - maturity	6	(10,672)	(13,707)	(168,302)	(31,157)
Advance (repayment) of floating rate credit facilities		(144,264)	(68,279)	87,396	(99,135)
Advance of joint operation credit facilities	6	144	6,848	286	6,848
REIT Units and Class B LP Units issued	13	—	—	100,012	—
REIT Units and Class B LP Units issue costs	13	(46)	—	(2,636)	—
Collection of EUPP loans receivable		10	155	22	338
Payments of lease liabilities		(187)	(161)	(364)	(324)
Advances on long-term receivables		—	(273)	—	(1,472)
Cash provided by (used in) financing activities		(48,100)	(89,097)	112,274	(127,588)
Investing Activities					
Acquisition of investment properties and intangible assets		(4,645)	—	(4,962)	(32,439)
Additions to investment properties		(14,819)	(20,602)	(28,958)	(37,821)
Proceeds on disposal of investment properties	3	—	139,718	901	213,499
Distributions from (contributions to) joint ventures		(500)	17	(483)	(2,216)
Additions to fixtures and computer equipment		(314)	(497)	(475)	(1,273)
Additions to deferred leasing costs		(371)	(478)	(709)	(1,142)
Advances on long-term receivables		(386)	—	(437)	—
Cash provided by (used in) provided by investing activities		(21,035)	118,158	(35,123)	138,608
Net change in cash and cash equivalents		(112,657)	—	—	—
Cash and cash equivalents, beginning of period		112,657	—	—	—
Cash and cash equivalents, end of period		\$ —	\$ —	\$ —	\$ —

See accompanying notes to the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

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, 2020 and June 30, 2019 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, 2020 interim condensed consolidated financial statements were authorized for issue by the Board of Trustees on August 5, 2020.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as otherwise indicated hereunder, these financial statements have been prepared using the same policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2019.

(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, 2019.

(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) Critical accounting estimates and assumptions

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. As of June 30, 2020 there has been increased measurement uncertainty around valuation. Crombie has disclosed increased sensitivity around capitalization rates and continues to monitor the ongoing potential impacts on valuation related to the outbreak of the novel strain of coronavirus ("COVID-19"). The estimates and assumptions that are critical to the determination of the amounts reported in the interim condensed consolidated financial statements relate to the following:

(i) Fair value measurement

A number of assets and liabilities included in Crombie's interim condensed consolidated financial statements require measurement at, and/or disclosure of, fair value. In estimating the fair value of an asset or a liability, Crombie uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Crombie estimates the fair value based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

(ii) Investment properties

Investment properties are carried at cost less accumulated depreciation. Crombie estimates the residual value and useful lives of investment properties and the significant components thereof to calculate depreciation and amortization.

(iii) Investment property valuation

External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of properties being valued, value substantially all of Crombie's investment property portfolio on a rotating basis over a maximum period of four years. The fair values, based on the measurement date, represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Internal quarterly valuations are performed using internally generated valuation models prepared by considering the aggregate trailing net property income received from leasing the property, that is stabilized for any major tenant movement. Crombie adjusted net property

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

income for expected impacts related to COVID-19, by looking at potential bad debts or other lost income at each property and applying probability to several potential scenarios. Crombie also completed discounted cash flow models to support its fair value of investment property. Biannual yields are obtained from an independent valuation company, which reflects the specific risks inherent in the net property income, to arrive at property valuations. As at June 30, 2020, management's determination of fair value was updated for current market assumptions, informed by market capitalization rates and recent appraisals provided by independent appraisal professionals.

(iv) Lease modifications

From time to time, Crombie may agree with tenants to modify the terms of lease agreements, including changes to the consideration under the lease. When the changes result in a reduction in amounts receivable relating to past lease periods, Crombie applies IFRS 9 in determining whether to partially or fully derecognize those receivables. Other changes to the terms and conditions of the lease are treated as lease modifications in accordance with IFRS 16, and the modified lease is accounted for as a new lease from the effective date of the modification, with any prepaid or accrued lease payments relating to the original lease included as part of the lease payments for the new lease.

(v) Risk management

Markets have been negatively impacted by COVID-19, which was declared a pandemic by the World Health Organization ("WHO") on March 11, 2020. The continued spread of COVID-19 and the actions being taken by governments, businesses and individuals to limit this pandemic, including business closures and physical distancing, and the effects of resulting layoffs and other job losses on the available income of retail customers may adversely impact our operations and development activities including, among others, increasing the credit risk associated with our receivables, limiting our ability to quickly respond to changes in credit risk, extending the time to completion and occupancy of major developments and limiting our ability to serve our tenants. This has resulted in significant economic uncertainty, of which the potential impact on our future financial results is difficult to reliably measure.

(vi) Provision for doubtful accounts

Crombie assesses, on a tenant-by-tenant basis, losses expected with its rent receivables. In determining the provision for doubtful accounts, Crombie takes into account the payment history and future expectations of likely default events (tenants asking for rental concessions/abatements, applications for rental relief through government programs such as Canada Emergency Commercial Rent Assistance program ("CECRA"), or stating they will not be making rental payments on the due date) based on actual or expected insolvency filings or company voluntary arrangements and likely deferrals of payments due, and potential abatements to be granted by the landlord through tenant negotiations or under CECRA. Crombie's assessment is subjective due to the forward-looking nature of the assessments. As a result, the provision for doubtful accounts is subject to a degree of uncertainty and is made based on assumptions which may not prove to be accurate with the unprecedented uncertainty caused by COVID-19.

(d) Application of new IFRS

(i) IFRS 3 Business combinations

Effective January 1, 2020, Crombie has applied the amendments to the requirements of IFRS 3, "Business Combinations" ("IFRS 3"), in relation to whether a transaction meets the definition of a business combination. The amendments help provide guidance on whether the acquired assets and activities constitute a business. The change is applied prospectively on or after the effective date and as such there was no impact on the adoption of this amendment.

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

3) INVESTMENT PROPERTIES

	June 30, 2020		December 31, 2019
Income properties	\$ 3,448,342	\$	3,461,359
Properties under development	106,973		96,213
	\$ 3,555,315	\$	3,557,572

Income properties

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2020	\$ 1,117,701	\$ 2,825,447	\$ 112,313	\$ 8,853	\$ 4,064,314
Acquisitions	1,457	3,158	347	—	4,962
Additions	715	21,605	—	505	22,825
Dispositions	(1,730)	—	—	—	(1,730)
Write-off fully depreciated assets	—	—	(39,982)	—	(39,982)
Balance, June 30, 2020	1,118,143	2,850,210	72,678	9,358	4,050,389
Accumulated depreciation, amortization and impairment					
Opening balance, January 1, 2020	2,673	530,576	66,657	3,049	602,955
Depreciation and amortization	158	33,827	2,531	458	36,974
Impairment	700	1,400	—	—	2,100
Write-off fully depreciated assets	—	—	(39,982)	—	(39,982)
Balance, June 30, 2020	3,531	565,803	29,206	3,507	602,047
Net carrying value, June 30, 2020	\$ 1,114,612	\$ 2,284,407	\$ 43,472	\$ 5,851	\$ 3,448,342

Included in land are right of use assets of \$16,247 net of accumulated depreciation of \$478 for land held under lease.

During the six months ended June 30, 2020, Crombie recorded impairments totaling \$2,100 on three properties. The impairments were the result of the fair value impact of tenant lease expiries and slower than expected leasing activity. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be each property's fair value defined as the higher of the economic benefit of the continued use of the asset or the selling price less costs to sell.

Properties under development

	Land	Buildings	Total
Opening balance, January 1, 2020	\$ 76,104	\$ 20,109	\$ 96,213
Additions	1,525	9,235	10,760
Balance, June 30, 2020	\$ 77,629	\$ 29,344	\$ 106,973

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

	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 \$781,728 at June 30, 2020 (December 31, 2019 - \$808,674). 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. As of June 30, 2020 there has been increased measurement uncertainty around valuation. Crombie has disclosed increased sensitivity around capitalization rates and continues to monitor the ongoing potential impacts on valuation.

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

	Fair Value	Carrying Value
June 30, 2020	\$ 4,604,000	\$ 3,822,272
December 31, 2019	\$ 4,605,000	\$ 3,796,326

Carrying value consists of the net carrying value of:

	Note	June 30, 2020	December 31, 2019
Income properties	3	\$ 3,448,342	\$ 3,461,359
Properties under development	3	106,973	96,213
Accrued straight-line rent receivable	5	84,078	80,268
Tenant incentives	5	182,879	158,486
Total carrying value		\$ 3,822,272	\$ 3,796,326

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.

	June 30, 2020	December 31, 2019
Weighted Average Capitalization Rate	5.94%	5.99%

Crombie has determined that an increase (decrease) in this applied capitalization rate at June 30, 2020 would result in an increase (decrease) in the fair value of the investment properties as follows:

Capitalization Rate Sensitivity	Increase In Rate	Decrease in Rate
June 30, 2020		
0.25%	(188,000)	199,000
0.50%	(357,000)	423,000
0.75%	(512,000)	672,000

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.

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

Transaction Date	Vendor/Purchaser	Properties Acquired (Disposed)	Approximate Square Footage	Initial Acquisition (Disposition) Price
January 9, 2020	Third Party	—	— \$	280
February 4, 2020	Third Party	—	—	(1,000)
May 28, 2020	Related Party	1	29,000	4,535
			29,000 \$	3,815

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Investment property disposed				
Gross proceeds	\$ —	\$ 186,364	\$ 1,000	\$ 293,579
Selling costs	—	(5,089)	(99)	(6,250)
	—	181,275	901	287,329
Carrying values derecognized				
Land	—	(39,300)	(1,730)	(60,758)
Buildings	—	(99,885)	—	(154,827)
Intangibles	—	(3,354)	—	(4,538)
Deferred leasing costs	—	(9)	—	(25)
Tenant Incentives	—	(17,434)	—	(17,938)
Accrued straight-line rent	—	(4,206)	—	(5,405)
Provisions	—	(426)	—	(548)
Gain (loss) on disposal	\$ —	\$ 16,661	\$ (829)	\$ 43,290

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Proceeds	\$ —	\$ 181,275	\$ 901	\$ 287,329
Mortgages assumed by buyer	—	(41,557)	—	(73,830)
Cash proceeds	\$ —	\$ 139,718	\$ 901	\$ 213,499

4) INVESTMENT IN JOINT VENTURES

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

	June 30, 2020	December 31, 2019
1600 Davie Limited Partnership	50.0%	50.0%
Bronte Village Limited Partnership	50.0%	50.0%
The Duke Limited Partnership	50.0%	50.0%
140 CPN Limited	50.0%	50.0%

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

	June 30, 2020	December 31, 2019
Non-current assets	\$ 365,541	\$ 297,598
Current assets	28,675	31,287
Non-current liabilities	(128,356)	(111,845)
Current liabilities	(174,856)	(127,444)
Net assets	\$ 91,004	\$ 89,596
Crombie's investment in joint ventures	\$ 45,827	\$ 45,123

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenue	\$ 413	\$ 386	\$ 843	\$ 728
Property operating expenses	(99)	(88)	(225)	(188)
General and administrative expenses	—	—	—	(2)
Depreciation of investment properties	(42)	(41)	(90)	(82)
Finance costs - operations	(26)	(11)	(52)	(23)
Net income	\$ 246	\$ 246	\$ 476	\$ 433
Crombie's income from equity accounted investments	\$ 123	\$ 123	\$ 238	\$ 217

The following table shows the changes in the total carrying value of Crombie's investment in joint ventures for the year ended:

	June 30, 2020	December 31, 2019
Opening balance	\$ 45,123	\$ 39,485
Contributions	500	28,111
Distributions	(34)	(15,366)
Deferred gain	—	(7,441)
Share of income	238	334
Closing balance	\$ 45,827	\$ 45,123

5) OTHER ASSETS

	June 30, 2020			December 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	\$ 34,072	\$ —	\$ 34,072	\$ 14,976	\$ 6,041	\$ 21,017
Provision for doubtful accounts	(6,282)	—	(6,282)	(340)	—	(340)
Net trade receivables	27,790	—	27,790	14,636	6,041	20,677
Prepaid expenses and deposits	21,229	—	21,229	15,533	—	15,533
Other fixed assets ^{(1) (2)}	—	10,020	10,020	—	10,000	10,000
Finance lease receivable	379	7,936	8,315	363	8,125	8,488
Accrued straight-line rent receivable	—	84,078	84,078	—	80,268	80,268
Tenant incentives	—	182,879	182,879	—	158,486	158,486
Capital expenditure program	—	105	105	—	105	105
Interest rate subsidy	91	66	157	93	110	203
Amounts receivable from related parties	15,533	8,762	24,295	—	23,812	23,812
	\$ 65,022	\$ 293,846	\$ 358,868	\$ 30,625	\$ 286,947	\$ 317,572

⁽¹⁾ For the six months ended June 30, 2020, depreciation of other fixed assets was \$622 (June 30, 2019 - \$570).

⁽²⁾ Other fixed assets include right of use assets of \$1,362 (December 31, 2019 - \$1,493) net of accumulated depreciation of \$871 (December 31, 2019 - \$574) relating to office and vehicle leases.

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2020	\$ 236,071	\$ 77,585	\$ 158,486
Additions	32,631	—	32,631
Amortization	—	8,238	(8,238)
Balance, June 30, 2020	\$ 268,702	\$ 85,823	\$ 182,879

Bad debt expense, recognized in property operating expenses, has been the following in each of the past three quarters:

Three months ended June 30, 2020	\$ 8,722
Three months ended March 31, 2020	\$ 1,087
Three months ended December 31, 2019	\$ 67

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

6) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	June 30, 2020	December 31, 2019
Fixed rate mortgages	2.35 - 6.80%	4.03%	5.1 years	\$ 1,242,487	\$ 1,309,077
Short term credit facility			0.8 years	75,000	—
Floating rate revolving credit facility			3.0 years	20,736	15,339
Joint operation credit facility I			3.8 years	7,083	6,978
Joint operation credit facility II			4.3 years	2,171	1,991
Unsecured bilateral credit facility			0.9 years	37,000	30,000
Deferred financing charges on fixed rate mortgages				(6,272)	(6,567)
				\$ 1,378,205	\$ 1,356,818
Mortgages					
Non-current				\$ 1,136,228	\$ 1,045,015
Current				99,987	257,495
Credit facilities					
Non-current				29,990	54,308
Current				112,000	—
				\$ 1,378,205	\$ 1,356,818

Specific investment properties with a carrying value of \$2,565,313 as at June 30, 2020 (December 31, 2019 - \$2,705,625) 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.

Mortgage Activity

For the six months ended:	Type	Number of Mortgages	Weighted Average			Proceeds (Repayments)
			Rates	Terms in Years	Amortization Period in Years	
June 30, 2020	Addition ⁽¹⁾	—	3.22%			\$ 5,043
	New	1	3.88%	16.1	30.0	118,000
	Repaid	8	5.63%			(168,302)
						\$ (45,259)

⁽¹⁾ During the six months ended June 30, 2020, Crombie recognized an addition to a mortgage payable of \$5,043 in settlement of an amount payable to 1600 Davie Limited Partnership. This mortgage relates to the commercial component of the Davie Street development, 100% of which is included in Crombie's financial statements.

Unsecured Short-Term Credit Facility

The unsecured short-term credit facility is a floating rate non-revolving credit facility with a maximum principal amount of \$75,000 and matures March 31, 2021. Borrowings under the credit facility are by way of Bankers Acceptance and the floating interest rate is contingent on the applicable spread or margin.

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

7) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	June 30, 2020	December 31, 2019
Series B	June 1, 2021	3.962%	\$ 250,000	\$ 250,000
Series D	November 21, 2022	4.066%	150,000	150,000
Series E	January 31, 2025	4.800%	175,000	175,000
Series F	August 26, 2026	3.677%	200,000	200,000
Series G	June 21, 2027	3.917%	150,000	150,000
Unamortized Series B issue premium			407	627
Deferred financing charges			(2,819)	(3,148)
			\$ 922,588	\$ 922,479

Senior unsecured notes are presented in the consolidated balance sheet as follows:

	June 30, 2020	December 31, 2019
Current	\$ 250,000	\$ —
Non-Current	672,588	922,479
Total	\$ 922,588	922,479

8) TRADE AND OTHER PAYABLES

	June 30, 2020			December 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
Tenant incentives and capital expenditures	\$ 34,723	\$ —	\$ 34,723	\$ 51,751	\$ —	\$ 51,751
Property operating costs	21,963	—	21,963	29,932	—	29,932
Prepaid rents	9,076	—	9,076	9,665	—	9,665
Finance costs on investment property debt, notes and debentures	11,303	—	11,303	11,913	—	11,913
Fair value of interest rate swap agreements	5,850	—	5,850	(947)	—	(947)
Distributions payable	11,732	—	11,732	26,429	—	26,429
Unit-based compensation plans	2,844	8,009	10,853	4,671	9,793	14,464
Deferred revenue	198	4,611	4,809	70	4,820	4,890
	\$ 97,689	\$ 12,620	\$ 110,309	\$ 133,484	\$ 14,613	\$ 148,097

9) PROPERTY REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Operating lease revenue				
Rental revenue contractually due from tenants ⁽¹⁾	\$ 87,001	\$ 86,525	\$ 173,791	\$ 175,842
Contingent rental revenue	75	440	437	896
Straight-line rent recognition	1,879	2,992	3,810	5,525
Tenant incentive amortization	(4,419)	(3,411)	(8,238)	(7,026)
Lease termination income	245	144	336	809
Revenue from contracts with customers				
Common area cost recoveries	11,350	11,302	26,849	25,831
Parking revenue	370	1,340	1,768	2,695
	\$ 96,501	\$ 99,332	\$ 198,753	\$ 204,572

⁽¹⁾ Includes reimbursement of Crombie's property tax expense.

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

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,			
	2020		2019		2020		2019	
Sobeys Inc. (including all subsidiaries of Empire)	\$ 50,873	52.7%	\$ 57,235	57.6%	\$ 100,243	50.4%	\$ 109,465	53.5%

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, 2020, is as follows:

	Remaining		Year Ending December 31,					Total
	2020	2021	2022	2023	2024	Thereafter		
Future minimum rental income	\$ 136,001	\$ 262,600	\$ 250,688	\$ 237,437	\$ 226,092	\$ 1,667,847	\$ 2,780,665	

Crombie manages its residual risk in its investment properties through an active capital expenditure program and actively leasing any vacant spaces. The residual risk throughout Crombie's portfolio is not considered significant.

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,	
	2020	2019	2020	2019
Salaries and benefits	\$ 5,502	\$ 3,952	\$ 6,881	\$ 8,025
Professional and public company costs	892	883	1,701	1,733
Occupancy and other	566	1,135	1,397	1,996
	\$ 6,960	\$ 5,970	\$ 9,979	\$ 11,754

(b) Decrease (increase) in fair value of financial instruments

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Deferred Unit ("DU") Plan	\$ (212)	\$ (332)	\$ 1,717	\$ (1,003)

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

12) FINANCE COSTS - OPERATIONS

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Fixed rate mortgages	\$ 12,496	\$ 17,071	\$ 25,343	\$ 34,996
Floating rate term, revolving and demand facilities	1,041	1,106	2,300	2,451
Capitalized interest	(1,337)	(1,178)	(2,586)	(2,195)
Senior unsecured notes	9,441	7,077	18,861	14,027
Interest income on finance lease receivable	(97)	(202)	(195)	(202)
Interest on lease liability	462	461	923	925
Finance costs - operations, expense	22,006	24,335	44,646	50,002
Amortization of fair value debt adjustment and accretion income	40	132	152	292
Change in accrued finance costs	1,142	1,248	610	(1,579)
Amortization of effective swap agreements	—	(544)	(510)	(1,095)
Capitalized interest ⁽¹⁾	1,337	1,178	2,586	2,195
Amortization of issue premium on senior unsecured notes	110	110	220	219
Amortization of deferred financing charges	(683)	(913)	(1,434)	(1,825)
Finance costs - operations, paid	\$ 23,952	\$ 25,546	\$ 46,270	\$ 48,209

⁽¹⁾ For the three months ended June 30, 2020, interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.75% (June 30, 2019 - 3.65%).

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

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, 2020	89,697,623	\$ 1,042,696	62,045,732	\$ 716,628	151,743,355	\$ 1,759,324
Net change in EUPP loans receivable	—	22	—	—	—	22
Units issued under DRIP	70,421	995	49,927	705	120,348	1,700
Units issued under unit based compensation plan	58,090	745	—	—	58,090	745
Units issued (proceeds are net of issue costs)	3,657,000	55,951	2,593,750	41,425	6,250,750	97,376
Balance, June 30, 2020	93,483,134	\$ 1,100,409	64,689,409	\$ 758,758	158,172,543	\$ 1,859,167

Crombie REIT Units

On February 11, 2020, Crombie closed a public offering, on a bought deal basis, of 3,657,000 Units, at a price of \$16.00 per Unit for proceeds of \$55,951 net of issue costs.

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

On February 11, 2020, concurrently with the issue of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments purchased 2,593,750 Class B LP Units and the attached SVUs at a price of \$16.00 per Class B LP Unit for proceeds of \$41,425 net of issue costs, on a private placement basis.

	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 REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

14) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Items not affecting operating cash:				
Straight-line rent recognition	\$ (1,879)	\$ (2,992)	\$ (3,810)	\$ (5,525)
Amortization of tenant incentives	4,419	3,411	8,238	7,026
Gain (loss) on disposal of investment properties	—	(16,661)	829	(43,290)
Impairment of investment properties	2,100	—	2,100	—
Depreciation and amortization	18,278	18,140	37,596	38,058
Unit-based compensation	—	1	—	6
Amortization of effective swap agreements, financing charges and other	573	1,348	1,724	2,702
Income from equity accounted investments	(123)	(123)	(238)	(217)
Non-cash distributions to Unitholders in the form of DRIP Units	721	473	1,700	1,220
Non-cash lease termination income	(245)	(144)	(336)	(809)
Change in fair value of financial instruments	212	332	(1,717)	1,003
	\$ 24,056	\$ 3,785	\$ 46,086	\$ 174

b) Change in other non-cash operating items

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Cash provided by (used in):				
Trade receivables	\$ (8,205)	\$ 798	\$ (7,113)	\$ 1,907
Prepaid expenses and deposits and other assets	(8,107)	(18,295)	(5,696)	(15,711)
Payables and other liabilities	(1,687)	(9,864)	(10,252)	(2,782)
	\$ (17,999)	\$ (27,361)	\$ (23,061)	\$ (16,586)

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

15) RELATED PARTY TRANSACTIONS

As at June 30, 2020 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 joint venture entities in which Crombie has a 50% interest, as well as 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,	
	2020	2019	2020	2019
Property revenue				
Property revenue	\$ 50,873	\$ 57,235	\$ 100,243	\$ 109,465
Head lease income	\$ 115	\$ 247	\$ 483	\$ 409
Lease termination income	\$ 34	\$ 34	\$ 68	\$ 454
Property operating expenses	\$ (17)	\$ (20)	\$ (24)	\$ (24)
General and administrative expenses				
Property management services recovered	\$ 165	\$ 159	\$ 204	\$ 278
Other general and administrative expenses	\$ (70)	\$ (69)	\$ (129)	\$ (122)
Finance costs - operations				
Interest rate subsidy	\$ 65	\$ 70	\$ 131	\$ 142
Finance costs - distributions to Unitholders	\$ (14,595)	\$ (14,000)	\$ (28,992)	\$ (27,997)

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, 2020, Crombie issued 49,927 (June 30, 2019 - 36,321) Class B LP Units to ECLD under the DRIP (Note 13).

On May 28, 2020, Crombie purchased a property from a subsidiary of Empire for a total purchase price of \$4,535 before transaction costs.

During the six months ended June 30, 2020, Crombie invested \$12,747 in the modernizations and conversions of three existing properties anchored by subsidiaries of Empire. The amounts are included in tenant incentive additions and are being amortized over the amended lease terms.

During the six months ended June 30, 2020, Crombie invested \$14,489 in energy upgrades at 147 existing properties anchored by subsidiaries of Empire. The amounts are included in tenant incentive additions and income property additions depending on the nature of the work completed. These completed costs are being amortized over the amended lease terms or useful life of the projects.

Amounts due from related parties include \$15,533 (December 31, 2019 - \$15,533) in 6% subordinated notes receivable due from Bronte Village Limited Partnership and The Duke Limited Partnership.

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

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, 2020.

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, 2020		December 31, 2019	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Long-term receivables ⁽¹⁾	\$ 24,581	\$ 24,557	\$ 23,911	\$ 24,120
Financial liabilities				
Investment property debt	\$ 1,436,981	\$ 1,384,477	\$ 1,400,821	\$ 1,363,385
Senior unsecured notes	954,082	925,000	946,700	925,000
Total other financial liabilities	\$ 2,391,063	\$ 2,309,477	\$ 2,347,521	\$ 2,288,385

⁽¹⁾Long-term receivables include amounts in other assets for the 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. More information on the significant risks, and the actions taken to manage them, are discussed in our annual report.

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.

Receivables are substantially comprised of current balances due from tenants. The balance of accounts receivable past due is usually not significant; however, historically low receivable balances have increased significantly during the quarter as a result of the COVID-19 pandemic. 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. The total provision for doubtful accounts is reviewed at each balance sheet date and current and long-term accounts receivable are reviewed on a regular basis.

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

Crombie continues to assess the impact of COVID-19 and has recorded increases in expected credit losses for certain tenants.

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 (see Note 17). Access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit, and cannot exceed the borrowing base security provided by Crombie.

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

	Twelve Months Ending June 30,						
	Contractual Cash Flows⁽¹⁾	2021	2022	2023	2024	2025	Thereafter
Fixed rate mortgages ⁽²⁾	\$ 1,463,209	\$ 147,821	\$ 258,110	\$ 251,248	\$ 316,126	\$ 114,042	\$ 375,862
Senior unsecured notes	1,073,366	286,809	27,729	174,004	21,630	193,130	370,064
Lease Liabilities	148,109	2,552	2,374	2,288	2,157	2,095	136,643
	<u>2,684,684</u>	<u>437,182</u>	<u>288,213</u>	<u>427,540</u>	<u>339,913</u>	<u>309,267</u>	<u>882,569</u>
Credit facilities	146,786	115,052	732	21,468	7,344	2,190	—
Total	<u><u>\$ 2,831,470</u></u>	<u><u>\$ 552,234</u></u>	<u><u>\$ 288,945</u></u>	<u><u>\$ 449,008</u></u>	<u><u>\$ 347,257</u></u>	<u><u>\$ 311,457</u></u>	<u><u>\$ 882,569</u></u>

⁽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.

17) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, 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, 2020	December 31, 2019
Fixed rate mortgages	\$ 1,236,216	\$ 1,302,510
Credit facilities	141,990	54,308
Senior unsecured notes	922,588	922,479
Crombie REIT Unitholders	900,968	870,792
SVU and Class B LP Unitholders	610,176	584,251
Lease liabilities	29,219	29,419
	<u>\$ 3,841,157</u>	<u>\$ 3,763,759</u>

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,

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

- A restriction that Crombie shall not incur indebtedness of more than 60% of gross book value.

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, 2020		December 31, 2019
Fixed rate mortgages	\$ 1,242,487	\$	1,309,077
Senior unsecured notes	925,000		925,000
Revolving credit facility	20,736		15,339
Joint operation credit facilities	9,254		8,969
Bilateral credit facility	37,000		30,000
Short-term credit facility	75,000		—
Lease liabilities	29,219		29,419
Total debt outstanding	2,338,696		2,317,804
Less: Applicable fair value debt adjustment	(408)		(539)
Debt	\$ 2,338,288	\$	2,317,265
Income properties, cost	4,047,332		4,061,957
Properties under development, cost	106,973		96,213
Below-market lease component, cost ⁽¹⁾	64,755		64,754
Investment in joint ventures	45,827		45,123
Other assets, cost	446,529		396,374
Deferred financing charges	9,091		9,715
Interest rate subsidy	(408)		(539)
Gross book value	\$ 4,720,099	\$	4,673,597
Debt to gross book value - cost basis	49.5%		49.6%

⁽¹⁾ Below-market lease component is included in the carrying value of investment properties.

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, 2020, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

18) LEASE LIABILITIES

Crombie's future minimum lease payments as a lessee are as follows:

	Twelve months ending June 30,						
	Total	2021	2022	2023	2024	2025	Thereafter
Future minimum lease payments	\$ 148,109	\$ 2,552	\$ 2,374	\$ 2,288	\$ 2,157	\$ 2,095	\$ 136,643
Finance charges	(118,890)	(1,831)	(1,814)	(1,802)	(1,793)	(1,790)	(109,860)
Present value of lease payments	<u>\$ 29,219</u>	<u>\$ 721</u>	<u>\$ 560</u>	<u>\$ 486</u>	<u>\$ 364</u>	<u>\$ 305</u>	<u>\$ 26,783</u>

Lease liabilities are presented in the consolidated balance sheet as follows:

	June 30, 2020	December 31, 2019
Current	\$ 721	\$ 744
Non-Current	28,498	28,675
Total	<u>\$ 29,219</u>	<u>\$ 29,419</u>

Some of Crombie's lease agreements contain contingent rent clauses. Contingent rental payments are recognized in the consolidated statements of comprehensive income as required when contingent criteria are met. The lease agreements contain renewal options and purchase options. For the six months ended June 30, 2020, minimum lease payments of \$1,287 were paid by Crombie.

19) 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, 2020, Crombie has a total of \$5,746 in outstanding letters of credit related to:

	June 30, 2020	December 31, 2019
Construction work being performed on investment properties	\$ 3,906	\$ 3,805
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	1,840	1,840
Total outstanding letters of credit	<u>\$ 5,746</u>	<u>\$ 5,645</u>

As at June 30, 2020, Crombie had signed construction contracts totalling \$318,269 of which \$219,738 has been paid, this includes contracts signed within joint ventures at Crombie's ownership percentage.

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, 2020, Crombie has provided guarantees of approximately \$143,173 (December 31, 2019 - \$145,713) 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 4.3 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.

20) SUBSEQUENT EVENTS

- (a) On July 7, 2020, Crombie acquired a 100% interest in a retail property totalling 9,900 square feet for \$4,750, excluding closing and transaction costs.

CROMBIE REAL ESTATE INVESTMENT TRUST

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)
(In thousands of CAD dollars)
June 30, 2020

- (b) On July 16, 2020, Crombie declared distributions of 7.417 cents per Unit for the period from July 1, 2020 to and including July 31, 2020. The distributions will be paid on August 14, 2020, to Unitholders of record as of July 31, 2020.

21) 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 Chair

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
Independent Trustee

Karen Weaver
Independent Trustee

OFFICERS

J. Michael Knowlton
Chair

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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610 East River Road, Suite 200
New Glasgow, Nova Scotia, B2H 3S2
Telephone: (902) 755-8100
Fax (902) 755-6477
Internet: www.crombiereit.com

INVESTOR RELATIONS AND INQUIRIES

Unitholders, analysts, and investors should direct their financial inquiries or requests 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

COUNSEL

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.

