Condensed Consolidated Financial Statements of

PARTNERS REAL ESTATE INVESTMENT TRUST

For the period ended March 31, 2013

PARTNERS REAL ESTATE INVESTMENT TRUST
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PARTNERS REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Statements of Financial Position

unaudited (Cdn $)

As at		March 31, 2013		December 31, 2012
ASSETS				
Non-current assets				
Income producing properties (Note 3)	**$**	**497,576,000**	$	465,727,634
		497,576,000		465,727,634
Current assets				
Note receivable (Note 4)		**1,941,758**		5,935,813
Other assets (Note 5)		**11,500,070**		4,108,577
Accounts receivable (Note 6)		**2,645,501**		1,443,134
Cash		**4,158,748**		1,853,630
		20,246,077		13,341,154
	$	**517,822,077**	$	479,068,788
LIABILITIES				
Non-current liabilities				
Mortgages payable (Note 7)	**$**	**213,559,106**	$	215,528,319
Convertible debentures (Note 8)		**82,476,849**		60,718,110
		296,035,955		276,246,429
Current liabilities				
Mortgages payable (Note 7)		**11,252,017**		10,911,228
Credit facilities (Note 9)		**-**		7,277,940
Accounts payable and other liabilities		**8,088,647**		11,132,105
Distributions payable		**1,390,485**		1,208,437
		20,731,149		30,529,710
		316,767,104		306,776,139
Exchangeable LP units (Note 10)		**2,248,250**		2,228,125
		319,015,354		309,004,264
UNITHOLDERS' EQUITY		**198,806,723**		170,064,524
	$	**517,822,077**	$	479,068,788

Subsequent Events (Note 21)

The accompanying notes are an integral part of these condensed consolidated financial statements.

PARTNERS REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Statements of Comprehensive Income
unaudited (Cdn $)

	Three months ended March 31,	
	2013	2012
Revenues from income producing properties (Note 11)	**$ 13,181,564**	$ 9,077,958
Property operating expenses	**(2,254,308)**	(1,483,017)
Realty taxes	**(2,659,578)**	(1,689,357)
Property management fees	**(222,169)**	(184,221)
	8,045,509	5,721,363
Other expenses:		
Financing costs	**3,708,681**	3,100,780
General and administrative expenses	**705,710**	514,555
	4,414,391	3,615,335
Income before fair value gains	**3,631,118**	2,106,028
Fair value gains (Note 12)	**4,466,547**	1,500,480
Net income and comprehensive income	**$ 8,097,665**	$ 3,606,508
EARNINGS PER UNIT (Note 13)		
Basic and diluted	**$ 0.32**	$ 0.25

The accompanying notes are an integral part of these condensed consolidated financial statements.

PARTNERS REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Statements of Changes in Unitholders' Equity
unaudited (Cdn $)

	Three months ended March 31, 2013	2012
Trust Units (Note 14)		
BALANCE, BEGINNING OF PERIOD	**$ 168,392,882**	$ 70,108,603
Issuance of units under distribution reinvestment plan, net of costs	**232,405**	67,215
Issuance of units under alternate compensation plan (Note 16)	**17,500**	-
Issuance of units under private offering, net of costs	**-**	48,117,172
Issuance of units under public offering, net of costs	**24,517,521**	21,100,517
BALANCE, END OF PERIOD	**193,160,308**	139,393,507
Contributed Surplus		
BALANCE, BEGINNING OF PERIOD	**565,080**	569,830
BALANCE, END OF PERIOD	**565,080**	569,830
Accumulated Other Comprehensive Income/Loss		
BALANCE, BEGINNING OF PERIOD	**1,106,690**	(14,272,059)
Net income and comprehensive income	**8,097,665**	3,606,508
Distributions to unitholders	**(4,123,020)**	(2,342,807)
BALANCE, END OF PERIOD	**5,081,335**	(13,008,358)
TOTAL UNITHOLDERS' EQUITY	**$ 198,806,723**	$ 126,954,979
DISTRIBUTIONS PER UNIT	**$ 0.16**	$ 0.16

The accompanying notes are an integral part of these condensed consolidated financial statements.

PARTNERS REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Statements of Cash Flows
unaudited (Cdn $)

	Three months ended March 31, 2013	2012
OPERATING ACTIVITIES		
Net income	**$ 8,097,665**	$ 3,606,508
Adjusted for non-cash items:		
Fair value gains	**(4,466,547)**	(1,500,480)
Employee options costs	**10,000**	45,000
Alternate compensation plan costs (Note 16)	**17,500**	-
Straight-line rent	**(646,133)**	(218,918)
Amortization of tenant incentives and direct leasing costs	**92,628**	66,613
Amortization of deferred financing costs	**237,646**	293,472
Net change in working capital (Note 15)	**(11,472,573)**	(348,356)
Cash flow (used in) provided by operating activities	**(8,129,814)**	1,943,839
FINANCING ACTIVITIES		
Proceeds from mortgages	**-**	50,200,000
Financing costs of mortgages	**-**	(316,012)
Principal repayments on mortgages	**(1,538,137)**	(1,031,935)
Proceeds from debenture issuance	**23,000,000**	-
Cost to issue debentures	**(971,545)**	-
Drawdowns on credit facilities	**26,000,000**	14,000,000
Repayments of credit facilities	**(33,500,000)**	-
Financing fees on credit facilities	**(87,570)**	(133,879)
Proceeds from private offering	**-**	40,317,346
Proceeds from public offering (Note 14)	**25,900,875**	22,685,021
Cost to issue units	**(1,384,944)**	(3,217,977)
Distributions to unitholders	**(3,888,897)**	(2,265,273)
Cash flow provided by financing activities	**33,529,782**	120,237,291
INVESTING ACTIVITIES		
Acquisitions of income producing properties, net of non-cash transactions	**(26,536,411)**	(121,948,708)
Improvements to income producing properties	**(203,610)**	(28,126)
Expenditures on tenant incentives and direct leasing costs	**(348,883)**	(74,907)
Net proceeds from repayment of note receivable	**3,994,054**	-
Net proceeds from notes receivable dispositions	**-**	3,112,209
Cash from notes receivable principal repayments	**-**	33,966
Cash flow used in investing activities	**(23,094,850)**	(118,905,566)
NET INCREASE IN CASH DURING THE PERIOD	**2,305,118**	3,275,564
CASH, BEGINNING OF PERIOD	**1,853,630**	1,842,769
CASH, END OF PERIOD	**$ 4,158,748**	$ 5,118,333
Non-cash transactions		
Secured debt assumed with acquisitions of properties	**$ -**	$ 4,648,633
Market interest rate adjustment to property acquisition costs	**-**	1,728,653

Supplemental cash flow information (Note 15)

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. ORGANIZATION OF THE TRUST

Partners Real Estate Investment Trust ("Partners REIT" or the "REIT") is an unincorporated, open-ended real estate investment trust and was formed pursuant to a Declaration of Trust dated March 27, 2007 and as amended and restated on May 11, 2012. The address of its registered office and principal place of business is 710 Redbrick Street, Suite 200, Victoria, British Columbia, V8T 5J3. The principal business activity of Partners REIT is acquiring, developing and operating commercial retail properties. The units of the REIT are listed on the Toronto Stock Exchange as of April 3, 2012 (the "TSX") and trade under the symbol "PAR.UN". Prior to April 3, 2012, the REIT's units were listed on the TSX Venture Exchange under the same symbol.

On February 14, 2012 the REIT completed a 1 for 4 consolidation of units. The unit and per unit information presented in these condensed consolidated financial statements have been prepared on a post-consolidation basis.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies that are used in the preparation of these condensed consolidated financial statements:

(a) Statement of compliance

These condensed consolidated financial statements were approved and authorized for issue by the Board of Trustees on May 13, 2013.

These condensed consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs"). These condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and have been prepared in accordance with the accounting policies the REIT expects to adopt in its December 31, 2013 annual financial statements. These accounting policies are based on the IFRS and IFRICs that the REIT expects to be applicable at that time. The condensed consolidated financial statements do not include all of the information required for full annual financial statements.

(b) Basis of presentation

These condensed consolidated financial statements have been prepared on a going concern basis and have been presented in Canadian dollars. The condensed consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of income producing properties and certain financial instruments at fair value. The accounting policies set out in the REIT's December 31, 2012 consolidated financial statements have been applied consistently in all material respects with the exception of the following new accounting standards that were issued by the IASB and adopted by the REIT effective January 1, 2013:

(i) IFRS 10, *Consolidated Financial Statements*

IFRS 10 *Consolidated Financial Statements* replaces SIC-12 *Consolidation – Special Purpose Entities,* and certain parts of IAS 27 *Consolidated and Separate Financial Statements.* IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee. To identify control IFRS 10 employs a test of power over the investee, exposure or rights to variable returns from involvement with the investee and the ability to use power over the investee to affect the amount of the investor's returns.

The adoption of IFRS 10 does not change the REIT's conclusions around control of its investees, and therefore no adjustments to previous accounting for investees are required in the consolidated financial statements.

(ii) IFRS 13, *Fair Value Measurement*

In accordance with the transitional provisions, IFRS 13 has been applied prospectively from that date. As a result, the REIT has adopted a new definition of fair value which measures the fair value of an asset or liability based on assumptions that market participants would use under current market conditions, including assumptions about risks. The adoption of IFRS 13 had no impact on the measurement of the REIT's assets and liabilities at January 1, 2013. However, the REIT has included new disclosure in the condensed consolidated financial statements which are required under IFRS 13.

(iii) Amendments to IAS 1 – *Presentation of Financial Statements*

The amendments to IAS 1 *Presentation of Financial Statements* require items of other comprehensive income and the corresponding tax expense to be grouped based on whether they will or will not be classified to the statement of earnings in the future. The adoption of the amendments to IAS 1 does not change the presentation of the REIT's other comprehensive income.

3. INCOME PRODUCING PROPERTIES

As at	**March 31, 2013**	December 31, 2012
Balance, beginning of period	**$ 465,727,634**	$ 258,510,224
Acquisitions of income producing properties	**26,536,412**	181,625,751
Improvements to income producing properties	**203,610**	4,783,058
Expenditures on tenant incentives and direct leasing costs	**348,883**	1,706,635
Amortization of tenant incentives and direct leasing costs	**(92,628)**	(573,340)
Recognition of straight-line rent	**646,133**	1,211,125
Fair value gains	**4,205,956**	18,464,181
Balance, end of period	**$ 497,576,000**	$ 465,727,634

Income producing properties, which are classified as investment properties under IFRS, are appraised at fair value by qualified external valuation professionals ("Appraisers") in accordance with IAS 40 – *Investment Properties*. The Appraisers are independent valuation firms not related to the REIT, who employ valuation professionals who are members of the Appraisal Institute of Canada and the Ordre des évaluateurs agréés du Québec, and who have appropriate qualifications and experience in the valuation of properties in the relevant locations.

For the period ended March 31, 2013, the fair value of the REIT's income producing property portfolio was determined internally by the REIT using the same assumptions and valuation techniques used by the Appraisers.

At December 31, 2012, external appraisals were obtained for eleven of the REIT's properties with an aggregate fair value of $130.2 million, representing 28.0% of the fair value of the income producing property portfolio as of that date. The value of the remainder of the REIT's income producing property portfolio was determined internally by the REIT using the same assumptions and valuation techniques used by the Appraisers.

The external valuation of the income producing properties utilized the "Direct Capitalization" method. This method applies the capitalization rate to stabilized net operating income. The resulting stabilized value is adjusted for factors including lost revenues and recoveries on vacant units; anticipated inducement and leasing commission costs of vacant units; and the present value of capital expenditures. Fair values are most sensitive to change in capitalization rates.

The following table outlines the range and weighted average of the capitalization rates applied to the stabilized net operating income in estimating the fair value for the REIT's properties:

As at	**March 31, 2013**	December 31, 2012
Capitalization rates		
Maximum	**8.00%**	8.50%
Minimum	**6.25%**	6.25%
Weighted Average	**6.55%**	6.73%

At March 31, 2013, a 0.50% increase in capitalization rates for income producing properties would decrease fair value by $35.7 million (December 31, 2012 - $32.2 million) and a 0.50% decrease in capitalization rates would increase fair value by $41.6 million (December 31, 2012 - $37.4 million).

The aggregate cost of tenant incentives and direct leasing costs included in income producing properties are recognized as a reduction of rental income over the lease term, on a straight-line basis.

As at March 31, 2013, income producing properties included $3.0 million (at December 31, 2012 - $2.7 million) of net straight-line rent receivables arising from the recognition of rental revenue on a straight-line basis over the lease term in accordance with IAS 17 – *Leases*.

2013 acquisitions

- *Sorel Shopping Centre*

On March 15, 2013 the REIT completed the acquisition of Sorel Shopping Centre, a newly-constructed, 31,136 square foot open-air property, located located in the Montreal suburb of Sorel-Tracy Quebec. The REIT paid approximately $9.2 million for the property funded by cash.

- *Saint Remi Shopping Centre*

On March 15, 2013 the REIT completed the acquisition of Saint Remi Shopping Centre, a newly-constructed, 62,300 square foot open-air retail property located in the Montreal suburb of Saint Remi, Quebec. The REIT paid approximately $16.9 million for the property funded by cash.

4. NOTE RECEIVABLE

During the year ended December 31, 2012, the REIT acquired eight mortgages receivable as a result of the NorRock Realty Finance Corporation (TSXV: RF.H) ("NorRock") transaction, as detailed in the REIT's December 31, 2012 consolidated financial statements. Subsequently, the REIT sold four remaining mortgage assets to a related party, League Holdings Corporation, ("LHC") for $7.9 million based on third party valuations. In exchange for purchasing the mortgage assets, the REIT accepted a full recourse note receivable from LHC, fully guaranteed by League Assets Corp ("LAC"), bearing interest from September 15, 2012 at 12% and having a maturity date that has been extended to May 31, 2013.

During the period ended March 31, 2013, interest and principal repayments totaling $4.2 million were received from LHC on the note leaving a principal balance outstanding of $1.9 million (December 31, 2012 - $5.9 million). The REIT expects full recovery of the outstanding note receivable balance prior to the maturity date.

5. OTHER ASSETS

The major components of other assets are as follows:

As at		March 31, 2013		December 31, 2012
Prepaid realty taxes and insurance	**$**	**1,561,704**	$	767,331
Restricted cash - amounts held in escrow		**2,738,935**		1,892,703
Deposits on acquisitions		**3,562,000**		200,000
Deferred acquisition costs		**873,901**		404,813
Prepaid expenses and other		**2,763,530**		843,730
	$	**11,500,070**	$	4,108,577

Cash is considered restricted when it is held in escrow and is only available for use for specific purposes. The permitted use of restricted cash is to lease up vacant space and fund certain future capital expenditures for the REIT's income producing property portfolio.

Deposits on acquisitions include first and second deposits made on income producing properties which have not closed as of the date of these condensed consolidated financial statements. On the date of closing the deposited amount is deducted from the funds due on closing, or returned with interest if the REIT does not complete the acquisition.

Prepaid expenses and other include general trust expenses paid in advance, deferred operating recoveries and other deferred amounts.

6. ACCOUNTS RECEIVABLE

As at		March 31, 2013		December 31, 2012
Rents receivable	**$**	**1,295,815**	$	457,436
Unbilled recoveries and rents receivable		**1,405,063**		1,041,075
		2,700,878		1,498,511
Allowance for doubtful accounts		**(55,377)**		(55,377)
	$	**2,645,501**	$	1,443,134

The REIT records an allowance for doubtful accounts on tenant rent receivables on a tenant-by-tenant basis, using specific, known facts and circumstances that exist at the time of the analysis. See Note 19 for the REIT's exposure to credit risk regarding its receivables, and precautions taken to mitigate these risks.

7. MORTGAGES PAYABLE

As at	March 31, 2013	December 31, 2012
Mortgages payable	**$ 223,045,802**	$ 224,583,939
Unamortized above market interest rate adjustments	**3,177,200**	3,379,779
Unamortized commitment and other fees	**(1,411,879)**	(1,524,171)
	$ 224,811,123	$ 226,439,547
Non-current	**$ 213,559,106**	$ 215,528,319
Current	**11,252,017**	10,911,228
	$ 224,811,123	$ 226,439,547

Scheduled repayments of secured debt are as follows:

	Principal instalments	Principal maturing	Total
2013	$ 5,070,623	$ 4,000,000	$ 9,070,623
2014	6,714,802	24,870,435	31,585,237
2015	6,095,699	32,267,407	38,363,106
2016	4,998,831	28,376,013	33,374,844
2017	2,953,665	68,641,804	71,595,469
Thereafter	3,707,581	35,348,942	39,056,523
Contractual obligations	$ 29,541,201	$ 193,504,601	$ 223,045,802

Mortgages payable are secured by the income producing properties to which they relate with some having recourse to the REIT. The mortgages bear interest at effective rates ranging between 3.58% and 8.53% per annum (December 31, 2012 – 3.58% and 8.53%) and contractual rates ranging between 3.40% and 7.00% (December 31, 2012 – 3.40% and 7.00%). The REIT's weighted average effective interest rate is 4.48% per annum (December 31, 2012 – 4.50%). The total carrying value of the properties pledged as security is $403.0 million (December 31, 2012 - $399.0 million).

8. CONVERTIBLE DEBENTURES

As at	March 31, 2013	December 31, 2012
8.0% Convertible debenture	$ 27,950,000	$ 27,950,000
6.0% Convertible debenture	33,990,000	33,990,000
5.5% Convertible debenture	22,850,000	-
Debentures, excluding convertible feature	84,790,000	61,940,000
Fair value of convertible features at issuance	1,460,000	1,310,000
	86,250,000	63,250,000
Issue costs	4,704,805	3,733,260
Accumulated amortization of issue costs	(1,111,654)	(901,370)
Issue costs, net	3,593,151	2,831,890
	82,656,849	60,418,110
Accumulated fair value (gain) loss on convertible feature	(180,000)	300,000
	$ 82,476,849	$ 60,718,110

In March, 2011, the REIT issued $28,750,000 of 8.0% convertible unsecured subordinated debentures (the “8.0% convertible debentures”) due March 31, 2016. The 8.0% convertible debentures are convertible into REIT units at $8.80 per unit at the holder’s option at any time on or after March 31, 2014. On or after March 31, 2014 and prior to March 31, 2015, the 8.0% convertible debentures may be redeemed by the REIT, in whole or in part, at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the REIT’s units during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after March 31, 2015, the 8.0% debentures may be redeemed by the REIT at any time. The fair value of the convertible feature of the 8.0% convertible debentures as at March 31, 2013 is $810,000 (December 31, 2012 - $1,140,000).

On September 5, 2012, the REIT issued $34,500,000 of 6.0% convertible unsecured subordinated debentures (the “6.0% convertible debentures”) due September 30, 2017. The 6.0% convertible debentures are convertible into REIT units at $10.35 per unit at the holder’s option at any time on or after September 30, 2015. On or after September 30, 2015 and prior to September 30, 2016, the 6.0% convertible debentures may be redeemed by the REIT, in whole or in part, at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the REIT’s units during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after September 30, 2016, the 6.0% debentures may be redeemed by the REIT at any time. The fair value of the convertible feature of the 6.0% convertible debentures as at March 31, 2013 is $290,000 (December 31, 2012 - $470,000).

On March 5, 2013, the REIT issued $23,000,000 of 5.5% convertible unsecured subordinated debentures (the “5.5% convertible debentures”) due March 31, 2018. The 5.5% convertible debentures are convertible into REIT units at $10.25 per unit at the holder’s option at any time on or after March 31, 2016. On or after March 31, 2016 and prior to March 31, 2017, the 5.5% convertible debentures may be redeemed by the REIT, in whole or in part, at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the REIT’s units during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after March 31, 2017, the 5.5% debentures may be redeemed by the REIT at any time. The fair value of the convertible feature of the 5.5% convertible debentures as at March 31, 2013 is $180,000.

9. CREDIT FACILITIES

The REIT has a revolving credit facility (the "Credit Facility") from a consortium of Canadian chartered banks with a formula-based maximum credit limit not to exceed $50.0 million, bearing interest at the bank's prime rate (3.0% as at March 31, 2013) plus 1.0% per annum or the Banker's Acceptance stamping fee plus 2.25% per annum. As at March 31, 2013, the facility was secured by the King George Square, Crossing Bridge Square, Centre Village Shopping Centre and Elgar Place properties with a formula-based amount available under the facility of $28.8 million with nil in outstanding draws (December 31, 2012 - $7.5 million outstanding draws). The facility is renewable annually. The carrying value of properties pledged as security is $51.7 million (December 31, 2012 - $50.5 million).

The REIT has a revolving operating and acquisition facility (the "Acquisition Facility") with a Canadian chartered bank. Pursuant to the terms of the Acquisition Facility, the amount permitted to be drawn is calculated based on the value of a property that has been specified under the agreement. The facility bears interest at the bank's prime rate plus 2.25% per annum or the Banker's Acceptance stamping fee plus 3.25% per annum. As at March 31, 2013, the Acquisition Facility was secured by the Centuria Urban Village property and the current maximum available under this facility was $5.8 million, with nil in draws outstanding (December 31, 2012 - nil outstanding draws). The carrying value of properties pledged as security is $10.2 million (December 31, 2012 - $10.2 million).

10. EXCHANGEABLE LP UNITS

Exchangeable LP units represents 287,500 units of 137th Avenue LP, a wholly owned subsidiary, issued to the participating third party vendor in exchange for a property acquired by 137th Avenue LP. The units are exchangeable on a one-for-one basis, at the option of the holder, into Partners REIT units.

The holder of the exchangeable LP units of 137th Avenue LP is entitled to receive distributions on a per unit basis equal to the amount that is paid to the holders of REIT units. Under IFRS, these distributions are considered interest expense and are included in financing costs in the condensed consolidated statements of comprehensive income.

11. REVENUES FROM INCOME PRODUCING PROPERTIES

Revenues recognized from income producing properties for the period ended March 31, 2013 were $12.9 million (period ended March 31, 2012 - $9.1 million). The REIT leases commercial retail properties under operating leases generally with lease terms of between one and fifteen years, with options to extend for successive five year periods. Included in revenues from income producing properties are recoveries from tenants for the period ended March 31, 2013 of $4.4 million (period ended March 31, 2012 - $2.5 million), which represents the recovery of common area maintenance costs, realty taxes, insurance, and other permissible recoverable costs. Deducted from revenues are the amortization of tenant incentives and direct leasing costs.

As at March 31, 2013, the REIT is entitled under its non-cancellable tenant operating leases to the following minimum future receipts:

	Within 12 months	2 to 5 years	Beyond 5 years
Operating lease revenue	$ 33,089,636	$ 100,829,582	$ 91,741,902

12. FAIR VALUE GAINS

The components of fair value gains are as follows:

	Three months ended March 31,	
	2013	2012
Income producing properties	**$ 4,205,956**	$ 1,373,980
Financial liabilities designated as FVTPL		
Deferred unit-based compensation	**11,000**	(9,000)
Unit purchase warrants	**-**	20,000
Convertible debentures	**269,716**	150,000
Exchangeable LP units	**(20,125)**	(34,500)
Total fair value gains	**$ 4,466,547**	$ 1,500,480

13. PER UNIT CALCULATIONS

Under IAS 33 – *Earnings Per Share*, if the number of ordinary or potential ordinary units decreases as a result of a reverse unit split, the calculation of the basic and diluted earnings per unit for all periods presented must be adjusted retrospectively. On February 14, 2012, the REIT completed a 1 for 4 consolidation of units. The table below presents the net income per unit and weighted average units outstanding calculations, which reflects the REIT's unit consolidation. Only dilutive elements have been included in the calculation of diluted per unit amounts.

The table below presents the net income per unit and weighted average units outstanding calculations.

	Three months ended March 31,	
	2013	2012
Numerator		
Net income and comprehensive income - basic	**$ 8,097,665**	$ 3,606,508
Gain on fair value adjustment to employee options net of option costs	**(1,000)**	-
Gain on fair value adjustment to unit purchase warrants	**-**	(20,000)
Net income and comprehensive income - diluted	**$ 8,096,665**	$ 3,586,508
Denominator		
Weighted average units outstanding - basic	**25,352,436**	14,306,130
Dilutive convertible units	**11,379**	2,554
Weighted average units outstanding - diluted[1]	**25,363,815**	14,308,684

(1) *The calculation of diluted per unit amounts for the period ended March 31, 2013 and 2012 excludes convertible debentures and exchangeable LP units as their inclusion is anti-dilutive.*

Earnings per unit - basic and diluted	**$ 0.32**	$ 0.25

14. UNITHOLDERS' EQUITY

(a) *Public offerings*

On December 28, 2012, Partners REIT filed a prospectus with Canadian securities regulators to offer 2,925,000 units at $7.70 per unit by way of a public offering closing January 10, 2013. The offering also granted an over-allotment option of up to an additional 438,750 units at $7.70 per unit on the same terms and conditions as the offering. Partners REIT issued a total 3,363,750 units under the offering for total raised capital of $25.9 million and incurred issue costs of $1.4 million.

(b) *Distributions*

The REIT currently makes monthly cash distributions to unitholders in an amount of $0.05333 per unit, representing an annualized distribution of $0.64 per unit. The amount of the REIT's cash distributions is determined by, or in accordance with, the guidelines established from time to time by the Board of Trustees (the "Trustees"). The REIT's Trustees have discretion in declaring distributions. Pursuant to the REIT's Declaration of Trust, it is the intention of the REIT's Trustees to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes under Part I of the Income Tax Act.

(c) *Distribution reinvestment plan*

The REIT has a Distribution Reinvestment and Optional Unit Purchase Plan ("the Plan") to enable Canadian resident unitholders to acquire additional units of the REIT:

(i) through the reinvestment of regular monthly distributions on all or any part of their units; and

(ii) once enrolled in the Plan, through optional cash payments subject to a minimum of $1,000 per month and a maximum of $12,000 per calendar year.

Units issued in connection with the Plan are issued directly from the treasury of the REIT at a price based on the volume-weighted average of the closing price for the 20 trading days immediately preceding the relevant distribution date. Participants receive "bonus units" in an amount equal in value to 5% (prior to June 16, 2011: 3%) of each cash distribution.

The REIT has reserved for issuance with the TSX 750,000 units to accommodate the issuance of units under the Plan.

(d) *Outstanding units*

As at	**March 31, 2013**		December 31, 2012	
	Units	**Dollars**	Units	Dollars
Units outstanding, beginning of period	**22,310,533**	**$ 168,392,882**	7,765,603	$ 70,108,603
Units issued:				
Distribution reinvestment plan	**29,794**	**233,995**	87,299	676,253
Public offerings	**3,363,750**	**25,900,875**	6,159,812	45,704,571
Private offering	**-**	**-**	7,393,833	51,165,326
Incentive unit option plan	**-**	**-**	12,500	92,250
Alternate compenation plan	**2,237**	**17,500**	6,493	51,002
Deferred rights obligation	**-**	**-**	259,993	2,222,940
Warrant exercise	**-**	**-**	625,000	5,031,250
Unit issue costs	**-**	**(1,384,944)**	-	(6,659,313)
Units outstanding, end of period	**25,706,314**	**$ 193,160,308**	22,310,533	$ 168,392,882

15. SUPPLEMENTAL CASH FLOW INFORMATION

The following table outlines supplemental cash flow information and the net change in the REIT's working capital:

		Three months ended March 31, 2013		2012
Supplemental				
Income taxes paid	**$**	**-**	$	-
Interest paid		**4,693,906**		3,562,670
Net change in working capital				
Net change in accounts receivable	**$**	**(1,202,367)**	$	(884,533)
Net change in other assets		**(7,207,218)**		(186,057)
Net change in current mortgages payable market interest rate adjustment		**(202,578)**		(130,763)
Net change in accounts payable and other liabilities[(1)]		**(3,042,458)**		289,676
Net change in distributions payable		**182,048**		563,321
	$	**(11,472,573)**	$	(348,356)

(1) The net change in accounts payable and other liabilites at March 31, 2013 and March 31, 2012 does not include non-cash changes relating to the incentive unit option plan and deferred revenues.

16. UNIT-BASED COMPENSATION PLANS

(a) *Incentive unit option plan*

The REIT's incentive unit option plan provides that the maximum number of units which may be reserved and set aside for issue under the incentive unit option plan shall not exceed 10% of the issued and outstanding units at the time that the options were granted (on a non-diluted basis). Options issued by the REIT vest evenly over three years and expire five years after the grant date.

Incentive unit-based compensation is comprised of the following:

	Three months ended March 31, 2013			Year ended December 31, 2012		
	Units		**Weighted Average Exercise Price**	Units		Weighted Average Exercise Price
Options outstanding, beginning of period	**522,000**	**$**	**7.19**	237,500	$	7.36
Options granted	**-**		**-**	364,500		7.30
Options exercised	**-**		**-**	(12,500)		7.00
Options canceled	**-**		**-**	(67,500)		8.39
	522,000	**$**	**7.19**	522,000	$	7.19
Options exercisable, end of period	**236,500**	**$**	**7.14**	62,096	$	7.00

Under IFRS, the options are not considered to be equity instruments, and as such the unexercised, outstanding options are included in liabilities in the condensed consolidated statements of financial position. IAS 39 requires the liability to be measured at fair value. Changes to the fair value are recognized in profit or loss such that the cumulative expense reflects the amount amortized to date over the vesting period if the amortized amount was otherwise re-calculated at the end of the reporting period.

As at March 31, 2013, the fair value of the incentive unit-based compensation liability is $214,000 (December 31, 2012 – $215,000). During the period ended March 31, 2013 the REIT recorded $10,000 of employee compensation expense (period ended March 31, 2012 – $45,000).

The weighted average remaining contractual life at March 31, 2013 for the exercisable unit options is approximately 3.4 years (December 31, 2012 – approximately 3.2 years).

(b) Alternate compensation plan ("ACP")

Under the ACP, Trustees will have the option to have their fees ("Trustees Fees") paid in units of the REIT. The number of units will be equivalent to the cash value of the Trustees Fees elected by the Trustee to be paid in units. The maximum number of units reserved for issuance under the ACP is 1% of the issued and outstanding units and the maximum number of units reserved under the ACP and all unit-based compensation plans of the REIT shall not exceed 10% of the REIT's issued and outstanding units at any given time.

The issue price of the units under the ACP is the closing price of the units on the market with the largest trading volume of units on the last trading date preceding the date of issuance to the Trustees. If there is no trading on that date, the issue price is the closing price on the next previous day on which trading took place preceding the date of issuance to the Trustees or such other amount as determined by the Board and permitted by the TSX upon which the units are from time to time listed for trading and any other applicable regulatory authority.

The ACP became effective April 13, 2012. For the period ended March 31, 2013, the number of units issued to the Trustees under the ACP is 2,237 units at a weighted average price of $7.82 per unit.

17. CAPITAL MANAGEMENT

The REIT actively manages both its debt capital(1) and its equity capital with the objectives of ensuring that the REIT can continue to grow and operate its business.

The real estate industry is capital intensive by nature. As a result, debt capital is a very important aspect in managing the business. In addition, financial leverage is used to enhance returns from purchased real estate. Part of the REIT's objectives in securing mortgages for its properties and managing its long-term debt is to stagger the maturities in order to mitigate short-term volatilities in the debt markets. As well, given the importance of debt capital to real estate entities, the REIT monitors its debt-to-gross book value ratio; a ratio that has become a common industry metric reviewed by analysts, unitholders and others within the industry. The REIT does not have a specific debt-to-gross book value threshold imposed on it in its Declaration of Trust; however the REIT's bank credit facility imposes a restriction on the REIT's debt-to-gross book value ratio, at a maximum of 75%.

The debt-to-gross book value ratio is measured as the REIT's total debt, including mortgages payable, corporate secured debt, debentures and bank credit facility, divided by the gross book value of its assets.

At March 31, 2013, the REIT is in compliance with its debt-to-gross book value ratio at 60.9%, (December 31, 2012– 62.4%), which is calculated as follows:

As at	**March 31, 2013**	December 31, 2012
Debt		
Mortgage principal	**$ 223,045,802**	$ 224,583,939
Debentures, excluding fair value of convertible feature at issuance	**84,790,000**	61,940,000
Credit facilities, excluding fair value of warrants at funding date	**-**	7,500,000
	$ 307,835,802	$ 294,023,939
Gross Book Value of Assets		
Original cost of income producing properties (2)	**$ 480,135,073**	$ 453,054,833
Book value of all other assets	**20,246,077**	13,341,154
Deferred financing fees	**5,189,305**	4,578,121
	$ 505,570,455	$ 470,974,108
Debt-to-Gross Book Value	**60.9%**	62.4%
Debt-to-Gross Book Value Excluding Debentures	**44.1%**	49.3%

[(1)] Debt capital refers to secured debt, debenture and bank credit facility excluding deferred financing costs, the value of the debentures' convertible feature, fair value of embedded derivatives, and unamortized above market interest rate adjustments.
[(2)] Original cost of income producing properties represents the historical costs incurred to acquire the REIT's properties.

In terms of the REIT's equity capital, the REIT issues equity when it is available and appropriate to replenish cash, for acquisitions, or other uses. The REIT has access to an Acquisition and Credit Facility, which may be used to fund the equity portion of acquisitions, as well as to fund general working capital requirements.

18. FAIR VALUE

Fair value is 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. The fair values of the REIT's assets and liabilities were determined as follows:

(a) Current assets and liabilities

The carrying amounts for cash, accounts receivable, other assets, accounts payable and other liabilities, credit facilities and distributions payable approximate their fair values due to the short-term nature of these items.

(b) Mortgages payable

The fair value of secured debt is based on discounted future cash flows, using interest rates ranging between 3.10% and 7.00% that reflect current market conditions for instruments of similar term and risk. The fair value of the secured debt is approximately $234.4 million at March 31, 2013 (December 31, 2012 - $235.3 million).

Assets and liabilities measured at fair value in the statements of financial position are classified based on a three-level hierarchy that reflects the significance of the inputs used when determining the fair value as follows:

- Level 1- determined by reference to quoted prices in active markets for identical assets and liabilities;
- Level 2- determined by using inputs other than the quoted prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3- determined using inputs that are not based on observable market data.

The following table classifies assets and liabilities measured at fair value according to the three level hierarchy.

Period ended March 31, 2013	Level 1	Level 2	Level 3
Income producing properties	$ -	$ -	$ 497,576,001
Note receivable	-	-	1,941,758
Embedded derivatives	-	1,280,000	-
Deferred unit-based compensation liability	-	214,000	-
Exchangeable LP units	-	2,248,250	-
Total	$ -	$ 3,742,250	$ 499,517,759

The following table details the valuation techniques used in the determination of fair values with unobservable inputs used in the valuation models other than income producing properties which are disclosed in note 3:

Period ended March 31, 2013	Valuation approach	Key unobservable inputs	Relationship between key unobservable inputs and fair value
Note receivable	Fair value is calculated by applying the discounted cash flow approach which incorporates the present value of the cash flows expected to be generated by the note receiable and the risks associated with the asset.	Probability of default: 0.0% - 1.0% Risk adjusted discount rate: 12.0%	Fair value increases as the probability of default and risk adjusted discount rate increase.

The fair value of assets and liabilities is performed on a quarterly basis using the valuation approaches noted above.

The following table shows the contractual cash flows (including principal and interest) on all of the REIT's non-derivative financial liabilities:

	2013	2014	2015	2016	2017	Thereafter
Mortgages payable						
Interest	$ 7,610,422	$ 9,275,789	$ 8,085,314	$ 5,946,057	$ 2,754,796	$ 2,918,792
Principal payments	5,070,623	6,714,802	6,095,699	4,998,831	2,953,665	3,707,581
Balances due on maturity	4,000,000	24,870,435	32,267,407	28,376,013	68,641,804	35,348,941
Debentures						
Interest	5,405,695	5,635,000	5,635,000	3,910,000	2,817,500	316,250
Balances due on maturity	-	-	-	28,750,000	34,500,000	23,000,000
Credit facilties						
Interest	112,500	-	-	-	-	-
Balances due on maturity	-	-	-	-	-	-
Accounts and distributions payable and other liabilities	9,479,132	-	-	-	-	-
Total	$ 31,678,372	$ 46,496,026	$ 52,083,420	$ 71,980,901	$ 111,667,765	$ 65,291,564

19. RISK MANAGEMENT

In the normal course of business, the REIT is exposed to a number of risks that can materially affect its operating performance.

(a) Interest rate risk

The REIT is exposed to interest rate risk when funds are drawn under the Acquisition Facility and Credit Facility, which both have a floating rate of interest as well as its variable-rate mortgages. An increase in interest rates would increase the interest cost of the REIT's Acquisition Facility and Credit Facility and have an adverse effect on the REIT's comprehensive income and earnings per unit. Based on the outstanding balance of the Acquisition Facility, Credit Facility and variable rate mortgages at March 31, 2013, a 1% increase or decrease in the Bank's prime rate would have an impact of $40,000 on the REIT's annual interest expense (December 31, 2012 – $115,000) for the period then ended.

The REIT structures its fixed rate financing so as to stagger the maturities of its mortgages, thereby minimizing exposure to future interest rate fluctuations.

(b) Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The REIT attempts to mitigate this risk by conducting credit assessments on new lessees, by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. The maximum credit risk exposure at March 31, 2013 relates to the carrying value of the accounts receivable balance without taking into account any collateral held or other credit enhancements. Collateral held on certain leases are letters of credit or security deposits from the tenants. Refer to Note 6 for details of accounts receivable.

Credit risk also arises from the possibility that the note receivable will not be repaid. The REIT has mitigated this risk by obtaining a guarantee on the full value of the note and by monitoring the ongoing sales of the related assets.

(c) Liquidity risk

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to fund future growth, refinance debts as they mature or meet the REIT's payment obligations as they arise. Furthermore, liquidity risk also arises from the REIT not being able to obtain financing or refinancing on favourable terms.

The REIT's main liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, capital and leasing expenditures on existing properties, property acquisitions and distributions to unitholders. All of the aforementioned liquidity requirements, except for debt repayment obligations at maturity and property acquisitions, are generally funded from cash flows from operations or from drawing on the REIT's Acquisition or Credit Facility. Debt repayment obligations (see Notes 7 and 8) are generally funded from refinancing the related debt and property acquisitions are generally funded from equity raises as well as obtaining debt financing on the related property. Between capital raises, the REIT may use its Acquisition or Credit Facility to fund the equity portion of property acquisitions.

The REIT's financial condition and results of operations would be adversely affected if it were unable to obtain financing/refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

The REIT attempts to mitigate its liquidity risk by staggering the maturities of its debt. As well, the REIT's distributions are made at the discretion of the REIT's Trustees. Finally, the REIT doesn't enter into property acquisitions unless it has secured or knows that it can secure the appropriate capital (debt and equity) to fund the particular acquisition.

20. RELATED PARTY TRANSACTIONS

IAS 24 – Related Party Disclosures requires entities to disclose in their financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences the other party. Balances and transactions between the REIT and its subsidiaries, which are related parties of the REIT, have been eliminated on consolidation and are not disclosed in this note.

The REIT entered into related party transactions with IGW Public LP ("IGW Public"), and its subsidiary, LAPP Global Asset Management Corp. ("LAPP"), which are the REIT's major unitholder and asset manager, respectively. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The REIT also entered into a related party transaction with League Holdings Corporation ("LHC"), a subsidiary of League Assets LP. LHC and League Assets LP are related to the REIT by virtue of certain directors and key management personnel of the REIT having a controlling ownership interest in these entities.

(a) Management agreement

Pursuant to the management agreement between LAPP and the REIT, LAPP provides the REIT with strategic, advisory, asset management and administrative services in exchange for an annual management fee equal to: (i) 0.30% of the "adjusted book value" of the REIT's assets, paid quarterly in arrears, and (ii) 0.25% of the "adjusted book value" of the REIT's assets, paid quarterly in arrears, if the "adjusted book value" of the REIT's assets is greater than $1 billion, and an acquisition fee equal to: (i) 0.50% of the "property cost" of such real property if prior to such acquisition the "adjusted book value" of the REIT's assets is less than or equal to $1 billion; and (ii) 0.40% of the "property cost" of such real property if prior to such acquisition the "adjusted book value" of the REIT's assets is greater than $1 billion. "Adjusted book value" equals the original property cost of the income producing properties, plus the book value of all other assets, and plus the add-back of accumulated amortization of deferred costs. In addition, the agreement allows for an incentive fee of 15% of funds from operations in excess of $0.70 per unit. The hurdle of funds from operations of $0.70 per unit increases by 1.5% per year.

The initial term of the management agreement is a three-year period, expiring on March 15, 2015. Upon expiry of the initial term, the management agreement renews automatically for successive three-year terms, unless terminated in accordance with its terms. The management agreement may be terminated if the independent trustees make the decision to employ individuals directly by the REIT rather than by LAPP, where the independent trustees determine the cost of doing so would be less on an annual basis than the fees paid to LAPP under the management agreement; or if otherwise determined that it is in the best interest of the REIT to have the management of the REIT performed on a full time basis by individuals employed directly by the REIT. The management agreement provides each party with termination rights, the exercise of which may, in certain situations, require the REIT to pay a termination fee equal to two times the annual management fee paid in respect of the last full calendar year prior to the date of termination.

In accordance with the management agreement, LAPP is providing the services of certain executives, consultants and other employees to the REIT. As the REIT grows, LAPP will provide additional executives to the REIT in order to fulfill its obligations under the management agreement as recommended by the trustees and agreed to by the trustees and LAPP. All costs associated with the executives and personnel shall be borne by LAPP. In accordance with the terms of the management agreement, LAPP is required to consult with the independent trustees with regard to compensation decisions for executives who devote substantially all of their time to the business of the REIT. In the event that any executive providing services to the REIT ceases to do so for any reason, LAPP will replace such individual with another employee with similar qualifications and experience.

Under the terms of the management agreement, the REIT has incurred the following fees:

	Three months ended March 31,	
	2013	2012
Acquisition fees	**$ 130,430**	$ 621,606
Asset management fees	**349,882**	328,150
Property management and accounting fees	**113,958**	44,456
	$ 594,270	$ 994,212

The acquisition fees and leasing commissions were capitalized to income producing properties in the condensed consolidated statements of financial position, in accordance with IAS 40 – *Investment Properties*. The asset management fees were charged to general and administrative expenses and the property management and accounting fees were charged to operating expenses in the condensed consolidated statements of comprehensive income.

In connection with entering into the management agreement, LAPP, League Assets LP and IGW Public (collectively referred to as the "Restricted Parties") entered into a non-competition agreement with the REIT. Pursuant to the non-competition agreement, each of the Restricted Parties agreed that it will not, and will cause its affiliates not to, directly or indirectly: (i) create, manage or provide restricted management services to another person who carries on the primary business of the acquisition, development and/or management of "retail properties" or "mixed-use retail properties" (the retail properties and mixed-use retail properties collectively are referred to as the "Restricted Real Estate Assets"); (ii) purchase any Restricted Real Estate Asset or develop any property that, on completion of development, will be a Restricted Real Estate Asset; or (iii) provide strategic, advisory and asset management services for any Restricted Real Estate Asset the equity interests in which are not all held by the Restricted Parties or their respective affiliates. Exceptions from the foregoing include the purchase of properties or the making of investments that have been first offered to the REIT and which the REIT notified the Restricted Party that it was not interested in pursuing.

The non-competition agreement remains in effect until the earlier of: (i) six months after the termination of the management agreement in certain circumstances; or (ii) the date of termination of the management agreement under other circumstances.

(b) Other related party transactions

Partners REIT entered into an agreement with LHC, which provides that, at any time, the REIT has the option to sell to LHC the remaining non-cash assets it has purchased from NorRock, and that LHC will purchase the remaining non-cash assets at a designated value.

On June 30, 2012, the REIT exercised its option to sell the remaining mortgage assets to LHC for $7.9 million based on third party valuations. In exchange for purchasing the mortgage assets, the REIT accepted a full recourse note receivable from LHC, fully guaranteed by LAC, bearing interest from September 15, 2012 at 12% and having a maturity date that has been extended to May 31, 2013.

Following the sale of the remaining mortgage assets to LHC, partial repayments on the note receivable have been made to the REIT, leaving a remaining balance of $1.9 million at March 31, 2013.

(c) Related party balances

Amounts owing to LAPP and other related parties at March 31, 2013 are $1,060 (December 31, 2012 - $36,727). These amounts have been classified in accounts payable and other liabilities, and consist of outstanding reimbursements payable.

Amounts owing to the REIT from other related parties at March 31, 2013 consist of the note receivable and accrued interest on the note receivable totaling $1.96 million (December 31, 2012 – 6.0 million).

(d) Compensation of key management and trustees

The REIT's independent trustees include: Louis Maroun, Paul Dykeman, Saul Shulman, John van Haastrecht and Tim O'Neill. Key management personnel include: Chief Executive Officer, Adam Gant; President, Patrick Miniutti; Chief Financial Officer, Heather Routly, Chief Operating Officer, Peter Morris and Chief Investment Officer, Ed Boomer. The remuneration of the REIT's key management personnel and trustees was as follows:

	Period ended March 31,		Period ended March 31,	
	2013	2012	**2013**	2012
	Trustees		**Key Management**	
Compensation and benefits	**$ 67,594**	$ 46,405	**$ 168,109**	$ 332,415
Deferred unit-based compensation	**-**	-	**10,000**	45,000
	$ 67,594	$ 46,405	**$ 178,109**	$ 377,415

21. SUBSEQUENT EVENTS

(a) On April 10, 2013 the REIT completed the financing of properties acquired during the quarter ended March 31, 2013. New seven-year mortgages with contractual interest rates of 3.7% were placed on the Sorel Shopping Centre and the Saint Remi Shopping Centre for $4.2 million and $11.5 million, respectively.

(b) On April 15, 2013 the REIT completed the acquisition of the Mariner Square Shopping Centre, a six-building 101,000 square foot open-air retail centre. Anchored by necessity-based tenants, the centre is situated in downtown Campbell River on the east coast of Vancouver Island about 260 kilometers north of Victoria. The REIT paid approximately $25.8 million for the property, satisfied by the assumption of a $14.7 million current mortgage maturing in November 2017 bearing a mark-to-market interest rate of 3.5%, with the balance paid in cash, utilizing funds from the REIT's Credit Facility.

(c) On May 6, 2013 the REIT completed the acquisition of Marcel-Laurin, a 120,566 newly-constructed, necessity based, open-air retail centre in Saint Laurent, Quebec. The REIT paid approximately $35.8 million for the property, satisfied by a new $22.0 million ten-year mortgage on the property with a contractual interest rate of 3.85%, with the balance paid in cash, utilizing proceeds of the Sorel and Saint Remi Shopping Centre financings.

(d) On May 6, 2013 the REIT completed the acquisition of the Repentigny Shopping Centre, a stabilized, 49,366 square-foot open-air centre in Repentigny, Quebec. The REIT paid approximately $10.0 million for the property, satisfied by a new $5.7 million five-year mortgage on the property with a contractual interest rate of 3.34%, with the balance paid in cash, utilizing proceeds of the Sorel and Saint Remi Shopping Centre financings.

(e) On May 1, 2013 the REIT repaid its floating-rate mortgage secured by a second charge on five Shoppers Drug Mart properties located in Manitoba. The REIT utilized funds from its Credit Facility to repay the interest-only loan, which had a contractual interest rate of 7.0% at the time of repayment.

(f) Subsequent to March 31, 2013 the Centuria Urban Village property with a carrying value of $10.2 million was added as security to the REIT's Credit Facility, increasing the formula-based amount available under the facility to $34.3 million. The property was simultaneously removed from the REIT's Acquisition Facility which was subsequently closed.

(g) The REIT gave notice under its management agreement with LAPP on May 2, 2013 to terminate the agreement effective November 1, 2013 and will be internalizing management.