PARTNERS REIT

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

FORWARD-LOOKING INFORMATION ADVISORY

This Management's Discussion and Analysis ("MD&A") to the unitholders may contain forward-looking statements and information within the meaning of applicable securities legislation. These forward-looking statements reflect management's current beliefs and are based on assumptions and information currently available to management of Partners Real Estate Investment Trust ("Partners REIT" or the "REIT"). In some cases, forward-looking statements can be identified by terminology such as "may", "would", "could", "will", "expect", "anticipate", "believe", "intend", "plan", "forecast", "predict", "estimate", "outlook", "potential", "continue", "should", "likely", or the negative of these terms or other comparable terminology, and are not historical fact. Although management believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve assumptions, known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the REIT to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements and information.

In making the forward-looking statements in this MD&A, the REIT has applied material assumptions including, but not limited to, the assumption that: (1) commercial real estate markets continue to remain fluid; (2) demand for vacant space at the REIT's properties remains high enabling the REIT to generate additional rents and enhance recovery ratios; (3) capital expenditures at key properties like Méga Centre remain on budget and on time, and will continue to enhance revenues; and (4) the REIT is able to refinance maturing debt at favourable interest rates. Other assumptions are discussed throughout this MD&A; in particular under Part V – Risks and Uncertainties.

Forward-looking statements include statements related to acquisitions; development and capital expenditure activities; future maintenance and leasing expenditures; financing; the availability of financing sources; and income taxes.

Factors that could cause actual results, performance, or achievements to differ materially from those set forth in the forward-looking statements and information include, but are not limited to: general economic conditions; local real estate conditions, including the development of properties in close proximity to the REIT's properties; timely leasing of newly developed properties and releasing of occupied square footage upon expiration; dependence on tenants' financial condition; changes in operating costs, government regulations and taxation; the uncertainties of real estate development and acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; the ability of the REIT to maintain stable cash flows and distributions; and other risks and factors described from time to time in the documents filed by the REIT. The REIT undertakes no obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by law. Additional information about these risks and uncertainties and any corresponding plan to mitigate these risks, where possible, is contained in the REIT's filings with securities regulators, including the REIT's Annual Information Form, which is available on www.sedar.com.

These forward-looking statements are made as of November 13, 2013 and present material information up to this date, unless otherwise noted.

PART I – OVERVIEW & FINANCIAL HIGHLIGHTS

BASIS OF PRESENTATION

Financial data included in this Management's Discussion and Analysis ("MD&A") for the period ended September 30, 2013, includes material information up to November 13, 2013. Financial data provided has been prepared using accounting policies in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar references are in Canadian dollars.

The MD&A is intended to provide readers with an assessment of the performance of Partners REIT over the first three quarters of 2013, as well as our financial position and future prospects. The MD&A should be read in conjunction with the condensed consolidated financial statements and appended notes for the three and nine months ended September 30, 2013, which begins after page 33 of this report.

In our discussion of operating performance, we define net operating income ("NOI") as gross revenues from income producing properties less operating expenses (which excludes interest expense, general and administrative expenses, amortization, income taxes, and fair value gains/(losses)). We define funds from operations ("FFO") as net income before fair value gains or losses, amortization of leasing commissions ("LCs"), tenant inducements ("TIs") and deferred financing costs on mortgages and credit facilities, gains or losses from the sale of property, and certain other non-cash items and adjusted for any non-controlling interests in the foregoing. Adjusted funds from operations ("AFFO") is defined as funds from operations net of actual leasing commissions, tenant improvements and capital expenditures that maintain the current rental operations, amortization of deferred financing costs and straight-line rent. NOI is an important measure that we use to assess operating performance, and FFO is a widely-used measure in analyzing real estate. AFFO is typically a measure used to assess an entity's ability to pay distributions. We provide the components of net operating income on page 19, and a reconciliation of net income to funds from operations and adjusted funds from operations on page 21. NOI, FFO, and AFFO do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

CURRENT BUSINESS ENVIRONMENT AND OUTLOOK

The management of the REIT is focused on enhancing returns to unitholders by actively managing the REIT's existing portfolio and generating continued growth from, among other things, base rents (including contractual escalations, renewals and new leasing activity), increasing the occupancy of the portfolio and by improved operational processes and recovery ratios. Lease expiries in 2014 and 2015 are 7.6% and 9.9%, respectively, and because there is strong demand for this space, the expiries provide the REIT with a near-term opportunity to enhance the revenues generated by those properties.

The REIT has $26.3 million (10.8%) in mortgages maturing over the next two years, which provides strong stability to the debt component of the capital stack as well as an opportunity to refinance this portion of the REIT's debt at current market rates, which management expects would result in a slight reduction to the REIT's financing costs.

With respect to acquisitions, the current state of the market provides limited opportunities that fit within the REIT's strategy and are accretive. Notwithstanding the state of the acquisitions market, the REIT continues to explore and review every proposed opportunity with a view to continuing the growth of the portfolio on a strategic and accretive basis.

Access to the capital markets remains challenging, despite the positive underlying fundamentals of the REIT's portfolio. The focus by the REIT on the acquisition of retail centres with necessity-based anchor tenants provides the REIT with stability during economic downturns, while the long-term nature of leases and resulting security of revenues, as well as the use of long-term, low-interest debt, provide the REIT with a stable environment on which to focus on enhancing revenues from the portfolio. Partners REIT will also continue to monitor both the economy and real estate markets with a view to ensuring adequate access to new equity and debt.

OVERVIEW OF THE BUSINESS

Partners REIT is an unincorporated, open-ended real estate investment trust and was formed pursuant to a Declaration of Trust dated March 27, 2007 last amended and restated on April 8, 2013. The principal activity of Partners REIT is acquiring, developing, and operating commercial retail properties. The units of the REIT are listed on the Toronto Stock Exchange (the "TSX") as of April 3, 2012 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.

Effective November 3, 2010, the name of Charter Real Estate Investment Trust was changed to Partners Real Estate Investment Trust. All references to "Partners Real Estate Investment Trust", "Partners REIT", the "REIT" and similar references in this MD&A refer to Charter Real Estate Investment Trust prior to the name change.

The REIT's focus is on the acquisition and management of a portfolio of high quality, geographically and economically diversified retail and mixed-use retail community and neighbourhood centres. These properties are primarily in the mid-market value range of $10 to $50 million, and are located in both primary and secondary markets throughout Canada.

Partners REIT's current portfolio of properties consists of retail and mixed-use retail centres whereby the majority of rents are derived from national and regional retailers with multi-year leases. These centres typically provide growth opportunities through the lease-up of vacant space, the increase in rental rates through contractual escalations and renewals, and through management's active operation of the properties. The REIT believes it has created a base of retail assets that provides reliable and stable cash flow, and continues to pursue opportunities that yield growth through lease renewals, redevelopment and/or development of assets. As at September 30, 2013, the REIT owned thirty-nine retail and mixed-use retail properties located in Ontario, Québec, Manitoba, Alberta, and British Columbia.

On October 18, 2013 the REIT announced that a special committee comprised of the independent trustees of the REIT had been appointed. See Part III – Recent Developments for further discussion of the initiatives of the special committee.

The REIT acquired the following properties during the nine months ended September 30, 2013:

	Property Description	Property Type	Date Acquired	Square Footage	Acquisition Cost ($ millions)	
1.	Sorel Shopping Centre Montréal, Québec	Shopping Centre	15-Mar-13	31,776	$	9.15
2.	Saint Remi Shopping Centre Montréal, Québec	Shopping Centre	15-Mar-13	61,704		16.94
3.	Mariner Square Shopping Centre Campbell River, British Columbia	Shopping Centre	15-Apr-13	100,257		25.90
4.	Repentigny Shopping Centre Repentigny, Québec	Shopping Centre	1-May-13	49,371		9.70
5.	Marcel-Laurin Saint Laurent, Québec	Shopping Centre	1-May-13	120,168		35.85
6.	Cobblestone Shopping Centre Grande Prairie, Alberta	Shopping Centre	19-Aug-13	42,980		16.49
				406,256	$	114.03

The above acquisitions were funded by new and assumed mortgages totaling $69.3 million, partial cash proceeds from a $25.9 million equity offering, a $23.0 million convertible debenture issuance and draws on the REIT's Credit Facility.

FINANCIAL HIGHLIGHTS

The following is a summary of key financial information and statistics for the periods indicated (see Part II – Performance Measurement for a description of the key terms):

	As at and for the three months ended		As at and for the nine months ended	
	Sep 30, 2013	Sep 30, 2012	**Sep 30, 2013**	Sep 30, 2012
Revenues from income producing properties	**$ 14,533,172**	$ 11,195,642	**$ 41,792,858**	$ 31,575,199
Net income and comprehensive income	**2,879,866**	3,526,175	**13,380,102**	10,715,642
Net income per unit - basic	**0.11**	0.16	**0.52**	0.59
NOI [(1)]	**8,839,837**	7,576,746	**26,262,588**	20,714,127
NOI - same property [(1)]	**6,675,221**	7,575,746	**14,170,325**	14,528,653
FFO[(1)]	**3,162,365**	3,360,600	**10,865,030**	8,751,497
FFO per unit[(1)]	**0.12**	0.16	**0.42**	0.47
AFFO[(1)]	**2,912,645**	3,160,571	**9,923,969**	8,427,599
AFFO per unit[(1)]	**0.11**	0.15	**0.38**	0.46
Distributions[(2)]	**4,155,066**	3,433,006	**12,418,347**	8,867,778
Distributions per unit[(2)]	**0.16**	0.16	**0.48**	0.48
Distribution payout ratio[(3)]	**131% / 143%**	102% / 109%	**114% / 125%**	101% / 105%
Cash distributions[(4)]	**3,806,451**	3,200,629	**11,553,750**	8,405,749
Cash distributions per unit[(4)]	**0.15**	0.15	**0.45**	0.46
Cash distribution payout ratio[(5)]	**120% / 131%**	95% / 101%	**106% / 116%**	96% / 100%

As at	**Sep 30, 2013**	Dec. 31, 2012	Sep 30, 2012
Total assets	**$ 605,640,966**	$ 479,068,788	$ 442,496,388
Total debt[(6)]	**398,184,703**	294,023,939	280,307,968
Total equity	**197,005,711**	170,064,524	151,394,633
Weighted average units outstanding - basic	**25,662,288**	19,164,337	18,181,355
Debt-to-gross book value including debentures[(6)]	**66.7%**	62.4%	62.0%
Debt-to-gross book value excluding debentures[(6)]	**52.5%**	49.3%	48.3%
Interest coverage ratio[(7)]	**1.99**	2.30	2.08
Debt service coverage ratio[(7)]	**1.38**	1.55	1.44
Weighted average interest rate[(8)]	**4.34%**	4.48%	4.64%
Portfolio occupancy	**96.1%**	96.7%	96.4%

(1) NOI, FFO and AFFO are non-IFRS financial measures widely used in the real estate industry. See “Part II – Performance Measurement” for further details and advisories.

(2) Represents distributions to unitholders on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month. Distributions per unit exclude the 5% bonus units given to participants in the Distribution Reinvestment and Optional Unit Purchase Plan.

(3) Total distributions as a percentage of FFO/AFFO.

(4) Represents distributions on a cash basis, and as such, excludes the non-cash distributions of units issued under the Distribution Reinvestment and Optional Unit Purchase Plan.

(5) Cash distributions as a percentage of FFO/AFFO.

(6) See calculation under “Debt-to-Gross Book Value” in “Part IV – Results of Operations”.

(7) Calculated on a rolling four-quarter basis. See definition under “Mortgages and Other Financing” in “Part IV – Results of Operations”.

(8) Represents the weighted average effective interest rate for secured debt excluding debentures and credit facilities.

Revenue from income producing properties for the three and nine months ended September 30, 2013 increased over the same period in 2012 by $3.3 million (30%) and $10.2 million (32%), respectively. The increases are due to the acquisition of nine properties across British Columbia, Ontario, and Québec subsequent to September 30, 2012, and a full quarter of operations in the current period from nine properties acquired during the first three quarters of 2012.

Net income and comprehensive income for the three months ended September 30, 2013 decreased over the same period in 2012 by $0.6 million (18%) due to a reduction in the fair value gains recognized in the current period, increases in the financing costs as a result of the properties acquired since September 30, 2012, and increases in the general and administrative expenses as the REIT's unitholder and asset base increases, offset by the increases in NOI described below. Net income and comprehensive income for the nine months ended September 30, 2013 increased over the same period in 2012 by $2.7 million (25%) due to the increases in fair value gains recognized in the current period and increases in NOI described below, offset by increases in the financing costs as a result of the properties acquired since September 30, 2012 and increases in the general and administrative expenses as the REIT's unitholder and asset base increases.

All property NOI for the three and nine months ended September 30, 2013 increased over the same periods in 2012 by $1.3 million (17%) and $5.5 million (27%), respectively. Same property NOI, which removes the effect of the REIT's acquisitions, decreased by 12% and 3% compared to the respective prior year periods during the three and nine months ended September 30, 2013 due to provisions of approximately $320,000 made during the quarter for uncollectible debts and adjustments of approximately $230,000 to recovery revenues related to prior years.

FFO for the three and nine months ended September 30, 2013 decreased over the same period in 2012 by $0.2 million (6%) and increased $2.1 million (24%), respectively. AFFO for the 3 months and nine ended September 30, 2013 decreased $0.2 million (8%) and increased by $1.5 million (18%) compared to the same periods in 2012. The changes in FFO and AFFO are due primarily to new property acquisitions offset by provisions of approximately $320,000 made during the quarter for uncollectible debts and adjustments of approximately $230,000 to recovery revenues related to prior years.

Distributions per unit remained at $0.16 for the third quarter of 2013, consistent with distributions during the third quarter of 2012. Distributions are made on a monthly basis to unitholders of record on the last trading day of the month, payable on or around the 15th day of the following month. Increases in total distributions for the three and nine months ended September 30, 2013 over the same prior year periods are due entirely to an increase in the REIT's units issued and outstanding.

The AFFO cash payout ratio for the three and nine months ended September 30, 2013 increased over the same periods in 2012 to 131% and 116%, respectively, due to the timing of equity issuances relative to the closing of the associated acquisitions in the first and second quarters, combined with the provisions of approximately $320,000 made in the third quarter for uncollectible debts and adjustments of approximately $230,000 to recovery revenues related to prior periods. Based on the REIT's current portfolio, the AFFO cash payout ratio is expected to decline as income from the portfolio stabilizes and a large proportion of straight-line rent converts to collectible rent and as a result of the recently announced reduction in the monthly distribution amount.

The REIT's total assets increased by $126.6 million (29%) for the nine month period ended September 30, 2013 over the December 31, 2012 balance. The increase is due to the acquisition of six properties during the period for $117.7 million (inclusive of closing costs), a fair value increase of the REIT's property portfolio of $4.0 million, improvements and development of properties of $5.6 million and changes in the REIT's working capital.

The REIT's total debt increased by $104.2 million (37%) for the nine months ended September 30, 2013 over the December 31, 2012 balance. The increase is due to a $23.0 million convertible debenture issuance which closed on March 5, 2013, net draws of $21.5 million on the REIT's Credit Facility and new mortgages of $69.3 million, repayment of a variable rate mortgage with a principal balance of $4.0 million and monthly principal repayments made on the REIT's mortgages.

Occupancy declined slightly during the nine months ended September 30, 2013, compared to occupancy at December 31, 2012, primarily as a result of the acquisition of six properties in the nine month period having an average occupancy of 91.0%. The effect of vacancies in the newly acquired properties is mitigated by rental income guarantees which ensure the REIT will receive monthly rental revenue while leasing up the vacant space.

REAL ESTATE PORTFOLIO

The REIT currently owns thirty nine retail and mixed use retail properties in British Columbia, Alberta, Manitoba, Ontario and Québec as follows:

Property and location	Property type	Date built /redeveloped	Anchor tenants	Retail (sq.ft.)(1)	Occupancy(2) (3)	% of annualized base rental revenue(3)	Weighted average rent(4)
British Columbia:							
Evergreen Shopping Centre Sooke, British Columbia	Shopping Centre	1978/2010	Shoppers Drug Mart	70,872	95.2%	2.8%	$16.04
Centuria Urban Village Kelowna, British Columbia	Condominium Shopping Centre	2007	Nesters Market	32,128	100.0%	1.9%	$22.85
Washington Park Shopping Centre Courtenay, British Columbia	Retail Strip Centre	1992/1993	Toronto Dominion Bank Tim Hortons	32,652	92.9%	1.8%	$23.31
Mariner Square Shopping Centre Campbell River, British Columbia	Shopping Centre	2006/2007	Save-On Foods London Drugs	100,257	96.8%	4.2%	$16.91
Alberta:							
Cobblestone Shopping Centre Grand Prairie, Alberta	Shopping Centre	2006/2007	Shoppers Drug Mart	42,980	96.2%	2.8%	$26.47
Manning Crossing Edmonton, Alberta	Retail Strip Centre	1993 - 1996	RBC Royal Bank	64,528	89.5%	3.5%	$23.78
137th Ave. Edmonton, Alberta	Free Standing	2003	Shoppers Drug Mart	15,922	100.0%	0.7%	$17.84
Manitoba:							
Shoppers Drug Mart Property Steinbach, Manitoba	Free Standing	2006	Shoppers Drug Mart	21,005	100.0%	1.1%	$21.01
Shoppers Drug Mart Property Brandon, Manitoba	Free Standing	2005	Shoppers Drug Mart	16,986	100.0%	1.0%	$21.75
Shoppers Drug Mart Property Winnipeg (Sherbrook), Manitoba	Free Standing	2005	Shoppers Drug Mart	16,839	100.0%	1.1%	$26.50
Shoppers Drug Mart Property Selkirk, Manitoba	Free Standing	2005	Shoppers Drug Mart	16,685	100.0%	0.8%	$19.00
Shoppers Drug Mart Property Winnipeg (Pembina), Manitoba	Free Standing	2003	Shoppers Drug Mart	15,780	100.0%	1.0%	$25.80
Ontario:							
Timmins West Power Centre Timmins, Ontario	Open-Air Retail Centre	2007 - 2009	Mark's Work Warehouse	43,774	100.0%	1.9%	$16.84
Grand Bend Towne Centre, Grand Bend, Ontario	Free Standing	2002	Shoppers Drug Mart	41,605	86.8%	1.5%	$16.62
Quinte Crossroads, Belleville, Ontario	Power Centre	2005 - 2007	The Brick Best Buy	88,319	100.0%	3.9%	$17.17
Thunder Centre Thunder Bay, Ontario	Enclosed Mall	2004 - 2007	Hudson's Bay Company	168,087	99.4%	7.2%	$16.64
St. Clair Beach Towne Centre Tecumseh, Ontario	Retail Plaza	2004	Shoppers Drug Mart	40,088	89.6%	1.8%	$19.81
King George Square Brantford, Ontario	Retail Plaza	1988	Shoppers Drug Mart	66,983	83.4%	2.5%	$17.50
Crossing Bridge Square Stittsville, Ontario	Retail Plaza	1995	Farm Boy	45,913	93.0%	1.9%	$17.56
Cornwall Square Cornwall, Ontario	Enclosed Mall	1979/1989	Sears Loblaws (No Frills)	251,088	97.6%	8.5%	$13.48

Property and location	Property type	Date built /redeveloped	Anchor tenants	Retail (sq.ft.)[1]	Occupancy[2] [3]	% of annualized base rental revenue[3]	Weighted average rent[4]
Place Val Est Sudbury, Ontario	Grocery-anchored Strip Centre	1983/1987, 1990, 1998	Metro	110,577	92.6%	3.1%	$11.86
Wellington Southdale London, Ontario	Shopping Centre	1986, 2000, 2004, 2006	Empire Theatres	86,636	95.8%	4.3%	$20.20
Canadian Tire Property Brockville, Ontario	Free Standing	1995/2006	Canadian Tire	70,380	100.0%	2.0%	$11.00
Canadian Tire Property Strathroy, Ontario	Free Standing	2005	Canadian Tire	67,834	100.0%	1.9%	$11.00
Canadian Tire Property Wasaga Beach, Ontario	Free Standing	2007	Canadian Tire	54,081	100.0%	1.5%	$11.00
Rona Property Exeter, Ontario	Free Standing	1996/2000	Rona	42,780	100.0%	0.4%	$3.54
Rona Property Zurich, Ontario	Free Standing	1961/2000	Rona	24,400	100.0%	0.1%	$1.49
Rona Property Seaforth, Ontario	Free Standing	1962/2000	Rona	19,622	100.0%	0.1%	$2.47
Québec:							
Marcel Laurin Saint Laurent, Québec	Power Centre	2011	Metro Brunet Pharmacy	120,168	94.4%	5.3%	$18.18
Repentigny Shopping Centre Repentigny, Québec	Retail Strip Centre	1988/2009	Familiprix Dollarama	49,371	83.6%	1.7%	$15.83
Sorel Shopping Centre, Montréal, Québec	Shopping Centre	2009 - 2011	SAQ Tim Hortons	31,776	63.1%	1.2%	$22.98
Saint Remi Shopping Centre Montréal, Québec	Shopping Centre	2010 - 2012	IGA Uniprix SAQ	61,704	91.9%	2.5%	$17.34
Centre Village Shopping Centre Montréal, Québec	Shopping Cetnre	1977, 1991, 2001, 2010, 2012	Loblaws SAQ	96,633	92.9%	3.4%	$14.64
Elgar Place Montréal, Québec	Shopping Centre	1969, 1989	Couche Tard	10,321	100.0%	0.4%	$14.40
Plaza des Seigneurs Terrebonne, Québec	Retail Strip Centre	1998	SAQ Banque Nationale Uniprix	20,810	100.0%	1.1%	$20.36
Méga Centre Montréal, Québec	Community Power Centre	1973/1993, 1999, 2000, 2004	Walmart Brault & Martineau	277,477	100.0%	6.6%	$9.30
Place Desormeaux Longueuil, Québec	Regional Mall	1971/1998,2009 , 2010	Walmart Super C	249,529	97.8%	7.4%	$11.70
Châteauguay Montréal, Québec	Mixed-use Strip Centre	1970/1994, 2010	Shoppers Drug Mart Staples	115,295	98.4%	3.7%	$12.59
Shoppers Drug Mart Property Gatineau, Québec	Free Standing	2007	Shoppers Drug Mart	17,028	100.0%	1.1%	$24.00
Total				**2,718,913**	**96.1%**	**100%**	**$ 14.86**

Notes:

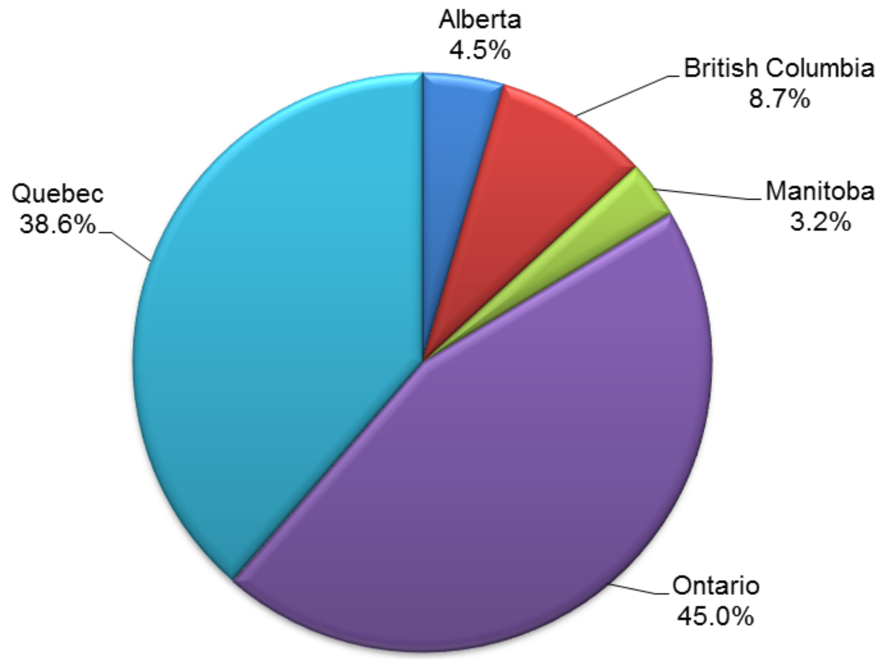
(1) Includes office space in mixed-use retail properties.

(2) Excluding storage space.

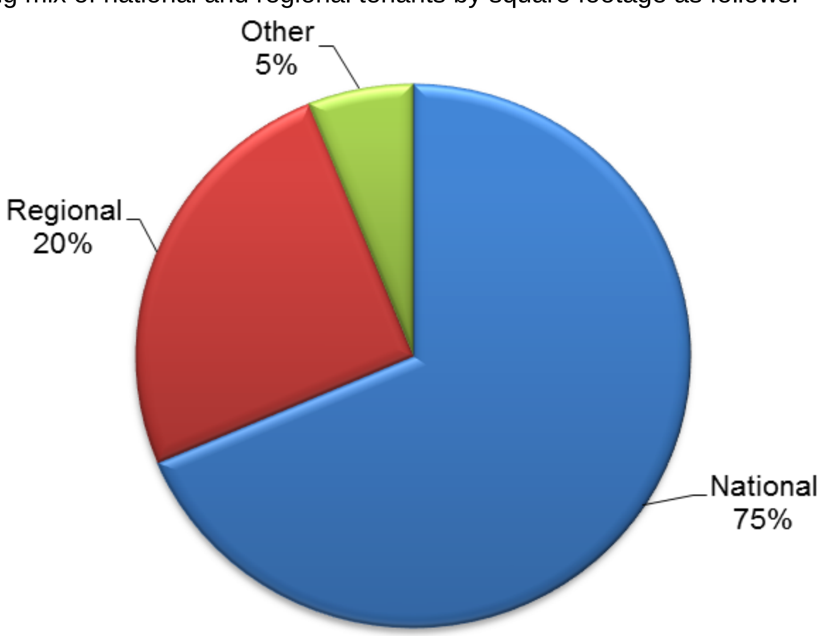
(3) Includes square footage of all material executed leases, regardless of occupancy date, and excludes square footage of all documented material lease terminations updated through November 13, 2013.

(4) Represents the weighted average rent for the portfolio.

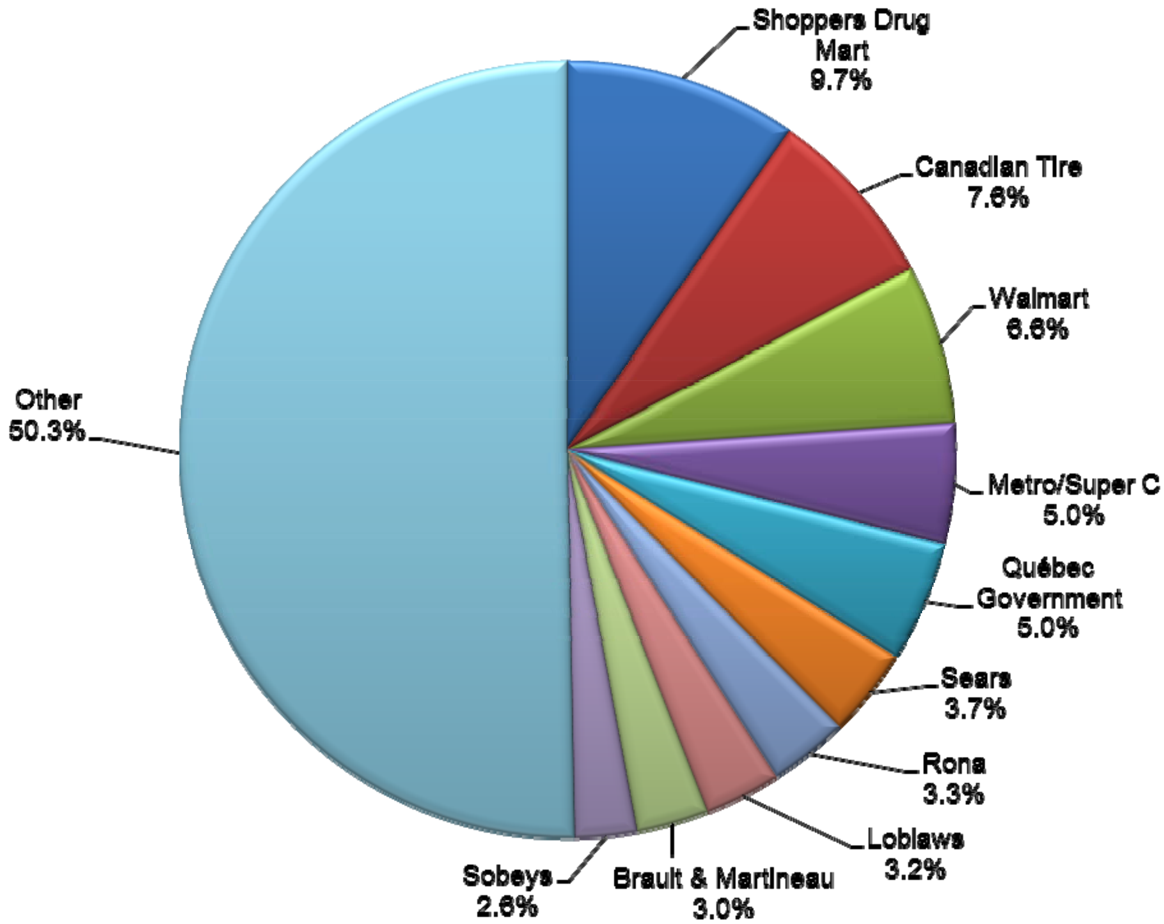
The geographic diversification of the portfolio by square footage is as follows:



The REIT has a strong mix of national and regional tenants by square footage as follows:



The tenant mix of the REIT's portfolio as at September 30, 2013, including the REIT's ten largest tenants, is as follows:



Note: Based on total leased sq. ft. excluding storage

Leasing Activity and Occupancy

The weighted average term to maturity of existing leases is approximately seven years. The table below shows the lease expiration schedule of the properties as a percentage of leased square feet for 2013 and beyond:

	(sq.ft.)	(%)
2013	129,410	4.8%
2014	205,729	7.6%
2015	270,118	9.9%
2016	326,020	12.0%
2017	205,516	7.6%
Thereafter	1,476,067	54.3%
Vacant	106,053	3.9%
Total	2,718,913	100.0%

The weighted average contractual net rent per square foot expiring in Partners REIT's portfolio is outlined in the following table**:**

Year		**Retail**
2013	$	18.88
2014		14.70
2015		11.85
2016		12.94
2017		17.78
Thereafter		15.61
Average	$	14.86
Weighted average remaining lease term (years)		**7.35**

Lease expiries for 2013, new leasing and renewals completed by the date of this MD&A are as follows:

Three months ended		31-Mar-13		30-Jun-13		30-Sep-13		31-Dec-13		**Total 2013**		Total 2012
Lease expiries[1]		55,751		37,759		17,401		48,270		**159,181**		222,645
Base rent per square foot[3]	$	11.46	$	17.42	$	18.35	$	19.21	**$**	**15.98**	$	11.17
Lease renewals - completed[1]		5,071		29,034		4,795		34,995		**73,895**		103,072
Base rent per square foot[3]	$	22.65	$	18.95	$	15.31	$	21.27	**$**	**20.06**	$	14.02
Leases - in progress[2]		40,358		7,895		2,550		6,664		**57,467**		-
Base rent per square foot[3]	$	8.25	$	15.18	$	11.41	$	10.62	**$**	**9.62**		-
New leasing[1]		1,741		-		8,051		-		**9,792**		107,887
Base rent per square foot[3]	$	23.00	$	-	$	12.96	$	-	**$**	**14.74**	$	8.91
Uncommitted vacancies[1]		8,581		830		2,005		6,611		**18,027**		11,686
Base rent per square foot[3]	$	18.92	$	12.00	$	24.09	$	18.99	**$**	**19.20**	$	19.67

(1) Excludes month-to-month tenants
(2) Includes tenants on overhold or month-to-month leases
(3) Weighted average

Of the lease expiries shown in the above chart, 55,829 square feet are currently on overhold or month-to-month leases while the terms of their renewals are formalized.

Of the leases that expired over the first three quarters of 2013, 48,692 square feet have been renewed or replaced with new leases with a further 50,803 square feet currently in the process of being renewed or committed to lease. The balance of 11,416 square feet, comprising eight tenancies, will require new prospects. Additionally, management conducted forward leasing activity for leases set to expire during the balance of the fiscal period and expects that approximately 6,611 square feet of leases expiring in the fourth quarter will require new prospects.

Gross leasable area and occupancy of the REIT on a quarter by quarter basis over the last eight quarters is as follows:

Quarter Ended	Gross Leasable Area (sq. ft.)	Occupied (sq.ft.)	Occupancy (%)
September 30, 2013	2,718,913	2,612,860	96.1%
June 30, 2013	2,712,868	2,603,432	96.0%
March 31, 2013	2,427,320	2,330,506	96.0%
December 31, 2012	2,341,176	2,264,428	96.7%
September 30, 2012	2,178,826	2,100,704	96.4%
June 30, 2012	2,175,809	2,046,798	94.1%
March 31, 2012	2,097,616	2,012,318	95.9%
December 31, 2011	1,602,888	1,571,497	98.0%
Average	2,219,500	2,132,812	96.2%

During the nine months ended September 30, 2013, the average occupancy of the properties declined from 96.7% to 96.1%. This reduction is primarily a result of the acquisition of six properties in the period having an average occupancy of 91.0%. Four of those properties were newly-developed but not fully leased and the transactions included income guarantees covering the anticipated lease-up periods, thereby ensuring the REIT will receive monthly rental revenue while leasing up the vacant space.

PART II – PERFORMANCE MEASUREMENT

The key indicators by which management measures Partners REIT's performance are as follows:

- Net operating income ("NOI");
- Funds from operations ("FFO");
- Adjusted funds from operations ("AFFO");
- Debt service coverage ratio ("DSCR");
- Weighted average interest rate; and
- Occupancy levels.

We have provided the analysis of NOI, FFO, and AFFO under Part IV – Results of Operations.

Net Operating Income

Net operating income ("NOI") is defined as gross revenues from income producing properties less operating costs from income producing properties. Operating expenses do not include costs associated with financing, general and administration, amortization, income taxes, realized and unrealized gains and losses, and the equity pick-up of an investment's net earnings. NOI is a non-IFRS financial measure used in the real estate industry. Management considers NOI a meaningful measure of the results from operations which is useful in analyzing the performance of the REIT's property portfolio.

Funds from Operations

Funds from operations ("FFO") is a non-IFRS financial measure of operating performance widely used by the real estate industry. Partners REIT calculates FFO based on the recommendations of the Real Property Association of Canada ("RealPac"). The definition is meant to standardize the calculation and disclosure of FFO across real estate entities in Canada, and is modeled on the definition adopted by the National Association of Real Estate Investment Trusts ("NAREIT") in the United States. NAREIT's definition of FFO is net income (calculated in accordance with IFRS) excluding gains or losses from the sale of property and fair value increases or decreases in property values; plus depreciation and amortization; adjusted for items that are not indicative of operating performance; and after adjustments for unconsolidated partnerships and joint ventures (which is also calculated to reflect FFO on the same basis).

Management considers FFO a meaningful measure of operating performance for financial analysts, investors and unitholders, since it eliminates the assertion that the value of real estate decreases over time and it adjusts for items included in net income (as determined under IFRS) that may not necessarily be the best determinants of operating performance.

Adjusted Funds from Operations

Adjusted funds from operations ("AFFO") is defined as funds from operations net of actual leasing commissions, tenant improvements, capital expenditures that maintain the current rental operations, amortization of deferred financing and straight-line rent. Management considers leasing activities and capital expenditures to be fundamental to the operating activities of the REIT in order to maintain the current level of rental operations, and is not a discretionary investment. The calculation of AFFO excludes those capital expenditures and leasing costs that relate to the generation of a new rental stream, such as commissions relating to leasing space to a new tenant or the development of a new retail pad for property expansion purposes.

Management also considers AFFO to be an effective measure of the cash generated from operations and is a measure of the REIT's ability to pay distributions.

NOI, FFO, and AFFO should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with IFRS. Management's method of calculating these financial measures may differ from that of other issuers' and accordingly, may not be comparable to financial measures with similar captions reported by other issuers.

Debt Service Coverage Ratio

Debt service coverage ratio ("DSCR") is a measure used to determine if the REIT will be able to sustain its debt based on its current cash flow. DSCR is calculated by dividing the REIT's EBITDA by the total annual interest and principal payments made on its debt portfolio. The DSCR is a tool that financial institutions use to evaluate the risk associated with the ability to recover both interest and principal payments and is a common financial covenant contained within lending agreements. As at September 30, 2013, the rolling four-quarter DSCR was 1.38 to 1, down from 1.65 to 1 in in the second quarter of 2013 and 1.55 to 1 at December 31, 2012.

Weighted Average Interest Rate

The REIT's weighted average interest rate includes secured debt and excludes debentures and credit facilities. This calculation is a useful measure to compare movements in interest rates period over period; and to compare the average rate to the current market rates at that point in time. As at September 30, 2013, the REIT's weighted average effective interest rate was 4.34%, improved from 4.48% at December 31, 2012 and 4.64% at September 30, 2012.

Occupancy Levels

Occupancy levels are presented in different manners depending on their context. They could be presented as an average portfolio occupancy rate when analyzing the overall operating performance, or as a point-in-time reference when analyzing future lease expiries, or as an assessment of the period over period performance of each property. Management considers these as useful measures in assessing the overall performance of its portfolio and essential tools to determine which properties require further investigation if performance lags. Refer to Part I – Overview & Financial Highlights under "Leasing Activity and Occupancy" for the REIT's occupancy performance.

KEY PERFORMANCE DRIVERS

In addition to monitoring and analyzing the performance of operations through such measures as NOI, FFO, and AFFO, we consider the following to be key internal drivers of the REIT's current and future financial performance:

- Increases in occupancy by leasing vacant space; and
- Increases in base rent rates when market conditions permit.

Leases representing approximately 159,000 square feet of leasable space have expired or are scheduled to expire in 2013. As at the date of this MD&A, the REIT has secured or is in the process of finalizing lease renewals and new leases in respect of approximately 140,000 square feet of such leasable space.

PART III – RECENT DEVELOPMENTS

Partners REIT's strategy for 2013 and beyond includes:

- the development of a retail asset base that is geographically and economically diversified;
- the maintenance of strong relationships with third party property managers;
- diligently working with existing and new tenants to stabilize or improve occupancy rates;
- streamlining the REIT's operating processes to improve operating efficiencies and reducing the costs to the REIT;
- reviewing all leases and property expenses to increase the REIT's operating cost recovery ratios; and
- the acquisition of low-cost capital to support the REIT's growing asset base.

In addition to the acquisitions completed in the nine months ended September 30, 2013 described above, the REIT was also impacted by the following significant events:

New Independent Trustees

During the second quarter, the REIT's former independent trustees announced that they had decided to internalize management and proposed a four person board of trustees that did not include a representative of LAPP Global Asset Management Corp., the REIT's external asset manager ("LAPP"). In response, IGW Public Limited Partnership ("IGW"), the REIT's largest single unitholder and the owner of LAPP, opposed the election of such individuals and proposed the current trustees as trustees. In June 2013, the REIT's unitholders elected the slate of trustees proposed by IGW at the REIT's annual general meeting. Costs incurred by the former trustees in relation to this contest have been included in Other Transaction costs in the REIT's consolidated statements of comprehensive income and are excluded from the calculations of FFO and AFFO, in accordance with industry standards. Although the current board believes it is in the best interests of unitholders to have management performed by full time employees of the REIT rather than LAPP, the filing by LAPP and IGW and entities related to them and League Assets Corp. described below under "League CCAA Filing" has delayed the implementation of this transition. It is contemplated that many of the individuals currently employed by LAPP and committed full time to the REIT will be hired by the REIT directly upon termination of the management agreement with LAPP.

Public Offering

On January 10, 2013, the REIT closed its public offering of 3,363,750 units at a price of $7.70 per unit representing gross proceeds of approximately $25.9 million, on a bought deal basis, to a syndicate of underwriters.

Net proceeds of the offering were used to repay the then outstanding indebtedness under the REIT's Credit Facility, to fund certain acquisitions and for general trust purposes, and the use of the proceeds did not differ significantly from the intended use previously disclosed.

Convertible Debenture Offering

On March 12, 2013, the REIT closed an offering of $20.0 million of 5.5% extendible convertible unsecured subordinated debentures due March 31, 2018. On March 19, 2013, the REIT issued an additional $3.0 million of the convertible debentures on the exercise of the over-allotment option. The 5.5% 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 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.

Subsequent Events

League CCAA Filing

On October 18, 2013, LAPP, IGW, and League Realty Services Ltd., the REIT's external property manager for several of its properties, were included in a list of entities covered by a filing for protection under the Companies' Creditors Arrangement Act (the "League CCAA Filing") by League Assets Corp. The REIT is not a creditor of any of the companies covered by the League CCAA filing. While the management agreement between the REIT and LAPP remains in place, LAPP will continue to carry out the management and administration of the REIT.

If LAPP ceases to perform its obligations under the management agreement, the REIT will be able to employ many of the individuals currently working for LAPP on the business of the REIT and is entitled to access to all records to be able to carry on normal operations.

Special Committee

On October 18, 2013 the REIT announced that a special committee comprised of the independent trustees of the REIT, and chaired by James Bullock, had been appointed. That committee's mandate is to (A) evaluate the strategic alternatives that may be available to the REIT at this time to enhance unit holder value including, without limitation, entering into strategic alliances, the sale of all or some of the assets of the REIT, the purchase by others of some or all of the outstanding units of the REIT, including by existing major unitholders, the issuance of units of the REIT from treasury to others in exchange for either cash or non-cash consideration, and the recapitalization of the REIT to enable additional acquisitions and the internalization of management of the REIT, and (B) to evaluate the impact on the REIT of the League CCAA filing and to take all action the special committee determines necessary or appropriate.

Reduction in Monthly Distributions

The REIT has made monthly cash distributions of $0.05333 per unit up to October 2013, representing an annualized distribution of $0.64 per unit. The REIT's trustees have discretion in declaring distributions and review the distributions on a regular basis. In this regard, the REIT's trustees have decided, effective for the November distribution, to reduce the monthly cash distribution to $0.04167 per unit, representing an annualized distribution of $0.50 per unit, in order to provide the REIT with improved financial flexibility to pursue those strategic alternatives currently under consideration by its special committee.

PART IV – RESULTS OF OPERATIONS

STATEMENT OF OPERATIONS

The following is selected financial information from the condensed consolidated statements of comprehensive income for the three and nine months ended September 30, 2013:

Three months ended		**Sep 30, 2013**		Sep 30, 2012	Change
Revenues from income producing properties	**$**	**14,533,172**	$	11,195,642	30%
Property operating expenses		**(2,385,634)**		(1,504,909)	59%
Realty taxes		**(3,160,677)**		(2,203,324)	43%
Property management fees		**(262,619)**		(220,245)	19%
		8,724,242		7,267,164	20%
Other expenses:					
Financing costs		**4,680,561**		3,568,119	31%
General and administrative expenses		**1,039,303**		698,016	49%
Other transaction costs		**115,530**		5,568	1975%
		5,835,394		4,271,703	37%
Income before fair value gains		**2,888,848**		2,995,461	-4%
Fair value gains		**(8,982)**		530,714	-102%
Net income and comprehensive income	**$**	**2,879,866**	$	3,526,175	-18%
Earnings per unit, basic	**$**	**0.11**	$	0.16	

Nine months ended		**Sep 30, 2013**		Sep 30, 2012	Change
Revenues from income producing properties	**$**	**41,792,858**	$	31,575,199	32%
Property operating expenses		**(6,324,477)**		(4,453,846)	42%
Realty taxes		**(8,796,687)**		(6,251,700)	41%
Property management fees		**(747,068)**		(605,295)	23%
		25,924,626		20,264,358	28%
Other expenses:					
Financing costs		**12,905,602**		10,203,304	26%
General and administrative expenses		**2,637,261**		1,980,292	33%
Other transaction costs		**1,903,164**		48,444	3829%
		17,446,027		12,232,040	43%
Income before fair value gains		**8,478,599**		8,032,318	6%
Fair value gains		**4,901,503**		2,683,324	83%
Net income and comprehensive income	**$**	**13,380,102**	$	10,715,642	25%
Earnings per unit, basic	**$**	**0.52**	$	0.59	

Net Income and Comprehensive Income

Net income and comprehensive income decreased 18% for the three months ended September 30, 2013, primarily due to a reduction in the fair value gains recognized in the current period, increases in the financing costs as a result of the properties acquired since September 30, 2012, and increases in the general and administrative expenses as the REIT's unitholder and asset base increases, offset by the increases in NOI described below. Net income and comprehensive income for the nine months ended September 30, 2013 increased over the same period in 2012 by 25% due to the increases in fair value gains recognized in the current period and increases in NOI described below, offset by increases in the financing costs as a result of the properties acquired since September 30, 2012 and increases in the general and administrative expenses as the REIT's unitholder and asset base increases.

Financing Costs

The REIT's financing costs are incurred on debt instruments, bearing fixed and variable rates of interest, and consist primarily of interest expense recognized in accordance with the effective interest rate method, which includes not only the REIT's contractual interest expenses, but also the financing costs and market interest rate adjustments on its debt obligations. Financing costs also include distributions to non-controlling interests, interest income on notes receivable, and other incidental interest income and expenses incurred during the normal course of business.

Financing costs for the three and nine months ended September 30, 2013 increased by 31% and 26%, respectively, over the same periods in 2012. The increase is due to interest on new and assumed secured debt obligations entered into subsequent to September 30, 2012 and interest on the REIT's unsecured convertible debentures issued in September 2012 and March 2013.

General and Administrative Expenses

General and administrative expenses for the three and nine months ended September 30, 2013 increased by 49% and 33% respectively from the same periods in 2012. The increase in general and administrative expenses for the three and nine months ended September 30, 2013 was mainly a result of an increase in asset management fees due to newly acquired properties, and increased unitholder reporting and investor relations costs related to the expanding unitholder base of the REIT.

OPERATING RESULTS

Net Operating Income – Same Properties and All Properties

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. In order to calculate NOI as defined above in Part II, the amortization of tenant incentives and direct leasing costs must be removed from revenues.

Same Property NOI

"Same Property NOI" compares net operating income from only those properties that contributed to operations for the entire reporting period in both the current and comparative period.

Three months ended		**Sep 30, 2013**		Sep 30, 2012		Variance
Revenues from income producing properties	**$**	**11,192,418**	$	11,195,642	$	(3,224)
Property operating expenses		**(1,968,267)**		(1,504,909)		(463,358)
Realty taxes		**(2,464,530)**		(2,203,324)		(261,206)
Property management fees		**(199,995)**		(220,245)		20,250
		6,559,626		7,267,164		(707,538)
Amortization of tenant costs		**115,595**		309,582		(193,987)
Net operating income	**$**	**6,675,221**	$	7,576,746	$	(901,525)

NOI from same properties for the three months ended September 30, 2013 decreased by 12% over the same prior year period. The decrease in NOI is primarily due to provisions of approximately $320,000 made during the quarter for uncollectible debts and adjustments of approximately $230,000 to recovery revenues related to prior years.

Nine months ended		**Sep 30, 2013**		Sep 30, 2012		Variance
Revenues from income producing properties	**$**	**22,841,403**	$	22,226,602	$	614,801
Property operating expenses		**(4,141,247)**		(3,674,240)		(467,007)
Realty taxes		**(4,405,458)**		(4,043,417)		(362,041)
Property management fees		**(433,235)**		(429,028)		(4,207)
		13,861,463		14,079,917		(218,454)
Amortization of tenant costs		**308,862**		448,736		(139,874)
Net operating income	**$**	**14,170,325**	$	14,528,653	$	(358,328)

NOI from same properties for the nine months ended September 30, 2013 decreased by 3% over the same prior year period. The decrease in NOI for the nine month period ended September 30, 2013 is a result of the same factors that decreased same property NOI for the three months ended September 30, 2013, partially offset by increased contributions from properties that have undergone redevelopment.

All Properties NOI

The REIT's complete property portfolio is included in the "All Properties NOI" data below.

Three months ended		**Sep 30, 2013**		Sep 30, 2012		Variance
Revenues from income producing properties	**$**	**14,533,173**	$	11,195,642	$	3,337,531
Property operating expenses		**(2,385,634)**		(1,504,909)		(880,725)
Realty taxes		**(3,160,677)**		(2,203,324)		(957,353)
Property management fees		**(262,620)**		(220,245)		(42,375)
		8,724,242		7,267,164		1,457,078
Amortization of tenant costs		**115,595**		309,582		(193,987)
Net operating income	**$**	**8,839,837**	$	7,576,746	$	1,263,091

The increase in all properties NOI of $1.3 million for the three months ended September 30, 2013 over the same prior year period is due to the acquisitions of nine properties subsequent to September 30, 2012, offset by the provisions of approximately $320,000 for bad debts made during the quarter and adjustments of approximately $230,000 to prior year recoveries.

Increases in property operating expenses, realty taxes and property management fees for all properties during the three months ended September 30, 2013, compared to the same prior year period, are almost entirely a result of the REIT's property acquisitions in the previous year.

Nine months ended		**Sep 30, 2013**		Sep 30, 2012		Variance
Revenues from income producing properties	**$**	**41,792,858**	$	31,575,199	$	10,217,659
Property operating expenses		**(6,324,477)**		(4,453,845)		(1,870,632)
Realty taxes		**(8,796,687)**		(6,251,702)		(2,544,985)
Property management fees		**(747,068)**		(605,294)		(141,774)
		25,924,626		20,264,358		5,660,268
Amortization of tenant costs		**337,962**		449,769		(111,807)
Net operating income	**$**	**26,262,588**	$	20,714,127	$	5,548,461

The increase in all properties NOI of $5.5 million for the nine months ended September 30, 2013 over the same prior year period is primarily due to the acquisitions of nine properties subsequent to September 30, 2012.

Increases in property operating expenses, realty taxes and property management fees for all properties during the period ended September 30, 2013, compared to the same prior year period, are almost entirely a result of the REIT's property acquisitions in the previous year.

During the three and nine months ended September 30, 2013 NOI was reduced by approximately $550,000 and $240,000, respectively, (September 30, 2012 – increased by approximately $275,000 and $40,000, respectively) for uncollectible debts and adjustments to revenues related to prior periods that are not expected to recur in subsequent periods.

Funds from Operations (“FFO”) and Adjusted Funds from Operations (“AFFO”)

A reconciliation of IFRS net income to FFO and AFFO is as follows:

Three months ended		**Sep 30, 2013**		Sep 30, 2012		Change
Net income for the period	**$**	**2,879,866**	$	3,526,175	$	(646,309)
Amortization of TIs and LCs		**115,595**		309,582		(193,987)
Unit option compensation expense		**10,000**		4,000		6,000
Other transaction costs		**115,530**		5,568		109,962
Interest on exchangeable LP units		**32,392**		45,989		(13,597)
Fair value losses (gains)		**8,982**		(530,714)		539,696
FFO		**3,162,365**		3,360,600		(198,235)
Amortization of deferred financing costs		**260,774**		283,726		(22,952)
Straight-line rent		**(484,662)**		(453,411)		(31,251)
Costs to maintain current operations		**(25,832)**		(30,344)		4,512
AFFO	**$**	**2,912,645**	$	3,160,571	$	(247,926)
Weighted average units outstanding - basic		**25,855,628**		21,388,605		4,467,022
Weighted average exchangeable LP units		**202,500**		287,500		(85,000)
Total weighted average units		**26,058,128**		21,676,105		4,382,022
FFO per unit	**$**	**0.12**	$	0.16	$	(0.04)
AFFO per unit	**$**	**0.11**	$	0.15	$	(0.04)

FFO decreased by $0.2 million (6%) during the three months ended September 30, 2013 compared to the same period in 2012 due to provisions of approximately $320,000 for bad debts made during the quarter and adjustments of approximately $230,000 to prior year recoveries, partially offset by contributions from properties acquired subsequent to the quarter ended September 30, 2012.

The REIT’s FFO decrease of 6% during the three months ended September 30, 2013 over the same period in 2012 was compounded by a 20% increase in the weighted average number units for the same comparable period. The resulting FFO per unit for the quarter was $0.12 per unit compared to $0.16 per unit in the same prior year period.

Since FFO does not consider straight-line rent (non-cash), amortization of deferred financing costs and capital transactions, AFFO is presented herein as an alternative measure of determining available cash flow. AFFO for the three months ended September 30, 2013 was $2.9 million (three months ended September 30, 2012 - $3.2 million). The REIT does not expect to incur significant capital costs to maintain its current operations as twelve of the REITs properties are single-tenant properties wherein the tenant has full responsibility for all capital expenditures. Additionally, as part of the purchase of the remaining properties, capital costs were taken into consideration in arriving at net acquisition costs, thus when these capital costs are incurred, they will increase the value of the properties.

Nine months ended		**Sep 30, 2013**		Sep 30, 2012		Change
Net income for the period	**$**	**13,380,102**	$	10,715,642	$	2,664,460
Amortization of TIs and LCs		**337,962**		449,769		(111,807)
Unit option compensation expense		**30,000**		83,000		(53,000)
Other transaction costs		**1,903,164**		48,444		1,854,720
Interest on exchangeable LP units		**115,305**		137,966		(22,661)
Fair value gains		**(4,901,503)**		(2,683,324)		(2,218,179)
FFO		**10,865,030**		8,751,497		2,113,533
Amortization of deferred financing costs		**771,603**		713,615		57,988
Straight-line rent		**(1,634,933)**		(906,660)		(728,273)
Costs to maintain current operations		**(77,731)**		(130,853)		53,122
AFFO	**$**	**9,923,969**	$	8,427,599	$	1,496,370
Weighted average units outstanding - basic		**25,662,288**		18,181,355		7,480,933
Weighted average exchangeable LP units		**242,976**		287,500		(44,524)
Total weighted average units		**25,905,264**		18,468,855		7,436,409
FFO per unit	**$**	**0.42**	$	0.47	$	(0.05)
AFFO per unit	**$**	**0.38**	$	0.46	$	(0.08)

FFO increased by $2.1 million (24%) during the nine months ended September 30, 2013 compared to the same period in 2012 due to contributions from properties acquired during and subsequent to the period ended September 30, 2012.

The REIT's FFO increase of 24% during the nine months ended September 30, 2013 over the same period in 2012 was offset by a 41% increase in the weighted average number units for the same comparable period. The resulting FFO per unit for the period was $0.42 per unit compared to $0.47 per unit in the same prior year period.

Since FFO does not consider straight line rent (non-cash), amortization of deferred financing costs and capital transactions, AFFO is presented herein as an alternative measure of determining available cash flow. AFFO for the nine months ended September 30, 2013 was $9.9 million (nine months ended September 30, 2012 - $8.4 million). The REIT does not expect to incur significant capital costs to maintain its current operations as twelve of the REITs properties are single-tenant properties wherein the tenant has full responsibility for all capital expenditures. Additionally, as part of the purchase of the remaining properties, capital costs were taken into consideration in arriving at net acquisition costs, thus when these capital costs are incurred, they will increase the value of the properties.

FINANCIAL POSITION ANALYSIS

Statement of Financial Position – Total Assets

As at		Sep 30, 2013		Dec 31, 2012
Income producing properties	**$**	**595,043,640**	$	465,727,634
Note receivable		**-**		5,935,813
Other assets		**6,947,303**		4,108,577
Accounts receivable		**3,513,075**		1,443,134
Cash		**136,948**		1,853,630
Total assets	**$**	**605,640,966**	$	479,068,788

Income producing properties

The REIT elected to use the fair value model under IFRS, and as a result, income producing properties are carried at their fair value at the reporting date. Gains or losses arising from changes in the fair value of income producing properties during the reporting period are included in profit and loss in the period in which they arise.

As at December 31, 2010, all of the REIT's properties were appraised by third-party appraisers. For December 31, 2011 and subsequent year-end periods, external valuations from a third-party appraiser were obtained for a cross-section of properties from different geographical locations and markets across the REIT's portfolio, as determined by management.

The increase of $129.3 million in income producing properties at September 30, 2013 over December 31, 2012 is due primarily to the acquisition of six properties for $117.7 million (inclusive of acquisition costs), improvements to existing properties of $5.6 million and fair value gains of $4.0 million recognized upon the valuation of the income producing properties.

There were no income producing property dispositions during the nine months ended September 30, 2013 or the comparative year ended December 31, 2012.

Note receivable

During the period ended September 30, 2013, interest and principal repayments totaling $6.2 million were received from League Holdings Corporation representing repayment of the principal and interest accrued on the note receivable. The note receivable was repaid as of its maturity date, May 31, 2013.

Other assets

Other assets are composed of prepaid realty taxes and insurance, deferred acquisition costs, amounts held in escrow, deposits on acquisitions and other prepaid expenses. During the nine months ended September 30, 2013, the balance of other assets has increased $2.8 million due to a significant number of prepayments for property taxes.

Accounts receivable

Accounts receivable increased by $2.1 million during the nine months ended September 30, 2013. The higher receivable balance at September 30, 2013 is primarily due to the increased size of the portfolio, recoverable expenses related to the construction of Walmart at Méga Centre, and billings for prior year recoveries made during the nine months ended September 30, 2013.

Net Asset Value

As at		Sep 30, 2013		Dec 31, 2012		Change
Units outstanding, end of period		**25,885,248**		22,310,533		3,574,715
Unitholders' equity	**$**	**197,005,711**	$	170,064,524	$	26,941,187
Net asset value per unit	**$**	**7.61**	$	7.62	$	-0.01

Net asset value is a measure of the REIT's total assets less its liabilities and is represented on the balance sheet as Unitholders' Equity. As at September 30, 2013, the net asset value of the REIT was $7.61 per unit which decreased $0.01 per unit from December 31, 2012.

Capital

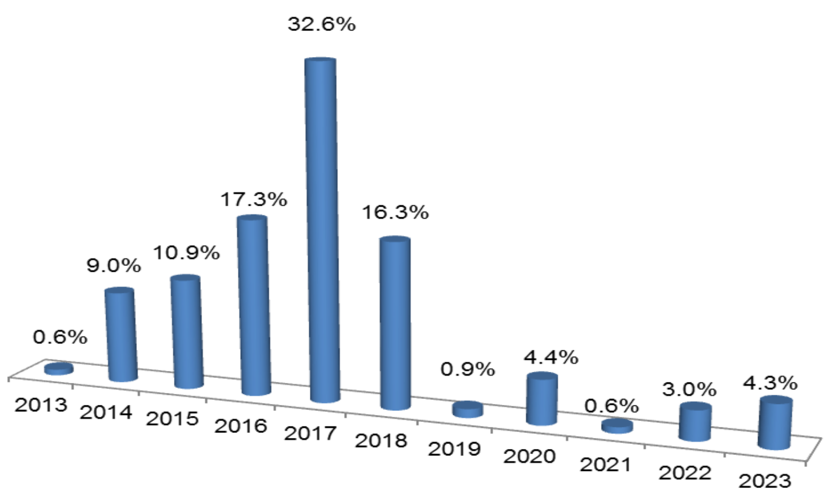
The REIT's capital consists of debt and equity capital. Real estate is a capital intensive industry and as a result, debt capital, in particular, is a very important aspect to managing the business. In addition, financial leverage is used to enhance returns from acquired real estate. Given the importance of debt capital, the REIT monitors its debt regularly for compliance with debt covenants contained in its loan agreements. The REIT is in compliance with all of its loan covenants as at the date of this MD&A.

The following table shows the REIT's capital as at September 30, 2013 and December 31, 2012:

As at		Sep 30, 2013		Dec 31, 2012
Mortgages payable	**$**	**286,508,193**	$	226,439,547
Debentures		**82,061,625**		60,718,110
Credit facilities		**28,792,435**		7,277,940
Unitholders' equity		**197,105,711**		170,064,524
Total capital	**$**	**594,467,964**	$	464,500,121

Mortgages and Other Financing

The following is a debt maturity chart for the REIT's mortgages payable and debentures as at September 30, 2013:



The primary contributors of the debt maturing in 2016, 2017 and 2018 are nineteen mortgages totalling $144.5 million and three series of convertible debentures totalling $28.8, $34.5 and $23.0 million, respectively.

Over the next two years, the REIT has approximately $26.3 million in mortgages maturing which carries an average contractual interest rate of 4.59%. Refinancing at current market rates would result in a slight reduction to the REIT's financing costs.

Interest coverage and debt service coverage ratios are as follows:

For the rolling four quarters ended	**Sep 30, 2013**	Sep 30, 2012
Interest coverage ratio(1)	**1.99**	2.08
Debt service coverage ratio(2)	**1.38**	1.44

(1) Interest coverage ratio is calculated on a rolling four-quarter basis as EBITDA divided by interest expense (before amortization of financing fees included in interest expense), where EBITDA is net income before fair value gains or losses, interest expense, incentive unit option compensation expense, depreciation and amortization, other transaction costs, and bad debt expense. EBITDA is a non-IFRS financial measure of operating performance.

(2) Debt service coverage ratio is calculated on a rolling four-quarter basis as EBITDA divided by debt service, where debt service is principal repayments plus interest expense (before amortization of financing fees included in interest expense).

The interest coverage and debt service coverage ratios for the four rolling quarters ended September 30, 2013 decreased in comparison to the same prior year period due to new mortgages incurred, a convertible debenture offering and significant draws on the REIT's credit facility, as well as adjustments of approximately $230,000 to recovery revenues related to prior years. The impact of these was partially offset by net income from newly acquired properties and equity raised during the twelve months ended September 30, 2013.

Mortgages Payable

The REIT's current weighted average term to maturity on mortgages payable (excluding the convertible debentures and credit facilities discussed below in more detail) is approximately three years, and the weighted average effective interest rate is 4.34%. Future principal repayments on the mortgages payable are as follows for 2013 to 2017 and thereafter:

Year	Principal installment payments	Principal maturing	Total	W.A. contractual rate on debt maturing
2013	$ 2,169,559	$ -	$ 2,169,559	
2014	8,671,633	24,870,435	33,542,068	4.49%
2015	8,142,036	32,267,407	40,409,443	5.08%
2016	7,139,252	28,376,013	35,515,265	4.33%
2017	5,152,734	81,111,316	86,264,050	4.95%
Thereafter	8,804,842	77,689,476	86,494,318	4.10%
Total	$ 40,080,056	$ 244,314,647	$ 284,394,703	4.58%

The REIT's objective in securing mortgages for its properties and managing its long-term debt is to stagger the maturities in order to mitigate the risk of short-term volatilities in the debt markets.

Debentures

On March 8, 2011, the REIT closed its public offering of $25.0 million in aggregate principal amount of 8.0% extendible convertible unsecured subordinated debentures, and on March 15, 2011, closed the overallotment option of the public offering for an additional $3.75 million of similar debt, for a total issuance of $28.75 million aggregate principal amount. The debentures bear interest at an annual rate of 8% payable semi-annually, in arrears, on March 31 and September 30 in each year commencing on September 30, 2011. The debentures mature on March 31, 2016. The cost to issue the debentures was $2.1 million, and is netted against the debentures on the statement of financial position and will be amortized over the term of the debentures. The debentures are convertible into units of the REIT at the option of the holder at any time on the earlier of the maturity date, or the date fixed for redemption of the debentures at a conversion price of $8.80 per unit. As at September 30, 2013, none of the debenture holders had converted their debentures to units of the REIT.

On September 5, 2012, the REIT closed its public offering of $30 million, with an additional $4.5 million in overallotment options, for a total issuance of $34.5 million in aggregate principal amount of 6.0% convertible unsecured subordinated debentures. The debentures bear interest at an annual rate of 6.0% payable semi-annually, in arrears, on March 31 and September 30 in each year, commencing on June 30, 2013. The debentures mature on September 30, 2017. The cost to issue the debentures was $1.7 million, and is netted against the debentures on the statement of financial position and will be amortized over the term of the debentures. The debentures are convertible into units of the REIT at the option of the holder at any time on the earlier of the maturity date, or the date fixed for redemption of the debentures at a conversion price of $10.35 per unit. As at September 30, 2013, none of the debenture holders had converted their debentures to units of the REIT.

On March 12, 2013, the REIT closed an offering for $20.0 million of 5.5% extendible convertible unsecured subordinated debentures due March 31, 2018. On March 19, 2013, the REIT issued an additional $3.0 million of the convertible debentures on the exercise of the over-allotment option. The 5.5% 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 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 cost to issue the debentures was $1.1 million, and is netted against the debentures on the statement of financial position and will be amortized over the term of the debentures.

Credit Facilities

During the three months ended September 30, 2013, the REIT extended and amended its revolving credit facility (the "Credit Facility"), provided by a consortium of Canadian chartered banks. The facility has a formula-based current maximum credit limit of $40.0 million, expandable up to $60.0 million with the securitization of additional unencumbered properties, and bears interest at the bank's prime rate (3.0% as at September 30, 2013) plus 1.0% per annum or the Banker's Acceptance stamping fee plus 2.25% per annum. The facility matures in March 2015 and is renewable annually thereafter and is setup to net the REIT's bank account balance against the facility on a daily basis. As at September 30, 2013, the facility was secured by the King George Square, Crossing Bridge Square, Centre Village Shopping Centre, Elgar Place and Centuria Urban Village properties with a formula-based amount as follows:

		Sep 30, 2013		Dec 31, 2012
Revolving credit facility	**$**	**38,700,000**	$	15,000,000
Line of credit outstanding		**(29,000,000)**		(7,500,000)
Remaining unused credit facility	**$**	**9,700,000**	$	7,500,000

The carrying value of properties pledged as security is $62.2 million (December 31, 2012 - $28.4 million).

Financing Costs

Financing costs represent commitment fees, funding fees and other fees paid in connection with securing mortgages and the credit facilities.

The unamortized balance of financing costs related to mortgages and credit facilities at September 30, 2013 was $1.7 million, which is $0.4 million lower than the December 31, 2012 year-end balance. The decrease in the unamortized financing costs as at September 30, 2013 is due to recognition of deferred financing costs through interest expense in accordance with the effective interest method, offset by financing fees incurred on new debt. The unamortized portion of the financing costs is netted against the REIT's mortgages payable and credit facilities on the statements of financial position.

Debt-to-Gross Book Value

The REIT actively manages both its debt capital[1] and its equity capital with the objective of ensuring that the REIT can continue to grow and operate its business.

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 Credit Facility and certain mortgages have restrictions on the REIT's debt-to-gross book value ratio, being a maximum of 75%. At September 30, 2013 the REIT has a debt-to-gross book value ratio of 66.7% (December 31, 2012 – 62.4%), calculated as follows:

As at	**Sep 30, 2013**	Dec 31, 2012
Debt		
Mortgage principal	**284,394,703**	224,583,939
Debentures, excluding fair value of convertible feature at issuance	**84,790,000**	61,940,000
Credit facilities	**29,000,000**	7,500,000
	398,184,703	294,023,939
Gross Book Value of Assets		
Original cost of income producing properties [2]	**581,328,712**	453,054,833
Book value of all other assets	**10,597,326**	13,341,154
Deferred financing fees	**5,154,897**	4,578,121
	597,080,935	470,974,108
Debt-to-Gross Book Value	**66.7%**	62.4%
Debt-to-Gross Book Value Excluding Debentures	**52.5%**	49.3%

(1) Debt capital refers to secured debt, debenture and credit facilities 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.

Unitholders' Equity

For the nine months ended September 30, 2013, unitholders' equity increased $26.9 million over unitholders' equity for the year ended December 31, 2012 due primarily to the issuance of units under a public offering, and gains on the REIT's income producing property portfolio.

Distributions

The REIT has made monthly cash distributions of $0.05333 per unit up to October 2013, representing an annualized distribution of $0.64 per unit. The REIT's trustees have discretion in declaring distributions and review the distributions on a regular basis. In this regard, the REIT's trustees have decided, effective for the November distribution, to reduce the monthly cash distribution to $0.04167 per unit, representing an annualized distribution of $0.50 per unit, in order to provide the REIT with improved financial flexibility to pursue those strategic alternatives currently under consideration by its special committee.

For further discussion about the REIT's distribution, see "Liquidity Requirements" below.

Outstanding units

As of the date of this MD&A, the REIT has 25,885,248 issued and outstanding units. The total aggregate principal amount of three series of convertible debentures due between 2016 and 2018 is $86.25 million. A total of 8,844,281 units are issuable upon conversion of these debentures.

LIQUIDITY REQUIREMENTS

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 Credit Facility. Debt repayment obligations are generally funded from refinancing the related debt and property acquisitions are generally funded from capital raises as well as obtaining debt financing on the related property. However, between capital raises, the REIT may use its Credit Facility to fund the equity portion of property acquisitions.

RELATED PARTY TRANSACTIONS

Pursuant to the REIT's management agreement, 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, plus the add back of accumulated amortization of deferred costs.

In May 2013, the REIT was given notice that the management agreement would terminate on November 1, 2013. The termination implementation date was subsequently amended to occur on or after November 1, 2013 and no later than March 31, 2014. Due to the League CCAA filing referred to above, the court order granted in connection with those proceedings do not permit the termination of the Management Agreement without the consent of the League entities who filed for CCAA protection, including LAPP, or without the leave of the court. The trustees of the REIT are evaluating their options and will likely be seeking direction from the court as to implementation of the plan to have internal management, but until the management agreement is terminated, management of the REIT will continue to be carried out by LAPP as stated under "League CCAA Filing."

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 and while LAPP is the manager of the REIT, 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 current management agreement, the REIT paid the following fees to LAPP for the nine months ended September 30, 2013: $1.2 million in asset management fees, $0.6 million in acquisition fees and $0.5 million in property management and accounting fees. Amounts owing to LAPP or other related parties at September 30, 2013 were $22,167. Amounts owing to the REIT from LAPP or other related parties at September 30, 2013 were $49,980.

As at September 30, 2013, the net amounts owed to the REIT from related parties are $27,813 (December 31, 2012 - $6.0 million). During the three and nine months ended September 30, 2013, total advances of $1.02 million and $3.24 million, respectively, were made to related parties and repaid or offset against fees subsequently earned prior to the quarter end. The REIT's special committee will take all steps necessary to ensure that there are no significant amounts owed from LAPP or related parties at any given time.

During the nine months ended September 30, 2013, interest and principal repayments totaling $6.2 million were received from League Holdings Corporation representing repayment of the principal and interest accrued on the note receivable. The note receivable was fully repaid as of its maturity date, May 31, 2013.

QUARTERLY PERFORMANCE

The following is a summary of the interim results for each of the last eight quarterly periods.

	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Total revenues	$ 14,533,172	$ 14,078,122	$ 13,181,564	$ 11,470,356	$ 11,195,642	$ 11,301,599	$ 9,077,958	$ 7,468,818
Operating expenses	5,808,930	4,923,247	5,136,055	4,283,766	3,928,478	4,025,768	3,356,595	2,830,492
Other expenses	5,835,394	7,196,242	4,414,391	4,079,241	4,271,703	4,345,003	3,615,335	4,041,629
Fair value gains (losses)	(8,982)	443,938	4,466,547	14,000,987	530,714	652,130	1,500,480	2,464,132
Net income	2,879,866	2,402,571	8,097,665	17,108,336	3,526,175	3,582,958	3,606,508	3,060,829
Net income per unit - basic	0.11	0.09	0.32	0.86	0.16	0.19	0.25	0.39
FFO	3,162,365	3,906,056	3,796,609	3,700,909	3,360,600	3,127,267	2,263,630	1,135,206
FFO per unit - basic	0.12	0.15	0.15	0.17	0.16	0.16	0.16	0.15

PART V – RISKS & UNCERTAINTIES

Income producing properties are inherently subject to certain risks and uncertainties due to their relative illiquidity and long term nature of the investment. Partners REIT's financial results, are therefore, dependent on the performance of its properties and by various external factors that impact the real estate industry and geographic markets in which the REIT operates. Some of the external factors that the REIT is exposed to include fluctuations in interest and inflation rates, access to debt, fulfilling legal and regulatory requirements and expansion or contraction in the economy as a whole.

Partners REIT's current business strategy is to focus on acquiring and managing a portfolio of retail and mixed-use retail community and neighbourhood centres, in both primary and secondary markets throughout Canada; and that generate stable cash flows over the long term. The quality of the REIT's current portfolio, management believes, provides the leverage the REIT needs to expand the business in new markets and acquire high performing properties. Management believes this strategy will enable the REIT's operations to achieve highly sustainable cash flows.

The following is an examination of the key factors that influence Partners REIT's operations. A more detailed description of all of our risk factors is contained in the REIT's Annual Information Form.

INDUSTRY RISK

The REIT operates in the Canadian commercial and retail markets and is dependent on the ability to access financing. Fluctuations in real estate market values and general industry and economic circumstances affect the amount that can be borrowed and the terms and conditions under which funds are available. This may limit the REIT's ability to execute its operating and growth plans. Partners REIT manages this risk by maintaining sufficient resources to meet its obligations without undue risk to the REIT.

INTEREST RATE AND FINANCING RISK

The REIT attempts to stagger the maturities of its debt portfolio evenly over a ten year time horizon in order to effectively manage both interest rate and liquidity risks.

The REIT has an ongoing obligation to access debt markets to refinance maturing debt as it becomes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions that are acceptable to Partners REIT or on any terms at all. The REIT's strategy of staggering the maturities of its debt portfolio attempts to limit the exposure to excessive amounts of debt maturing in any one year.

There is interest rate risk associated with the REIT's Credit Facility since the interest rates are impacted by changes in the bank rate. There is also interest rate risk associated with the REIT's fixed interest rate and term mortgages and unsecured debentures due to the expected requirement to refinance such debts in the year of maturity. The following table outlines the impact to the REIT's annual net income if interest rates at September 30, 2013 would have been 100 basis points higher or lower, calculated on all debts maturing over the next 24 months, with all other variables held constant.

	Approximate Change in Annual Interest Expense	Approximate Change on Interest Expense per Unit per Annum
Credit facilities	$ 290,000	$ 0.011
Mortgages payable	263,288	0.010
Debentures	-	-

Partners REIT's strategy to mitigate interest rate price risk for its fixed rate mortgages is to enter into interest rate swap arrangements when deemed necessary. As at September 30, 2013, Partners REIT has not entered into any swap arrangements. Partners REIT does not use swaps for speculative purposes.

Management is of the opinion that all debt can be extended, renewed, or refinanced as it becomes due.

CREDIT RISK

Credit risk arises primarily 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, and by ensuring its tenant mix is diversified by limiting its exposure to any one tenant. The maximum credit risk exposure at September 30, 2013 relates to the carrying value of the accounts receivable balance without taking into consideration any collateral held or other credit enhancements. Collateral held on certain leases are letters of credit or security deposits from tenants.

The REIT establishes an allowance for doubtful accounts that represents the estimated loss in respect of rents receivable. The amount that comprises the allowance is determined on a tenant by tenant basis based on the specific factors related to the tenant.

For cash and cash equivalents, accounts receivable and other short term assets, Partners REIT's credit risk is limited to the carrying value on the statements of financial position. To reduce credit risk, cash and cash equivalents are only held at major financial institutions.

LIQUIDITY RISK

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they become due, will not have sufficient debt and equity capital available to fund future growth, and/or refinance debts as they mature. Liquidity risk also arises when the REIT is not able to obtain financing or refinancing on favourable terms.

The REIT's approach to managing its obligations is to maintain sufficient resources to meet its obligations when due without undue risk or recourse to the REIT.

The REIT's principal liquidity needs arise from working capital requirements, debt servicing and repayment obligations, planned funding of maintenance and improvements, leasing costs, distributions, and property acquisition funding requirements.

These liquidity needs are funded from cash flows from operations or the Credit Facility, with the exception of debt repayment obligations at maturity and property acquisitions. Debt repayment obligations are generally funded from refinancing the related debt; and property acquisitions are generally funded from capital raises as well as obtaining debt financing on the related property. Between capital raises, the REIT may use its Credit Facility to fund the equity portion of property acquisitions.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to the demand for and the perceived desirability of such investments. Such illiquidity may limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT was required to liquidate a real property investment, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

ENVIRONMENTAL RISKS

Partners REIT is subject to various federal, provincial and municipal laws and regulations relating to environmental matters, which deal primarily with the costs of removal and remediation of hazardous substances. Environmental risk is relevant to the REIT's ability to sell or finance affected assets and could potentially result in liabilities for the costs of removal and remediation of hazardous substances or claims against us. Management is not aware of any material non-compliance with environmental laws or regulations at any of the REIT's properties, or of any pending or threatened actions, investigations or claims against the REIT relating to environmental matters.

Management will continue to make capital and operating expenditures that are necessary to ensure that the REIT is compliant with environmental laws and regulations. At this time, management does not believe these costs will have a material adverse impact on the REIT's business or financial results. Management understands that environmental laws and regulations are subject to change and the REIT's financial liabilities can be adversely impacted if the laws and regulations become more rigorous.

MANAGEMENT RISKS

On October 18, 2013, LAPP, IGW, and League Realty Services Ltd., the REIT's external property manager for several of its properties, were included in a list of entities covered by a filing for protection under the Companies' Creditors Arrangement Act (the "League CCAA Filing") by League Assets Corp. The REIT is not a creditor of any of the companies covered by the League CCAA filing. While the management agreement between the REIT and LAPP remains in place, LAPP will continue to carry out the management and administration of the REIT.

If LAPP ceases to perform its obligations under the management agreement, the REIT will be able to employ many of the individuals currently working for LAPP on the business of the REIT and is entitled to access to all records to be able to carry on normal operations.

PART VI – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The REIT's critical accounting policies are those that management has determined to be the most important in portraying the REIT's financial condition and results, and which require the most substantive estimates and judgment.

The preparation of financial statements requires certain estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The REIT's significant accounting policies are described in Note 2 to the condensed consolidated financial statements for the period ended September 30, 2013.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Management maintains appropriate information systems, procedures and controls to ensure the information that is publicly disclosed is complete, reliable and timely. This includes establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management believes that the REIT's disclosure controls and procedures and internal controls over financial reporting as at September 30, 2013 were appropriately designed and operating effectively.

There were no material changes to the internal controls over financial reporting during the quarter ended September 30, 2013.