Condensed Consolidated Financial Statements of

PARTNERS REAL ESTATE INVESTMENT TRUST

For the three and nine months ended September 30, 2018 and 2017

PARTNERS REAL ESTATE INVESTMENT TRUST
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For the three and nine months ended September 30, 2018 and 2017

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PARTNERS REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Statements of Financial Position
unaudited (Cdn $)

As at		**September 30, 2018**		December 31, 2017
ASSETS				
Non-current assets				
Income producing properties (Note 4)	**$**	**309,837,000**	$	462,928,003
		309,837,000		462,928,003
Current assets				
Other assets (Note 5)		**2,792,825**		4,384,057
Accounts receivable (Note 6)		**671,204**		1,068,211
Cash		**11,447,499**		6,664,907
		14,911,528		12,117,175
Assets held for sale (Note 7)		**108,571,688**		-
	$	**433,320,216**	$	475,045,178
LIABILITIES				
Non-current liabilities				
Mortgages payable (Note 8)	**$**	**172,958,551**	$	228,515,582
		172,958,551		228,515,582
Current liabilities				
Mortgages payable (Note 8)		**4,916,934**		45,327,618
Convertible debentures (Note 9)		**-**		7,563,686
Accounts payable and other liabilities		**7,322,168**		9,333,956
Distributions payable (Note 13)		**969,155**		956,918
		13,208,257		63,182,178
Liabilities associated with assets held for sale (Note 7)		**73,345,006**		-
		259,511,814		291,697,760
UNITHOLDERS' EQUITY		**173,808,402**		183,347,418
	$	**433,320,216**	$	475,045,178

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Revenues from income producing properties (Note 10)	**$ 12,523,530**	$ 12,641,504	**$ 38,322,174**	$ 39,995,715
Property operating expenses	**(1,802,698)**	(1,871,873)	**(6,049,667)**	(6,320,276)
Realty taxes	**(2,937,573)**	(2,806,860)	**(8,965,587)**	(8,821,251)
Property management fees	**(220,701)**	(208,276)	**(654,724)**	(678,692)
	7,562,558	7,754,495	**22,652,196**	24,175,496
Other expenses:				
Financing costs	**$ 2,809,445**	$ 3,560,037	**$ 8,681,575**	$ 11,899,146
General and administrative expenses	**1,268,964**	1,125,702	**4,395,417**	3,448,033
	4,078,409	4,685,739	**13,076,992**	15,347,179
Income before other gains/(losses)	**3,484,149**	3,068,756	**9,575,204**	8,828,317
Fair value losses (Note 11)	**(3,721,523)**	(1,300,085)	**(10,260,446)**	(6,442,593)
Gain (loss) on sale of investment property	**(740,602)**	-	**(740,602)**	917,110
Comprehensive income (loss)	**$ (977,976)**	$ 1,768,671	**$ (1,425,844)**	$ 3,302,834
INCOME (LOSS) PER UNIT (Note 12)				
Basic and diluted	**$ (0.02)**	$ 0.04	**$ (0.03)**	$ 0.09

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 September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Trust Units (Note 13)				
BALANCE, BEGINNING OF PERIOD	**$ 257,295,459**	$ 221,242,316	**$ 256,857,960**	$ 220,237,798
Issuance of units under rights offering, net of costs	**-**	35,181,465	**-**	35,181,465
Issuance of units under DRIP, net of costs	**145,794**	204,883	**583,293**	1,208,401
Issuance of units under OUPP, net of costs	**-**	-	**-**	1,000
BALANCE, END OF PERIOD	**257,441,253**	256,628,664	**257,441,253**	256,628,664
Contributed Surplus				
BALANCE, BEGINNING OF PERIOD	**565,080**	565,080	**565,080**	565,080
BALANCE, END OF PERIOD	**565,080**	565,080	**565,080**	565,080
Accumulated Other Comprehensive Loss				
BALANCE, BEGINNING OF PERIOD	**(80,314,314)**	(72,056,470)	**(74,075,622)**	(69,294,498)
Comprehensive income (loss)	**(977,976)**	1,768,671	**(1,425,844)**	3,302,834
Distributions to unitholders (Note 13)	**(2,905,641)**	(2,883,352)	**(8,696,465)**	(7,179,487)
BALANCE, END OF PERIOD	**(84,197,931)**	(73,171,151)	**(84,197,931)**	(73,171,151)
TOTAL UNITHOLDERS' EQUITY	**$ 173,808,402**	$ 184,022,593	**$ 173,808,402**	$ 184,022,593
DISTRIBUTIONS PER UNIT	**$ 0.06**	$ 0.06	**$ 0.19**	$ 0.19

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 September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
OPERATING ACTIVITIES				
Comprehensive income (loss)	**$ (977,976)**	$ 1,768,671	**$ (1,425,844)**	$ 3,302,834
Adjusted for non-cash items:				
Loss (gain) on sale of investment property	**740,602**	-	**740,602**	(917,110)
Fair value losses (Note 11)	**3,721,523**	1,300,085	**10,260,446**	6,442,593
Non-cash unit compensation expense	**158,567**	100,112	**627,637**	592,767
Straight-line rent	**(3,696)**	5,515	**(161)**	93,882
Tenant incentives and direct leasing costs amortization	**255,422**	230,352	**752,205**	745,709
Financing cost amortization	**207,659**	421,847	**664,005**	1,142,554
Market interest rate adjustment on mortgages	**(27,013)**	(126,216)	**(133,715)**	(531,806)
Interest accretion expense	**-**	41,191	**2,406**	104,033
Interest expense	**2,628,799**	3,223,215	**8,148,879**	11,184,365
Net change in working capital (Note 14)	**(2,545,580)**	278,054	**(1,029,310)**	(920,414)
Interest paid	**(2,697,217)**	(3,337,468)	**(8,138,767)**	(11,455,512)
Cash flow provided by operating activities	**1,461,090**	3,905,358	**10,468,383**	9,783,895
FINANCING ACTIVITIES				
Proceeds from mortgages	**1,850,000**	13,400,000	**46,190,000**	63,410,000
Financing costs of mortgages	**(51,424)**	(261,910)	**(702,036)**	(888,821)
Repayments of mortgages at maturity	**(4,113,367)**	(8,377,906)	**(39,528,730)**	(55,896,818)
Repayments of mortgages with property sale	**(25,050,222)**	-	**(25,050,222)**	(26,686,338)
Regular principal repayments on mortgages	**(1,999,614)**	(2,042,538)	**(5,988,584)**	(6,575,792)
Convertible debenture repayments	**-**	(49,910,000)	**(7,590,000)**	(49,910,000)
Credit facility draws	**-**	-	**2,000,000**	-
Credit facility repayments	**-**	-	**(2,000,000)**	-
Proceeds from rights offering	**-**	35,397,245	**-**	35,397,245
Costs to issue units (Note 13)	**(46,817)**	(219,062)	**(65,188)**	(228,645)
Distributions to unitholders	**(2,687,828)**	(2,416,452)	**(7,981,378)**	(5,697,076)
Units purchased under the OUPP	**-**	-	**-**	1,000
Cash flow used by financing activities	**(32,099,272)**	(14,430,623)	**(40,716,138)**	(47,075,245)
INVESTING ACTIVITIES				
Net proceeds from disposition of income producing properties	**38,610,890**	-	**38,610,890**	38,919,696
Capital improvements, net of recoveries	**(1,343,998)**	(2,999,743)	**(3,035,384)**	(6,290,782)
Expenditures on tenant incentives and direct leasing costs	**(213,767)**	(245,392)	**(545,159)**	(1,488,854)
Cash flow provided (used) by investing activities	**37,053,125**	(3,245,135)	**35,030,347**	31,140,060
NET INCREASE (DECREASE) IN CASH DURING THE PERIOD	**6,414,943**	(13,770,400)	**4,782,592**	(6,151,290)
CASH, BEGINNING OF PERIOD	**5,032,556**	16,753,146	**6,664,907**	9,134,036
CASH END OF PERIOD	**$ 11,447,499**	$ 2,982,746	**$ 11,447,499**	$ 2,982,746

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 March 23, 2015. The address of its registered office and principal place of business is 249 Saunders Road, Unit 3, Barrie, Ontario, L4N 9A3. The principal business activity of Partners REIT is operating commercial retail properties. The units of the REIT were originally listed on the Toronto Stock Exchange on 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.

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 have been prepared in compliance with International Accounting Standard 34, *Interim Financial Statements*. The accompanying condensed consolidated financial statements should be read in conjunction with the notes to the REIT's audited financial statements for the year ended December 31, 2017 which have been prepared in accordance with IFRS, since they do not contain all disclosures required by IFRS for annual financial statements. These condensed consolidated financial statements reflect all normal and recurring adjustments which are in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

These condensed consolidated financial statements were approved and authorized for issue by the Board of Trustees on November 8, 2018.

(b) Basis of presentation

The 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.

(c) Adoption of new accounting policies effective January 1, 2018

i. IFRS 9 *Financial Instruments* ("IFRS 9"):

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

(A) Classification and measurement of financial assets and financial liabilities:

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans, and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value in OCI ("FVOCI") – debt investment; or fair value in profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified and measured on two categories: amortized costs or FVTPL. Derivatives embedded in contracts where the host is a financial

asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the REIT's financial assets and liabilities. The adoption of the new classification requirements under IFRS 9 did not result in any changes in measurement or the carrying amount of financial assets and liabilities.

Financial assets/liabilities	Original classification under IAS 39	New classification under IFRS 9
Cash	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Mortgages payable	Other financial liabilities	Amortized cost
Credit facility	Other financial liabilities	Amortized cost
Accounts payable and other liabilities	Other financial liabilities	Amortized cost
Distribution payable	Other financial liabilities	Amortized cost
Interest rate swap	FVTPL	FVTPL

(B) Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI. Under IFRS 9 credit losses are recognized earlier than under IAS 39.
Financial assets measured at amortized cost are assessed at each reporting date to determine the credit risk of the financial asset to apply the relevant impairment requirements. There are generally 3 stages of credit risk:

1. Financial assets that are expected to perform in line with their contractual terms and which have no signs of increased credit risk;
2. Financial assets that have significantly increased in credit risk since initial recognition but are not credit-impaired; and
3. Credit-impaired financial instruments.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the REIT on terms that the REIT would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

The REIT considers evidence of impairment of financial assets measured at amortized cost at both a specific asset and collective level. All individually significant financial assets measured at amortized cost are assessed for specific impairment. All individually significant financial assets measured at amortized cost found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Such assets that are not individually significant are collectively assessed for impairment by grouping together financial assets measured at amortized cost with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is measured through a loss allowance at an amount equal to:

- 12-month expected credit losses (ECLs): these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through comprehensive income.

Aside from classification, the impact of adopting IFRS 9 has had no material impact on measurement of the REIT's financial assets.

(ii) IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"):

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue and related interpretations. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue recognition under a lease commences when the tenant has a right to use the leased assets. Generally, this occurs on the lease inception date or, when the REIT is required to make additions to the property in the form of tenant improvements which enhances the value of the property, when substantially complete. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. A straight-line rent receivable is included in the carrying amount of the income producing property and is recorded for the difference between the rental revenue recorded and the contractual amount received. Deducted from revenues are the amortization of tenant incentives and direct leasing costs.

Rental revenue also includes percentage participating rents and recoveries of operating expenses, including realty taxes. Percentage participating rents are recognized when tenants' specified sales targets have been met. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

The adoption of IFRS 15 has had no material impact on the measurement and recognition of revenue.

(d) Assets classified as held for sale

Assets and groups of assets and liabilities, which comprise disposal groups, are categorized as assets held for sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if: management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification, and changes to the plan are unlikely. Where an asset or disposal group is acquired with a view to resale, it is classified as a non-current asset held for sale if the disposal is expected to take place within one year of the acquisition; and it is highly likely that the other conditions referred to above will be met within a short period following the acquisition.

3. FUTURE ACCOUNTING POLICIES

From time to time, the International Accounting Standards Board ("IASB") issues new accounting standards and revises existing accounting standards. The following standard, not yet effective as at the date of these consolidated financial statements and accordingly not applied to these consolidated financial statements, may have a future impact:

Leases

IFRS 16 – *Leases* ("IFRS 16") is a new standard that sets out the principles for the recognition, measurement and disclosure of leases. This new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessors, IFRS 16 carries forward the lessor accounting requirements in IAS 17, with enhanced disclosure requirements that will provide information to the users of financial statements about a lessor's risk exposure, particularly to residual value risk. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, although earlier application is permitted for entities that apply IFRS 15. This standard supersedes IAS 17 - *Leases*, IFRIC 4 - *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives*, and SIC-27 - *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The REIT is currently assessing the impact of IFRS 16 and intends to adopt the new standard on the required effective date.

4. INCOME PRODUCING PROPERTIES

As at		**September 30, 2018**		December 31, 2017
Balance, beginning of year	**$**	**462,928,003**	$	500,989,997
Property disposition at carrying value		**(39,076,406)**		(38,002,586)
Capital improvements (net of recoveries)		**3,035,384**		7,676,128
Expenditures on tenant incentives and direct leasing costs		**545,159**		1,748,646
Amortization of tenant incentives and direct leasing costs		**(752,205)**		(986,622)
Recognition of straight-line rent		**161**		(91,762)
Unrealized fair value losses		**(10,150,096)**		(8,405,798)
		416,530,000		462,928,003
Properties held for sale		**(106,693,000)**		-
Balance, end of period	**$**	**309,837,000**	$	462,928,003

Income producing properties, which are classified as investment properties under IFRS, are measured at fair value by management. Management obtains support for the appraised value by obtaining on a sample basis appraisals from qualified external valuation professionals ("Appraisers") in accordance with IAS 40 – *Investment Properties.* The Appraisers are independent valuation firms, not related to the REIT, that 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.

During the nine months ended September 30, 2018 the fair value of the REIT's income producing property portfolio, excluding the properties available for sale, was determined using the Direct Capitalization methodology. The fair values of the REIT's properties available for sale were valued based on the estimated sales proceeds to be realized before deducting any costs of disposition.

During the nine months ended September 30, 2018, external appraisals were obtained for ten of the REIT's properties with an aggregate fair value of $98.8 million, representing 23.7% of the fair value of the income producing property portfolio. During the year ended December 31, 2017, external appraisals were obtained for another twelve of the REIT's properties with an aggregate fair value of $190.8 million, representing 41.2% of the fair value of the income producing property portfolio as of that date. Properties acquired within the year are valued at the purchase price plus closing costs unless there is evidence of a significant change in the fair value of the property. The value of the remainder of the REIT's income producing property portfolio is determined internally by the REIT by applying significant new information obtained to adjust previous externally prepared appraisals.

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	**September 30, 2018**	December 31, 2017
Capitalization rates		
Maximum	**12.31%**	9.25%
Minimum	**5.75%**	5.75%
Weighted Average	**6.85%**	6.63%

At September 30, 2018, a 0.25% increase in capitalization rates for income producing properties would decrease fair value by $15.3 million (December 31, 2017 - $17.5 million) and a 0.25% decrease in capitalization rates would increase fair value by $16.4 million (December 31, 2017 - $18.9 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 September 30, 2018, income producing properties included $4.5 million (December 31, 2017 - $4.9 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*.

5. OTHER ASSETS

The major components of other assets are as follows:

As at		**September 30, 2018**		December 31, 2017
Prepaid realty taxes and insurance	**$**	**2,244,844**	$	1,439,879
Restricted cash - amounts held in escrow		**1,375,437**		1,824,618
Prepaid expenses and other		**892,488**		1,087,303
Deferred financing costs on undrawn credit facility		**-**		32,257
		4,512,769		4,384,057
Other assets associated with properties available for sale		**(1,719,944)**		-
Balance, end of period	**$**	**2,792,825**	$	4,384,057

Cash is considered restricted when it is held in escrow as required under loan agreements 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.

Prepaid expenses and other include general REIT expenses paid in advance and other deferred amounts.

6. ACCOUNTS RECEIVABLE

As at		**September 30, 2018**		December 31, 2017
Rents receivable	**$**	**623,547**	$	395,334
Unbilled recoveries		**276,521**		554,392
Other receivables		**205,707**		396,354
		1,105,775		1,346,080
Allowance for doubtful accounts		**(275,827)**		(277,869)
		829,948		1,068,211
Accounts receivable associated with properties available for sale		**(158,744)**		-
Balance, end of period	**$**	**671,204**	$	1,068,211

The REIT records an allowance for doubtful accounts to comply with the simplified approach under IFRS 9 for amounts receivable, where the loss allowance is measured at initial recognition and throughout the life of the receivable at an amount equal to the lifetime expected credit losses ("ECL"). See note 19 for the REIT's exposure to credit risk regarding its receivables, and precautions taken to mitigate these risks.

7. ASSETS HELD FOR SALE

During the quarter, the REIT classified eleven income producing properties as held for sale since management has committed to a plan of sale. The properties comprise the following:

Property Name	City and Province	Building Type
Centuria Urban Village	Kelowna, British Columbia	Units in a mixed use strata building
Evergreen Shopping Centre	Sooke, British Columbia	Retail strip centre
137th Avenue – SDM	Edmonton, Alberta	Free standing centre
Cobblestone Lane	Grand Prairie, Alberta	Retail strip centre
Manning Crossing	Edmonton, Alberta	Retail strip centre
Brandon – SDM	Brandon, Manitoba	Free standing centre
Steinbach – SDM	Steinbach, Manitoba	Free standing centre
Pembina – SDM	Winnipeg, Manitoba	Free standing centre
Sherbrooke - SDM	Winnipeg, Manitoba	Free standing centre
Selkirk – SDM	Selkirk, Manitoba	Free standing centre
Cornwall Square Shopping Centre	Cornwall, Ontario	Enclosed mall

The value of the properties are measured at fair market value as required under IAS 40 – *Investment Property*, which states that when an entity has previously measured an investment property at fair value, it is required to continue measuring the property at fair value until disposal.

The components of the assets and associated liabilities held for sale are as follows:

As at		**September 30, 2018**
Assets		
Income producing properties	**$**	**106,693,000**
Other assets		**1,719,944**
Accounts receivable		**158,744**
Assets held for sale		**108,571,688**
Liabilities		
Mortgages payable	**$**	**71,637,354**
Accounts payable and other liabilities		**1,707,652**
Liabilities associated with assets held for sale	**$**	**73,345,006**

8. MORTGAGES PAYABLE

As at		September 30, 2018		December 31, 2017
Mortgage principal	**$**	**251,364,001**	$	275,741,535
Unamortized above market interest rate adjustments		**168,276**		301,992
Unamortized commitment and other fees		**(2,019,438)**		(2,200,327)
		249,512,839		273,843,200
Mortgages associated with assets held for sale		**(71,637,354)**		-
	$	**177,875,485**	$	273,843,200
Non-current	**$**	**172,958,551**	$	228,515,582
Current		**4,916,934**		45,327,618
		177,875,485		273,843,200

Scheduled repayments of mortgage principal are as follows:

		Principal instalments		Principal maturing		Total
2018 (3 months)	$	1,872,115	$	-	$	1,872,115
2019		7,673,672		17,442,723		25,116,395
2020		6,624,827		42,732,429		49,357,256
2021		4,987,357		65,814,594		70,801,951
2022		3,470,608		18,632,356		22,102,964
Thereafter		8,464,426		73,648,894		82,113,320
Contractual obligations	$	33,093,005	$	218,270,996	$	251,364,001

Mortgages payable are secured by the properties to which they relate with some having recourse to the REIT. The mortgages bear interest at effective rates ranging between 3.03% and 6.51% per annum (December 31, 2017 – 3.03% and 6.04%) and contractual rates ranging between 2.83% and 6.07% (December 31, 2017 – 2.83% and 6.70%). The total carrying value of the properties pledged as security is $411.3 million (December 31, 2017 - $457.9 million).

Included in the mortgages payable at September 30, 2018 are $51.3 million in mortgages over five properties with an institutional lender (December 31, 2017 - $81.7 million over 7 properties), over which a significant Unitholder of the REIT (with over 20% of the outstanding units on September 30, 2018), has significant influence.

Interest rate swaps are in place to fix the interest rates for three mortgages payable for a notional amount of $33.4 million between 3.70% and 4.60% until 2021. As at September 30, 2018, the fair value of the interest rate swap is a liability of $0.1 million (December 31, 2017 – insignificant liability) and is included in accounts payable and accrued liabilities on the statement of financial position. For the nine months ended September 30, 2018, a fair value loss on the interest rate swaps of $0.1 million was recorded on the statements of comprehensive income (2017 – fair value gain of $0.4 million).

During the nine months ended September 30, 2018, the following mortgages were refinanced or repaid:

In January 2018, the REIT completed a $13.0 million financing secured on a multi-tenant property in Montreal (Nun's Island), Quebec. The mortgage has a term of three years with an interest rate of 3.76% per annum and an amortization period of 25 years. This financing replaced a maturing mortgage with a principal balance of $7.8 million and a contractual interest rate of 3.26%.

In March 2018, the REIT completed a $21.5 million financing secured on a multi-tenant property in Longueil, Quebec. The mortgage has a term of three years and has an imbedded swap arrangement to fix the interest rate at 4.56% per annum with an amortization period of 25 years. This financing replaced a maturing mortgage with a principal balance of $21.5 million and a variable rate of interest of 5.45% per annum at the time of repayment.

In June 2018, the REIT completed a $5.2 million financing secured by a multi-tenant property in Repentigny, Quebec. The mortgage has a term of five years with an interest rate of 4.13% per annum with an amortization period of 25 years. This financing replaced a maturing mortgage with a principal balance of $4.9 million and a contractual interest rate of 3.34%.

In June 2018, the REIT completed a $4.64 million bridge loan financing secured by a single tenant property in Winnipeg Manitoba. The REIT pays interest only for the term of six months with an interest rate of prime plus 3% (6.45% at the time of issuance). The financing replaced a mortgage originally set to mature in 2019 with a principal balance of $1.3 million and a contractual interest rate of 6.70% at the time of maturity.

In September 2018, with the proceeds from a disposed property in Campbell River, British Columbia, the REIT repaid the $4.64 million bridge loan financing obtained in June 2018 and a $20.4 million mortgage secured by the disposed property. The bridge loan carried a variable rate of prime plus 3% (6.70% at the time of repayment) and the mortgage secured by the disposed property carried an interest rate of 3.77%.

In September 2018, the REIT completed a $1.85 million financing secured by a multi-tenant property in Timmins, Ontario. The mortgage has a term of two years with an interest rate of 4.05% per annum with an amortization period of 25 years. This financing replaced a maturing mortgage with a principal balance of $4.1 million and a contractual interest rate of 6.00%.

9. CONVERTIBLE DEBENTURES

In March, 2013, the REIT issued $23,000,000 of 5.5% unsecured subordinated convertible debentures (the "Series III Debentures") due March 31, 2018. On August 18, 2017, the REIT repaid 67% of the $23.0 million Series III Debentures leaving a remaining balance of $7.6 million outstanding. On January 17, 2018, the REIT repaid the final $7.6 million of outstanding Series III Debentures plus accrued interest up to that date.

10. REVENUES FROM INCOME PRODUCING PROPERTIES

Revenues recognized from income producing properties for the three and nine months ended September 30, 2018 were $12.5 million and $38.3 million, respectively (three and nine months ended September 30, 2017 - $12.6 million and $40.0 million, respectively). The REIT leases commercial retail properties under operating leases generally with lease terms of between one and fifteen years, and in many cases with options to extend for successive five year periods. Included in revenues from income producing properties are recoveries from tenants for the three and nine months ended September 30, 2018 of $4.1 million and $12.8 million, respectively (three and nine months ended September 30, 2017 - $4.2 million and $13.3 million, respectively), 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 which for the three and nine months ended September 30, 2018 totaled $0.3 million and $0.8 million, respectively (three and nine months ended September 30, 2017 - $0.2 million and $0.7 million, respectively).

As at September 30, 2018, 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	$ 32,340,118	$ 96,524,579	$ 55,574,718

11. FAIR VALUE GAINS (LOSSES)

The components of fair value gains (losses) are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Unrealized loss on income producing properties	**$ (3,810,634)**	$ (1,463,268)	**$ (10,150,096)**	$ (6,758,454)
Financial liabilities designated as FVTPL:				
Fair value gain (loss) on interest rate swaps	**89,111**	163,183	**(110,350)**	315,861
Total fair value gains (losses)	**$ (3,721,523)**	$ (1,300,085)	**$ (10,260,446)**	$ (6,442,593)

12. INCOME PER UNIT

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Numerator				
Comprehensive income (loss) - basic and diluted	**$ (977,976)**	$ 1,768,671	**$ (1,425,844)**	$ 3,302,834
Denominator				
Weighted average units outstanding - basic	**46,015,337**	43,486,983	**45,945,455**	37,292,890
Weighted average deferred units outstanding	**356,117**	168,309	**284,194**	99,583
Weighted average units outstanding - diluted	**46,371,454**	43,655,292	**46,229,649**	37,392,473
Income (loss) per unit - basic and diluted	**$ (0.02)**	$ 0.04	**$ (0.03)**	$ 0.09

13. UNITHOLDERS' EQUITY

(a) Distributions

For the nine months ended September 30, 2018 the REIT made monthly cash distributions to unitholders in an amount of $0.02083 per unit, representing an annualized distribution of $0.25 per unit. Subsequent to September 30, 2018 the REIT announced that effective for the November distribution to be paid during December 2018, it expects to reduce the annualized distribution from $0.25 per unit to $0.18 per unit. The REIT also announced the payment of a special distribution in the amount of $0.87 per unit, for approximately $40 million, payable to unitholders on November 9, 2018.

The amount of the REIT's cash distributions is determined by, or in accordance with, the guidelines established from time to time by the Trustees. The Trustees have discretion in declaring distributions. Pursuant to the REIT's Declaration of Trust, it is the intention of the 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. As at September 30, 2018, distributions accrued but not yet paid totaled $1.0 million (December 31, 2017 - $1.0 million).

(b) Distribution reinvestment and optional unit purchase 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.

The unitholders have the option to reinvest the regular monthly distributions on all or any part of their units. The participants of the Plan may also contribute additional funds in excess of reinvested distributions ("Optional Cash Payments") for the purpose of acquiring additional units under the Plan on a distribution date, provided that Optional Cash Payments made by any Participant shall not be less than $1,000 per distribution date and not more than $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 3%.

Subsequent to September 30, 2018 the REIT announced that commencing with the November 2018 distribution to be paid during December 2018, the REIT was terminating its Plan indefinitely.

At September 30, 2018, the REIT had 452,351 units remaining in its reserve for issuance of units under the Plan (December 31, 2017 – 667,936 units in reserve).

(c) Rights Offering

During May 2017, the REIT raised gross proceeds of $35.4 million by issuing rights entitling unitholders to subscribe for one additional REIT unit for each three REIT units held as of the record date of June 7, 2017 and with payment of a subscription price of $3.10 per REIT unit. The Rights Offering closed on July 19, 2017 and the maximum amount available of $35.4 million, excluding issuance costs of $0.2 million, was raised and the REIT issued 11,418,466 units.

(d) Outstanding Units

As at	**September 30, 2018**		December 31, 2017	
	Units	**Dollars**	Units	Dollars
Units outstanding, beginning of year	**45,831,979**	**$ 256,857,960**	33,983,594	$ 220,237,798
Units issued:				
Rights offering	**-**	**-**	11,418,466	35,397,245
Distribution reinvestment plan	**215,585**	**648,481**	429,640	1,453,864
Optional unit purchase plan	**-**	**-**	279	1,000
Unit issue costs	**-**	**(65,188)**	-	(231,947)
	46,047,564	**$ 257,441,253**	45,831,979	$ 256,857,960

14. 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 September 30,		**Nine months ended September 30,**	
	2018	2017	**2018**	2017
Net change in working capital				
Net change in accounts receivable	**$ (100,501)**	$ 286,531	**$ 238,263**	$ (9,637)
Net change in other assets	**854,275**	873,749	**(160,969)**	(2,169,098)
Net change in accounts payable and other liabilities	**(3,299,354)**	(882,226)	**(1,106,604)**	1,258,321
	$ (2,545,580)	$ 278,054	**$ (1,029,310)**	$ (920,414)

15. UNIT-BASED COMPENSATION PLANS

(a) *Deferred unit plan ("DUP")*

Under the DUP, Trustees have the option to have their fees ("Trustees Fees") and Officers have the option to have annual bonus payments ("Officer Bonus") paid in deferred units of the REIT. The number of units will be equivalent to the cash value of the Trustees Fees or Officer Bonus elected by the Trustee or Officer, as applicable to be paid in units. The maximum number of units reserved for issuance under the DUP is 1% of the issued and outstanding units and the maximum number of units reserved under the DUP 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 DUP is volume-weighted average price of the units for the last five trading days preceding the date of issuance. Additional units earned through the DRIP on outstanding deferred units are issued based on the volume-weighted average price of the units for the last 20 trading days preceding the DRIP issuance date.

The DUP became effective May 17, 2015 and was amended and restated effective November 1, 2016.

The following table presents information on outstanding deferred units for the nine months ended September 30, 2018 and the year ended December 31, 2017:

	September 30, 2018		December 31, 2017	
	Deferred Units	**Dollars**	Deferred Units	Dollars
Opening Balance	**204,508**	**$ 613,524**	-	$ -
Deferred units issued:				
Officer Bonus	**66,225**	**200,000**	81,744	300,000
Trustee Fees	**130,623**	**395,927**	116,550	394,226
DRIP on deferred units	**18,083**	**54,408**	9,830	31,508
Deferred units redeemed	**(29,120)**	**(86,739)**	(3,616)	(12,912)
Fair value (gain) / loss on deferred units	**-**	**32,869**	-	(99,298)
	390,319	**$ 1,209,989**	204,508	$ 613,524

As at September 30, 2018, the liability related to the DUP was $1.2 million (December 31, 2017 – $0.6 million) and is included in accounts payable and other liabilities. The related expense in comprehensive income amounts to $0.4 million for the nine months ended September 30, 2018 (Nine months ended September 30, 2017 - $0.3 million).

16. INCOME TAXES

All of the REIT's corporate entities that consolidate into the REIT are nominee corporations and do not have any taxable income and therefore do not have any current income tax payable.

Partners REIT qualifies as a REIT for income tax purposes. The REIT intends to distribute all of its taxable income to unitholders and is entitled to deduct such distributions for income tax purposes. Accordingly, a provision for current income taxes payable is not required.

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 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.

The debt-to-gross book value ratio is measured as the REIT's total debt, including mortgages payable, corporate secured debt and debentures, divided by the gross book value of its assets. At September 30, 2018 the REIT's debt-to-gross book value ratio is 57.7% (December 31, 2017 – 59.4%), calculated as follows:

As at	**September 30, 2018**	December 31, 2017
Debt[(1)]		
Mortgage principal	**$ 251,364,001**	$ 275,741,535
Debenture principal	**-**	7,590,000
	$ 251,364,001	$ 283,331,535
Gross Book Value of Assets		
Book value of income producing properties (including those held for sale)	**$ 416,530,000**	$ 462,928,003
Book value of all other assets	**16,790,216**	12,084,917
Unamortized deferred financing fees	**2,019,438**	2,256,493
	$ 435,339,654	$ 477,269,413
Debt-to-Gross Book Value	**57.7%**	59.4%
Debt-to-Gross Book Value Excluding Debentures	**57.7%**	57.8%

(1) Debt capital refers to the principal portion of mortgages and debentures. This excludes deferred financing costs, the value of the debentures' convertible feature, and unamortized above market interest rate adjustments.

18. FAIR VALUES

Fair value is the price required to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of the REIT's assets and liabilities were determined as follows:

(a) *Income producing properties*

The significant assumptions used to determine the fair value of investment properties are disclosed in Note 4.

(b) *Current assets and liabilities*

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

(c) *Mortgages payable*

The fair value of secured debt at September 30, 2018 is based on discounted future cash flows, using interest rates ranging between 4.41% and 4.62% that reflect current market conditions for instruments of similar term and risk (December 31, 2017 – rates ranging between 3.88% and 4.24%).

(d) *Interest rate swaps*

The fair value of the interest rate swap contracts is calculated through discounting future expected cash flows using the appropriate BA rate swap curve adjusted for credit risk. Since the BA rate swap curve is an observable input, these financial instruments are considered Level 2.

(e) *Deferred units*

The fair value of deferred units is calculated using the five-day volume weighted average price of the REIT's units as of the date of reporting. Since the five-day volume weighted average price of the REIT's units is determined based on quoted prices of the REIT's units, these financial instruments are considered Level 1.

Assets and liabilities measured at fair value in the statements of financial position, or where fair value disclosures are required, are classified based on a three-level hierarchy 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:

	September 30, 2018			December 31, 2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets measured at fair value:						
Income producing properties (incl. AFS)	**$ -**	**$ -**	**$ 416,530,000**	$ -	$ -	$ 462,928,003
Liabilities measured at fair value:						
Interest rate swaps	**$ -**	**$ 110,439**	**$ -**	$ -	$ 88	$ -
Deferred units	**1,209,989**	**-**	**-**	613,524	-	-
Liabilities for which fair values are disclosed:						
Mortgages payable	**$ -**	**$ -**	**$ 245,501,087**	$ -	$ -	$ 272,559,923

The fair value of assets and liabilities is performed on a quarterly basis using the valuation approaches noted above. During the nine months ended September 30, 2018 there were no transfers between the hierarchy levels.

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 mortgages with floating interest rates. An increase in interest rates would increase the interest cost of these mortgages having an adverse effect on the REIT's comprehensive income and earnings per unit. Based on the outstanding $12.7 million balance of variable rate debt at September 30, 2018, a 1% increase or decrease in the prime rate would cause a $0.1 million increase or decrease, respectively on the REIT's annual interest expense (December 31, 2017 – $0.3 million).

Partners REIT's strategy to mitigate interest rate price risk for its variable rate mortgages is to enter into interest rate swap arrangements when deemed necessary. As at September 30, 2018, Partners REIT has three mortgages whereby the Lender has imbedded swap agreements to fix the interest rate. Partners REIT does not use swaps for speculative purposes. The REIT also structures its fixed rate financing 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 September 30, 2018 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.

The following table presents an analysis of the age of tenant and other accounts receivable inclusive of amounts for which an allowance has been made.

As at	**September 30, 2018**	December 31, 2017
Tenant rents receivable		
Less than 30 days past billing date	**449,773**	244,038
30-60 days past billing date	**12,086**	59,499
61-90 days past billing date	**-**	1,880
Greater than 90 days past billing date	**161,688**	89,917
	623,547	395,334
Allowance for doubtful accounts - tenant	**(150,827)**	(152,869)
Other receivables	**205,707**	396,354
Allowance for doubtful accounts - other	**(125,000)**	(125,000)
Unbilled recoveries	**276,520**	554,392
	829,947	1,068,211

The following table presents a summary of the activity related to the REIT's allowance for doubtful accounts.

		September 30, 2018		December 31, 2017
Opening allowance for doubtful accounts	**$**	**277,869**	$	499,519
Change to allowance for doubtful accounts		**101,122**		(152,706)
Receivables written-off		**(103,164)**		(68,944)
Ending allowance for doubtful accounts	**$**	**275,827**	$	277,869

(c) *Liquidity risk*

The REIT's main liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, capital and leasing expenditures and distributions to unitholders. All of the aforementioned liquidity requirements, except for debt repayment obligations are generally funded from cash flows from operations or from drawing on existing cash ($11.4 million at September 30, 2018). Property debt repayment obligations are generally funded from obtaining debt refinancing on maturing mortgages.

During 2017 the REIT raised monies from financing and investing activities. On June 30, 2017 the REIT disposed of a property and raised net monies of $12 million, on July 19, 2017 the REIT closed a Rights Offering that raised net proceeds of approximately $35 million and resulted in the issuance of 11,418,466 REIT units. These net proceeds plus $13 million from excess funds from the refinancing of maturing mortgages were used to repay the $34.5 million Series II Debentures and $15.4 million (67%) of the Series III Debentures plus accrued interest. During the nine months ended September 30, 2018 the REIT refinanced five mortgages generating net monies of $6.7 million. These monies plus excess cash from December 31, 2017 were used to fully repay the $7.6 million (33%) owing on the Series III Debentures.

On September 6, 2018 the REIT disposed of a property and generated net cash of $13.6 million after repaying the mortgage on the property. Subsequent to the end of the third quarter, on October 24, 2018 the REIT sold nine more properties and after disposition costs and repaying related mortgages generated net cash proceeds of approximately $36.7 million. Also on October 24, 2018 the REIT announced that a special distribution of $40 million would be paid to Unitholders during November and that the monthly distribution is expected to be reduced from the annualized rate of $0.25 per unit to $0.18 per unit.

During 2017 and the first nine months of 2018 the REIT refinanced a total of $121 million of maturing mortgages with new financings totalling $142 million generating net monies of $21 million. Based on these re-financings, the REIT expects that it will continue to be able to refinance property mortgages as they mature. Within the next 12 months the REIT has $8.0 million in regularly scheduled principal repayments with no maturing mortgages ($5.6 million in regularly scheduled principal payments when excluding mortgages associated with assets held for sale). During June 2018, the REIT repaid the $2 million owed on the REIT's $10 million Credit Facility. The Credit Facility was not renewed for another term.

The REIT manages its liquidity risk by:

- staggering the maturities of its maturing mortgages;
- not entering into property acquisitions unless it has secured or knows that it can secure the appropriate capital (debt and equity) to fund the particular acquisitions;
- planning capital spending around the availability of cash from operations or debt/equity funding; and
- reviewing the current liquidity position and forecasted cash flows in advance of the approval of the monthly distributions.

The REIT expects to generate sufficient cash from operations, financing(s) and disposition(s) activities that will provide sufficient funds for the REIT to meet its operational requirements, debt obligations, capital spending plans and the distribution to unitholders.

The REIT's financial condition and ability to meet its financial obligations would be adversely affected if it were unable to obtain additional financing either upon refinancing of its maturing obligations or from other financing sources, or if it were unable to meet its other liquidity requirements from on-going operating cash flows. Obtaining replacement capital through new debt financing, new equity raises, the sale of property(s), or any combination of these options will be essential to ensuring the REIT's continued financial flexibility.

The following table shows the contractual cash flows on all of the REIT's non-derivative financial liabilities:

	2018	2019	2020	2021	2022	Thereafter
Mortgages payable						
Interest	$ 4,814,806	$ 9,308,268	$ 7,621,890	$ 4,978,986	$ 3,385,169	$ 4,758,762
Principal payments	1,872,115	7,673,672	6,624,827	4,987,357	3,470,608	8,464,426
Balances due on maturity	-	17,442,723	42,732,429	65,814,594	18,632,356	73,648,894
Accounts and distributions payable and other liabilities	9,888,537	-	-	-	-	-
Total	$ 16,575,458	$ 34,424,663	$ 56,979,146	$ 75,780,937	$ 25,488,133	$ 86,872,082

(d) Concentration risk

The REIT has one major tenant with 16 locations in the REIT's portfolio providing $6.6 million in annualized base rents, or 20.2% of the REIT's total annualized base rental revenue. This tenant has an investment grade credit rating. Following the sale of nine properties during October 2018, the REIT has 8 locations providing $3.4 million in annualized base rents, or 13.1% with this same tenant.

20. CONTINGENCIES AND COMMITMENTS

Lease commitments – The REIT as lessee

The REIT as lessee is committed under operating leases to renewal periods or notice periods ranging from one year to two and a half years for its three office locations in Barrie, Ontario, Toronto, Ontario and Victoria, British Columbia. In aggregate the leases represent a future commitment to the REIT of approximately $0.6 million, or less than $0.1 million when excluding offices with sub-leases. During the third quarter sub-leases were obtained for the Toronto and Victoria offices which will cover the costs of these offices until their lease expiry dates.

Certified class action lawsuit

The REIT was notified that a Statement of Claim dated November 28, 2014 was issued in the Ontario Superior Court seeking certification of a class action on behalf of persons who held units of the REIT on April 1, 2014 against certain parties, including a former Officer and former Trustees of the REIT. The class action was certified on November 8, 2016.The REIT itself was not named as a defendant in the legal proceedings which allege that the conduct of the defendants in connection with the acquisition by the REIT of three properties from Holyrood in April 2014 caused harm to the plaintiffs. The Holyrood transaction was rescinded by the REIT and Holyrood in October 2014. The REIT has certain indemnity obligations to its former Officer and former Trustees with respect to this claim. The REIT has been notified that the parties to these legal proceedings have now signed minutes of settlement and will seek approval of the settlement by the Ontario Superior Court of Justice and to have the proceedings dismissed. Subject to the Court's approval of the settlement, all claims made against the REIT's former Trustees and former Officer will be dismissed. The monies to fund the settlement will be primarily funded by available insurance, and it is expected that there will be no material impact to the REIT's business and affairs. A hearing for court approval of the settlement is scheduled in December 2018.

21. SUBSEQUENT EVENTS

(a) On October 10, 2018 the REIT announced that it has agreed to sell a retail property in Cornwall, Ontario. The agreed disposition price is $8.4 million and the transaction is not subject to either a financing or a due diligence condition. Closing is expected to occur on or before December 10, 2018.

(b) On October 24, 2018 the REIT announced the completion of the sale of nine Western Properties, generating approximately $37 million in net cash proceeds. This cash combined with the $13 million generated from the September sale of Mariner Square generated aggregate net cash of $50 million. The Board of Trustees announced a special distribution in the amount of $0.87 per unit (approximately $40 million) payable on November 9, 2018 to unitholders of record on November 2, 2018.

(c) On October 24, 2018 the REIT announced that it expects to reduce the regular distribution from the annualized rate of $0.25 per unit to $0.18 per unit. The new distribution rate of $0.015 per month per month is effective for the November distribution paid during December 2018.

(d) On October 24, 2018, the REIT announced the termination of the Distribution Re-investment and Optional Unit Purchase Plan (the “Plan”). The termination of the Plan would be effective for the November 2018 distribution paid during December 2018.

(e) On October 24, 2018, the REIT announced that it will hold a special meeting of unitholders on December 10, 2018, to unitholders of record on October 30, 2018, to ask unitholders to vote on an amendment to the REIT’s Declaration of Trust, to provide the Board with the authority, should the Board determine to do so, to sell all or substantially all of the assets of the REIT, distribute the net proceeds to the unitholders and wind-up, liquidate, dissolve or terminate the REIT in each case without further unitholder approval.