



QUARTERLY REPORT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF
OPERATIONS AND FINANCIAL CONDITION**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED IN CANADIAN DOLLARS)**

**FOR THE THREE MONTHS ENDED
MARCH 31, 2018 AND 2017**

DATED: MAY 10, 2018

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PART I

BASIS OF PRESENTATION

Financial information included in this Management's Discussion and Analysis ("MD&A") includes material information up to May 10, 2018. The financial statements to which this MD&A relates were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This MD&A has been reviewed and approved by management of Plaza Retail REIT (hereinafter referred to as "Plaza" or the "Trust") and the Audit Committee on behalf of the Board of Trustees.

In this MD&A, Plaza reports non-IFRS financial measures, including: funds from operations ("FFO"); adjusted funds from operations ("AFFO"); earnings before interest, taxes, depreciation and amortization ("EBITDA"); and same-asset net property operating income ("same-asset NOI"). Plaza also reports net property operating income ("NOI") as an additional IFRS measure. These measures are widely used in the Canadian real estate industry. Plaza believes these financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of Plaza. These financial measures do not have any standardized definitions prescribed by IFRS and may not be comparable to similar titled measures reported by other entities. Refer to Part VII of this MD&A under the headings "Explanation of Non-IFRS Measures Used in this Document" and "Explanation of Additional IFRS Measures Used in this Document", for definitions of these financial measures.

FORWARD-LOOKING DISCLAIMER

This MD&A should be read in conjunction with the Trust's Condensed Interim Consolidated Financial Statements and the notes thereto for the three months ended March 31, 2018 and 2017, along with the MD&A of the Trust for the year ended December 31, 2017, including the section on "Risks and Uncertainties". Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information in this MD&A contains forward-looking statements, based on the Trust's estimates and assumptions, which are subject to numerous known and unknown risks and uncertainties, including those described under the heading "Risks and Uncertainties" in this MD&A. This may cause the actual results, performance and achievements of the Trust to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Without limiting the foregoing, the words "believe", "expect", "continue", "anticipate", "could", "may", "intend", "estimate", "planning" or "planned" and variations of such words and similar expressions identify forward-looking statements. Forward-looking statements (which involve significant risks and uncertainties and should not be read as guarantees of future performance or results) include, but are not limited to, statements related to distributions, development activities, leasing expectations, financing and the availability of financing sources. Factors that could cause actual results, performance or achievements to differ from those expressed or implied by forward-looking statements include, but are not limited to: economic, retail, capital market, debt market and competitive real estate conditions; Plaza's ability to lease or re-lease space at current or anticipated rents; changes in interest rates; changes in operating costs; the availability of development and redevelopment opportunities for growth; tenant insolvencies or bankruptcies; and government regulations. Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions, however, management can give no assurance that actual results, performance or achievements will be consistent with these forward-looking statements.

These forward-looking statements are made as of May 10, 2018 and Plaza assumes no obligation to update or revise them to reflect new events or circumstances, except for forward-looking information disclosed in a prior MD&A which, in light of intervening events, requires further explanation to avoid being misleading.

OVERVIEW OF THE BUSINESS

Headquartered in Fredericton, New Brunswick, Plaza is an unincorporated "open-ended" real estate investment trust (a "REIT") established pursuant to its declaration of trust dated as of November 1, 2013 (the "Declaration of Trust"). Plaza is the successor to Plazacorp Retail Properties Ltd. ("Plazacorp"), which began operations in late 1999. Plaza trades on the Toronto Stock Exchange under the symbol "PLZ.UN".

Plaza is a developer, owner and manager of retail real estate primarily in Atlantic Canada, Quebec and Ontario. Plaza offers a unique business strategy that differs from many of its peers in the real estate industry.

- Plaza has a 15 year history of accretive growth and value creation, since beginning to pay distributions in late 2002;

Plaza Retail REIT

- Plaza's main business is driven by value-add opportunities to develop and redevelop, for its own account, unenclosed and enclosed retail real estate throughout Canada;
- Plaza has strong relationships with leading retailers;
- Plaza has a competitive advantage as a developer in Atlantic Canada;
- Plaza's entrepreneurial abilities allow it to adapt more easily to changing market conditions;
- Plaza is fully internalized and able to develop retail properties in-house;
- Plaza minimizes the amount of short-term debt that it obtains, therefore locking in returns for unitholders and minimizing financing risk;
- Insiders hold a significant position in Plaza; and
- Plaza is focused on cash flow per unit and per unit growth and conducts its business in order to maximize this and, accordingly, distributions for unitholders.

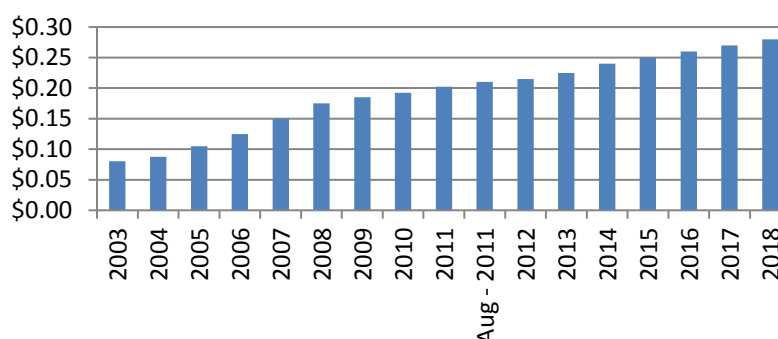
Plaza's growth is driven by value-add developments and redevelopments as well as organic growth from the existing portfolio as leases roll-over. Plaza's unique business strategy and focus on cash flow per unit has allowed it to increase its distribution every year since Plazacorp began paying dividends in November 2002. Plaza's distribution compounded annual growth rate is approximately 9%.

Yearly Distribution/Dividend Growth

2003 ⁽¹⁾	8.00¢	n/a
2004	8.75¢	9.4%
2005	10.50¢	20.0%
2006	12.50¢	19.0%
2007	15.00¢	20.0%
2008	17.50¢	16.7%
2009	18.50¢	5.7%
2010	19.25¢	4.1%
2011	20.25¢	5.2%
2011-Aug	21.00¢	3.7%
2012	21.50¢	2.4%
2013	22.50¢	4.7%
2014	24.00¢	6.7%
2015	25.00¢	4.2%
2016	26.00¢	4.0%
2017	27.00¢	3.8%
2018	28.00¢	3.7%

⁽¹⁾ Plazacorp began paying dividends in November 2002. 2003 is the first full year of dividend payments.

Distributions/Dividends per unit



Summary of Properties

The Trust's portfolio at March 31, 2018 includes interests in 297 properties totaling approximately 8.1 million square feet (which are predominantly occupied by national tenants) and additional lands held for development. These include properties indirectly held by Plaza through its subsidiaries and through joint arrangements.

	Number of Properties March 31, 2018 ⁽¹⁾	Gross Leasable Area (sq. ft.) March 31, 2018 ^{(1) (2)}	Number of Properties March 31, 2017 ⁽¹⁾	Gross Leasable Area (sq. ft.) March 31, 2017 ^{(1) (2)}
Alberta	10	52,513	10	52,513
Newfoundland and Labrador	12	679,544	12	679,926
New Brunswick	51	1,838,614	51	1,890,349
Nova Scotia	37	1,189,664	37	1,179,910
Manitoba	6	30,424	6	30,424
Ontario	70	1,542,870	73	1,271,596
Prince Edward Island	11	595,392	11	595,850
Quebec	100	2,187,152	98	2,078,674
Total	297	8,116,173	298	7,779,242

⁽¹⁾ Includes properties under development and non-consolidated investments.

⁽²⁾ At 100%, regardless of the Trust's ownership interest in the properties

BUSINESS ENVIRONMENT AND OUTLOOK

Plaza's entrepreneurial culture and adaptability, combined with its strong fully internalized platform, has allowed, and will continue to allow, Plaza to grow and take advantage of opportunities in the market-place. Plaza has always had a focused strategy of growing the business through value-add developments and redevelopments and opportunistic acquisitions. Its properties are primarily leased to national retailers, with a focus on retailers in the consumer staples market segment – a segment that tends to withstand broader economic conditions or other retail trends, such as online sales. Plaza's execution of this strategy and its leasing efforts over the years have produced a portfolio that is dominated by national retailers, providing investors with a stable and growing cash flow. Barring unforeseen events, management believes it can deliver growth in 2018.

While it continues to be tough for the enclosed mall business and for certain retailers, particularly those focused on fashion, strip centre retailers with a focus on consumer staple goods or value goods continue to perform well. These are the retailers that dominate Plaza's portfolio and ongoing developments and redevelopments.

Government of Canada bond rates have increased over the last year as a result of Bank of Canada rate increases and anticipated further increases in 2018. Notwithstanding this, it is still a relatively low interest rate environment, and long-term debt financing continues to be readily available from lenders at competitive fixed rates. Plaza will continue to underwrite its development and redevelopment projects to build in appropriate anticipated fixed rate debt financing.

DEVELOPMENT PIPELINE AND ACQUISITIONS/DISPOSITIONS**Development Pipeline**

Plaza's development pipeline is robust and will continue to drive growth going forward. Plaza currently owns an interest in the following projects under development or redevelopment which, upon completion, are expected to be accretive to Plaza's earnings. The following properties are under construction, active development, or active planning and are anticipated to be completed at various points over the next three years as follows:

Plaza Retail REIT

Properties under development/redevelopment	Square Footage ⁽¹⁾	Ownership	Occupied or Committed at March 31, 2018 ⁽⁴⁾	Anticipated Completion Date
In Planning/In Development:				
Strip Plaza:				
Plaza de L'Ouest, Sherbrooke, QC – Phase III	30,000	50%	n/a	1-2 years
Fairville Boulevard, Saint John, NB – Phase III	10,000	100%	n/a	1-2 years
St. Jerome, St. Jerome (Montreal), QC -Phase III ⁽²⁾	100,000	20%	n/a	1-2 years
100 Saint-Jude Nord, Granby, QC – Phase II ⁽²⁾	100,000	8%	n/a	2-3 years
90 Blvd. Tache Ouest, Montmagny, QC	3,500	50%	n/a	1-2 years
1324 Blvd Talbot, Saguenay (Chicoutimi), QC	84,000	50%	n/a	2019
1000 Islands Plaza, Brockville, ON	165,000	50% ⁽⁵⁾	n/a	1-2 years
The Shoppes at Galway, St. John's, NL – Phase I ⁽²⁾	265,000	50%	n/a	1-2 years
The Shoppes at Galway, St. John's, NL – Phase II ⁽²⁾	335,000	50%	n/a	2-3 years
The Shoppes at Galway, St. John's, NL – Phase III ⁽²⁾	100,000	50%	n/a	2-3 years
Single Use:				
1675 Rue Notre Dame Ouest, Lachine, QC ⁽³⁾	2,989	100%	n/a	1-2 years
9205 Bd. Lacordaire, St. Leonard, QC ⁽³⁾	2,632	100%	n/a	Q4 2018
6685 Century Avenue, Mississauga, ON	70,000	50%	100%	Q2 2019
144 Denison, Granby, QC ⁽²⁾	10,000	25%	100%	Q4 2018
Queens Plaza Dr, Liverpool, NS	9,500	100%	100%	Q4 2018
Expansion:				
Pleasant Street, Yarmouth, NS	2,000	100%	n/a	1-2 years
In Construction:				
Enclosed Mall to Strip Plaza:				
Park Street Plaza, Kenora, ON	68,612	20%	98%	Q2 2018
Mountainview Plaza, Midland, ON	205,807	20%	100%	Q2 2018
Northumberland, Miramichi, NB	103,480	50%	96%	Q2 2018
Timiskaming, New Liskeard, ON	75,565	50%	67.3%	Q3 2018
Strip Plaza:				
7550 Rue Beclard, Anjou, QC ⁽³⁾	40,030	100%	72%	Q3 2018
Lawrence Avenue Plaza, Scarborough (Toronto), ON ⁽³⁾	7,540	100%	100%	Q3 2018
Expansion:				
9025 Torbram Rd, Brampton, ON ⁽³⁾	34,272	100%	100%	Q4 2018
Main Place, Fredericton, NB	2,178	100%	100%	Q4 2018
Gateway Mall, Sussex, NB ⁽²⁾	3,000	25%	100%	Q3 2018
KGH Plaza, Miramichi, NB	3,000	25%	100%	Q3 2018
Bedford Commons Plaza, Bedford (Halifax), NS	3,500	100%	100%	Q3 2018
Lansdowne Plaza, Saint John, NB	3,000	100%	100%	Q3 2018
Total	1,839,605			

(1) Approximate square footage upon completion or to be added on expansion.

(2) This is owned in a limited partnership that is part of the Trust's non-consolidated trusts and partnerships.

(3) This is an existing property being redeveloped.

(4) Occupied or committed based on redeveloped square footage.

(5) Subsequent to quarter end, a purchaser waived conditions to buy a 50% interest in this property.

Plaza's goal is to achieve unlevered returns on developments/redevelopments of between 8%-10%.

There is excess density at existing properties which would represent approximately 100 thousand additional square feet of gross leasable area.

At March 31, 2018, there are two land assemblies under purchase agreement and subject to due diligence or other conditions. These land purchases, if executed, will represent an additional 49 thousand square feet of retail space at completion.

The total estimated costs for the developments and redevelopments (noted in the chart on the previous page) are between \$105 million and \$115 million, of which approximately \$70 million has already been spent (at Plaza's ownership percentage). The unspent amount has not been fully or specifically budgeted or committed at this time. For the projects in construction, remaining costs to complete are between \$10 million and \$11 million. For the projects in planning or in development that are expected to be completed by the end of 2018, remaining costs to complete are between \$2 million and \$3 million.

Acquisitions/Dispositions

During the period ended March 31, 2018, the Trust purchased the following (all including closing costs): land in Oshawa, ON for \$2.5 million and land and building in Brockville, ON for redevelopment for \$14.3 million. As well, the Trust acquired a 100% interest in Shediak West Plaza, Shediak, NB and Northwest Centre, Moncton, NB through the purchase of the remaining 90% of the issued and outstanding units of Plazacorp - Shediak Limited Partnership and Northwest Plaza Commercial Trust that it did not already own (the "Transaction"). Net of assumption of debt, working capital and the existing ownership interest, the remaining units were purchased for total cash consideration of \$14.3 million. Both properties were previously co-owned with the Trust through two retail syndications. The previous syndications for these two properties, whose interests were bought out as a result of the Transaction, included certain related parties of the Trust – namely; Earl Brewer, Michael Zakuta, Edouard Babineau and Denis Losier. A special committee of independent trustees of the Trust was formed to review and approve the related party transactions. As well, concurrent with the Transaction, the Trust sold a 50% co-ownership interest in Shediak West Plaza and Northwest Centre to a Canadian pension fund for gross proceeds of \$20.5 million (\$8.7 million after assumption of 50% of the existing mortgages).

Subsequent to quarter end, the Trust waived conditions to purchase the remaining 50% interest in Northumberland Square, Miramichi, NB for \$5.1 million.

During the period ended March 31, 2018, the Trust disposed of land and building in Ottawa, ON and Perth, ON for net proceeds of \$1.6 million.

In April 2018, a purchaser waived conditions to buy land from the Trust in Campbellton, NB for \$25 thousand.

Subsequent to quarter end, a purchaser waived conditions to buy a property from the Trust in London, ON for \$972 thousand. This transaction is not scheduled to close until April 2019.

In April 2018, a purchaser waived conditions to buy a 50% co-ownership interest in 1000 Islands Plaza, Brockville, ON for \$7.0 million.

In April 2018, a purchaser waived conditions to buy 8 properties in Alberta from the Trust for \$12.2 million.

SUMMARY OF SELECTED YEAR TO DATE INFORMATION

	3 Months Ended March 31, 2018 (unaudited)	3 Months Ended March 31, 2017 (unaudited)	3 Months Ended March 31, 2016 (unaudited)	
(000s, except as otherwise noted)				
Property rental revenue	\$ 25,966	\$ 25,340	\$ 24,466	
Total revenue	\$ 23,558	\$ 24,846	\$ 25,873	
NOI ⁽¹⁾	\$ 15,360	\$ 15,313	\$ 15,304	
Same-asset NOI ⁽¹⁾	\$ 14,507	\$ 14,711	N/A ⁽³⁾	
FFO ^{(1) (5)}	\$ 8,182	\$ 8,253	\$ 7,418	
AFFO ^{(1) (5)}	\$ 7,434	\$ 7,772	\$ 6,964	
EBITDA ⁽¹⁾	\$ 14,644	\$ 14,323	\$ 14,236	
Profit (loss) and total comprehensive income (loss)	\$ (3,166)	\$ 279	\$ 4,460	
Total assets	\$ 1,063,226	\$ 1,027,921	\$ 1,014,932	
Total non-current liabilities	\$ 519,978	\$ 491,758	\$ 479,719	
Total mortgages, mortgage bonds, notes payable, bank credit facilities	\$ 516,196	\$ 487,829	\$ 482,643	
Total debentures	\$ 62,626	\$ 50,148	\$ 65,217	
Weighted average units outstanding ⁽²⁾	103,054	102,141	94,213	
Amounts on a Per Unit Basis				
FFO ⁽¹⁾	\$ 0.079	\$ 0.081	\$ 0.079	
AFFO ⁽¹⁾	\$ 0.072	\$ 0.076	\$ 0.074	
Distributions	\$ 0.070	\$ 0.0675	\$ 0.065	
Financial Ratios				
Weighted average interest rate – fixed rate mortgages	4.40%	4.43%	4.58%	
Debt to gross assets (excluding converts)	49.4%	48.4%	47.7%	
Debt to gross assets (including converts)	54.3%	52.2%	53.6%	
Interest coverage ratio ⁽¹⁾	2.22x	2.28x	2.07x	
Debt coverage ratio ⁽¹⁾	1.58x	1.61x	1.51x	
Distributions as a % of FFO	88.1%	83.7%	84.0%	
Distributions as a % of AFFO	97.0%	88.9%	89.5%	
Leasing Information				
Square footage leased during the period (total portfolio)	536,340	236,899	269,148	
Committed occupancy ⁽⁴⁾	95.1%	96.2%	96.4%	
Same-asset committed occupancy ⁽⁴⁾	95.0%	96.3%	N/A ⁽³⁾	
Mix of Tenancy Based on Square Footage ⁽⁴⁾				
National	90.9%	90.6%	90.5%	
Regional	3.6%	3.9%	4.1%	
Local	4.0%	3.9%	4.3%	
Non retail	1.5%	1.6%	1.1%	
Other				
Average term to maturity - mortgages	5.9 Years	6.4 Years	6.3 years	
Average term to maturity - leases ⁽⁴⁾	6.1 Years	6.2 Years	6.4 years	
IFRS capitalization rate	7.03%	7.03%	7.04%	
Property Type Breakdown	Number of Properties March 31, 2018	Square Footage (000s)	Number of Properties March 31, 2017	Square Footage (000s)
Strip	109	5,565	103	5,342
Enclosed	5	1,090	5	1,036
Single Use – Quick Service Restaurant	113	435	128	377
Single Use – Retail	70	1,026	62	1,024
Total	297	8,116	298	7,779

⁽¹⁾ Refer to Part VII under the headings “Explanation of Non-IFRS Measures used in this Document” and “Explanation of Additional IFRS Measures used in this Document” for further explanations.

⁽²⁾ Includes Class B exchangeable limited partnership (“LP”) units.

⁽³⁾ Not applicable as the same-asset calculation relates to assets owned since January 1, 2017.

⁽⁴⁾ Excludes properties under development and non-consolidated investments.

⁽⁵⁾ Prior year comparatives have been restated for change to REALpac’s definition of FFO in 2017.

PART II

STRATEGY

Plaza's principal goal is to deliver a reliable and growing yield to unitholders from a diversified portfolio of retail properties. To achieve this goal the Trust's Board of Trustees has set development criteria of a minimum cash yield (unlevered yield) equal to 100 basis points above the mortgage constant for a 10 year mortgage at prevailing rates and assuming a 25 year amortization period.

The Trust strives to:

- maintain access to cost effective sources of debt and equity capital to finance acquisitions and new developments;
- acquire or develop properties at a cost that is consistent with the Trust's targeted returns on investment;
- maintain high occupancy rates on existing properties while sourcing tenants for properties under development and future acquisitions; and
- diligently manage its properties to ensure tenants are able to focus on their businesses.

The Trust invests in the following property types:

- new properties developed on behalf of existing clients or in response to demand;
- well located but significantly depreciated shopping malls and strip plazas to be redeveloped; and
- existing properties that will provide stable recurring cash flows with opportunity for growth.

Management intends to achieve Plaza's goals by:

- acquiring or developing high quality properties with the potential for increases in future cash flows;
- focusing on property leasing, operations and delivering superior services to tenants;
- managing properties to maintain high occupancies and staggering lease maturities appropriately;
- increasing rental rates when market conditions permit;
- achieving appropriate pre-leasing prior to commencing construction;
- managing debt to obtain both a low cost of debt and a staggered debt maturity profile;
- matching, as closely as practical, the weighted average term to maturity of mortgages to the weighted average lease term;
- retaining sufficient capital to fund capital expenditures required to maintain the properties well;
- raising capital where required in the most cost-effective manner;
- properly integrating new properties acquired;
- using internal expertise to ensure that value is surfaced from all of the properties; and
- periodically reviewing the portfolio to determine if opportunities exist to re-deploy equity from slow growth properties into higher growth investments.

KEY PERFORMANCE DRIVERS AND INDICATORS

There are numerous performance drivers, many beyond management's control, that affect Plaza's ability to achieve its above-stated goals. These key drivers can be divided into internal and external factors.

Management believes that the key internal performance drivers are:

- occupancy rates;
- rental rates;
- tenant service; and
- maintaining competitive operating costs.

Management believes that the key external performance drivers are:

- the availability of new properties for acquisition and development;
- the availability and cost of equity and debt capital; and
- a stable retail market.

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

- FFO;
- AFFO;
- debt service ratios;
- debt to gross assets;
- same-asset NOI;
- weighted average effective cost of debt; and
- occupancy levels.

The key performance indicators discussed throughout the MD&A are summarized in the table that follows. Management believes that its key performance indicators allow it to track progress towards the achievement of Plaza's primary goal of providing a steady and increasing cash flow to unitholders. The following chart discusses the key performance indicators for the three months ended March 31, 2018 compared to the three months ended March 31, 2017.

FFO⁽¹⁾		YTD Q1 2018	YTD Q1 2017
	FFO	\$8,182	\$8,253
	FFO per unit	\$0.079	\$0.081
	Distributions as a % of FFO	88.1%	83.7%
	<ul style="list-style-type: none"> ➤ FFO and FFO per unit were impacted by (i) growth in NOI from developments/redevelopments/acquisitions (net of property disposals), and (ii) higher other income from development and leasing fees earned, being more than offset by (i) a decrease in same-asset NOI partly due to vacancies from two significant lease buyouts concluded in 2017, and (ii) higher interest expense mainly related to timing of the issuance of the Series E convertible debentures versus the redemption of the Series D convertible debentures taking place one month later, as well as early mortgage discharge fees incurred in the current year. ➤ Excluding the non-recurring one month overlap of interest on the convertible debentures, the impact of the 2017 lease buyouts and the early mortgage discharge fees, FFO per unit would have been \$0.084 or 3.7% higher than the prior year. 		
AFFO⁽¹⁾		YTD Q1 2018	YTD Q1 2017
	AFFO	\$7,434	\$7,772
	AFFO per unit	\$0.072	\$0.076
	Distributions as a % of AFFO	97.0%	88.9%
	<ul style="list-style-type: none"> ➤ The principal factors influencing AFFO are consistent with those impacting FFO as well as an increase in maintenance capital expenditures and leasing costs relating to new tenancies. ➤ Excluding the one month overlap of interest on the convertible debentures, the impact of the 2017 lease buyouts and the early mortgage discharge fees, AFFO per unit would have been \$0.077 or 1.3% higher than the prior year. 		
Debt Service Ratios⁽¹⁾		YTD Q1 2018	YTD Q1 2017
	Interest coverage ratio	2.22x	2.28x
	Debt coverage ratio	1.58x	1.61x
	<ul style="list-style-type: none"> ➤ The interest and debt coverage ratios were slightly lower than the prior year mainly due to higher debenture interest expense due to the fact that the Series E convertible debentures were issued on February 21, 2018 and the Series D convertible debentures were redeemed on March 27, 2018. The debt coverage and interest coverage ratios exceed the requirements under borrowing arrangements. 		
Debt to Gross Assets		Q1 2018	Q1 2017
	Debt to gross assets (excluding converts)	49.4%	48.4%
	Debt to gross assets (including converts)	54.3%	52.2%
	<ul style="list-style-type: none"> ➤ Higher debt balances due to acquisitions accounts for the increase over the prior year excluding convertible debentures. Including convertible debentures, the current year ratio was also impacted by the issuance of the \$47.25 million Series E convertible debentures versus the repayment of the \$34.0 million Series D convertible debentures. 		
Same-Asset NOI⁽¹⁾		YTD Q1 2018	YTD Q1 2017
	Same-asset NOI	\$14,507	\$14,711
	<ul style="list-style-type: none"> ➤ Same-asset NOI decreased 1.4% over the prior year partly due to \$150 thousand of bad debt expense recorded in the quarter due to a tenant going into creditor protection. The remainder of the decrease is mainly due to vacancies in the portfolio from two significant lease buyouts concluded during 2017 impacting NOI by \$180 thousand, as well as vacancies at one of Plaza's enclosed malls, partly offset by new lease up and rent increases in the portfolio. 		
Weighted Average Interest Rate – Fixed Rate Mortgages		Q1 2018	Q1 2017
	Weighted average interest rate – fixed rate mortgages	4.40%	4.43%
	<ul style="list-style-type: none"> ➤ The decrease was a result of continued financings at low rates. 		
Occupancy Levels		Q1 2018	Q1 2017
	Committed occupancy	95.1%	96.2%
	Same-asset committed occupancy	95.0%	96.3%
	<ul style="list-style-type: none"> ➤ The two 2017 lease buyouts and vacancies at the enclosed malls negatively impacted occupancy. 		

⁽¹⁾ Refer to Part VII under the headings “Explanation of Non-IFRS Measures used in this Document” and “Explanation of Additional IFRS Measures used in this Document” for further explanations.

PROPERTY AND CORPORATE FINANCIAL PERFORMANCE 2018 AND 2017
Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)

Plaza's summary of FFO and AFFO for the three months ended March 31, 2018, compared to the three months ended March 31, 2017 is presented below:

	3 Months Ended March 31, 2018 (unaudited)	3 Months Ended March 31, 2017 (unaudited)
(000s – except per unit amounts and percentage data)		
Profit (loss) and total comprehensive income (loss) for the period attributable to unitholders	\$ (3,123)	\$ 220
Add (deduct):		
Incremental leasing costs included in administrative expenses	372	355
Debenture issuance costs, net of amortization ⁽⁵⁾	2,022	(73)
Distributions on Class B exchangeable LP units included in finance costs	88	89
Deferred income taxes	95	89
Fair value adjustment to restricted share units	(6)	-
Fair value adjustment to investment properties	5,514	6,105
Fair value adjustment to investments	3,795	1,570
Fair value adjustment to Class B exchangeable LP units	(266)	(106)
Fair value adjustment to convertible debentures	(126)	61
Fair value adjustment to interest rate swaps and bond forwards	(31)	-
Equity accounting adjustment	(18)	(16)
Non-controlling interest adjustment	(134)	(41)
Basic FFO	\$ 8,182	\$ 8,253
Add (deduct):		
Non-cash revenue – straight-line rent ⁽⁴⁾	76	26
Leasing costs – existing properties ^{(1) (4)}	(520)	(397)
Maintenance capital expenditures – existing properties ^{(1) (4)}	(306)	(129)
Non-controlling interest adjustment	2	19
Basic AFFO	\$ 7,434	\$ 7,772
Basic weighted average units outstanding ⁽²⁾	103,054	102,141
Basic FFO per unit	\$ 0.079	\$ 0.081
Basic AFFO per unit	\$ 0.072	\$ 0.076
Gross distributions to unitholders ⁽³⁾	\$ 7,210	\$ 6,906
Distributions as a percentage of basic FFO	88.1%	83.7%
Distributions as a percentage of basic AFFO	97.0%	88.9%
Basic FFO	\$ 8,182	\$ 8,253
Interest on dilutive convertible debentures	251	-
Diluted FFO	\$ 8,433	\$ 8,253
Diluted weighted average units outstanding ⁽²⁾	106,585	102,141
Basic AFFO	\$ 7,434	\$ 7,772
Interest on dilutive convertible debentures	251	-
Diluted AFFO	\$7,685	\$ 7,772
Diluted weighted average units outstanding ⁽²⁾	106,585	102,141
Diluted FFO per unit	\$ 0.079	\$ 0.081
Diluted AFFO per unit	\$ 0.072	\$ 0.076

(1) Based on actuals.

(2) Includes Class B exchangeable LP units.

(3) Includes distributions on Class B exchangeable LP units.

(4) Includes proportionate share of expenditures at equity-accounted investments.

(5) Prior year comparative has been restated for this new addition to REALpac's definition of FFO in 2017.

Basic FFO for the three months ended March 31, 2018 decreased by \$71 thousand, or 0.9% over the prior year. Basic FFO per unit for the three months ended March 31, 2018 decreased by 2.4% over the prior year.

More specifically, impacting FFO was:

- (i) growth in NOI of \$842 thousand from developments/redevelopments/acquisitions;
- (ii) a decrease in NOI of \$392 thousand from property sales, mainly due to the syndication of eight properties in the prior year;
- (iii) a decrease in same-asset NOI of \$204 thousand, impacted mainly by bad debt expense recorded due to a tenant going into creditor protection, as well as vacancies from two significant lease buyouts concluded during 2017;
- (iv) an increase in other income of \$271 thousand mainly due to an increase in development and leasing fees earned from co-owned properties; and
- (v) an increase in finance costs of \$443 thousand mainly due to early mortgage discharge fees recorded, as well as higher debenture interest due to the issuance of Series E convertible debentures on February 21, 2018, with the redemption of the Series D convertible debentures taking place on March 27, 2018.

Excluding the non-recurring one month overlap of interest on the Series E and Series D convertible debentures, the impact of the 2017 lease buyouts and the early mortgage discharge fees, FFO per unit would have been \$0.084 or 3.7% higher than the prior year.

For the three months ended March 31, 2018, AFFO decreased by \$338 thousand, or 4.3% over the prior year. AFFO per unit for the three months ended March 31, 2018 decreased by 5.3% over the prior year. The decrease in AFFO was mainly due to an increase in maintenance capital expenditures and leasing costs relating to new tenancies. Leasing costs fluctuate from quarter to quarter depending on timing of new tenancies, however, Plaza is expecting a higher amount of leasing costs to be incurred in 2018 mainly from lease up of the vacancies caused by the two significant lease buyouts concluded during 2017. Cash was received from these lease buyouts in 2017.

Excluding the one month overlap of interest on the convertible debentures, the impact of the 2017 lease buyouts and the early mortgage discharge fees, AFFO per unit would have been \$0.077 or 1.3% higher than the prior year.

Profit (Loss) and Total Comprehensive Income (Loss) for the Period

The Trust recorded a loss for the three months ended March 31, 2017 of \$3.2 million compared to a profit of \$279 thousand for the same period in the prior year. Profit was impacted by the same factors mentioned in the discussion of FFO above, as well as:

- (i) a decrease in share of profit of associates of \$2.1 million mainly relating to the non-cash fair value adjustment to the underlying investment properties and a fair value loss on the disposal of land at an underlying investment property;
- (ii) debenture issuance costs of \$2.1 million for the Series E convertible debentures, which are fully expensed for accounting purposes upon issuance; and
- (iii) a net loss from non-cash fair value adjustments to investment properties of \$5.5 million compared to a net loss of \$6.1 million in the prior year.

Same-Asset Net Property Operating Income (Same-Asset NOI)

Same-asset categorization refers to those properties which were owned and operated by Plaza for the three months ended March 31, 2018 and the entire year ended December 31, 2017 and excludes partial year results from certain assets due to timing of acquisition, development, redevelopment or disposition.

Significant portions of the Trust's leases have common cost recoveries from tenants linked to the consumer price index (CPI). At March 31, 2018, approximately 51.8% of the Trust's leased area is tied to a CPI cost recovery formula. As well, certain anchor tenant leases may restrict recovery of common costs. As a result, certain costs such as snow removal and utility costs may not be completely offset by cost recoveries in a period, or recovery revenues may exceed costs. Municipal taxes are generally net and fully recoverable from all tenants. Most tenants in strip plazas and single use properties are responsible for their own utilities, and changes to these costs do not materially impact NOI.

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	3 Months Ended March 31, 2018 (unaudited)	3 Months Ended March 31, 2017 (unaudited)
(000s)		
Same-asset rental revenue	\$ 22,731	\$ 22,764
Same-asset operating expenses	(3,886)	(3,765)
Same-asset realty tax expense	(4,338)	(4,288)
Same-asset NOI	\$ 14,507	\$ 14,711

As noted in the chart above, the same-asset NOI for the three months ended March 31, 2018 decreased by \$204 thousand or 1.4% over the same period in the prior year, partly due to \$150 thousand of bad debt expense recorded in the quarter due to a tenant going into creditor protection. The remainder of the decrease was mainly due to vacancies from two significant lease buyouts concluded during 2017, which impacted same-asset NOI by \$180 thousand, as well as vacancies at one of Plaza's enclosed malls, partly offset by new lease up and rent increases in the portfolio. The lease buyouts were done in order to bring on other more stable tenants.

The following table shows a breakdown of same-asset NOI by province.

	3 Months Ended March 31, 2018 (unaudited)	3 Months Ended March 31, 2017 (unaudited)
(000s except percentage data)		
New Brunswick	\$ 3,299	\$ 3,315
Nova Scotia	2,570	2,752
Quebec	3,175	3,222
Alberta	248	225
Manitoba	191	191
Ontario	2,104	2,130
Newfoundland and Labrador	1,256	1,334
Prince Edward Island	1,664	1,542
Same-asset NOI	\$ 14,507	\$ 14,711
Percentage decrease over prior period	(1.4)%	

Net Property Operating Income (NOI)

The following table shows the breakdown of total NOI and relevant variances from the prior year.

	3 Months Ended March 31, 2018 (unaudited)	3 Months Ended March 31, 2017 (unaudited)
(000s)		
Same-asset NOI	\$ 14,507	\$ 14,711
Developments and redevelopments transferred to income producing in 2017	562	271
Developments and redevelopments transferred to income producing in 2018 (\$1.4 million annualized NOI)	201	216
Acquisitions (\$1.4 million annualized NOI)	157	-
NOI from properties currently under redevelopment (\$4.0 million annualized NOI)	817	408
Straight-line rent	(76)	(26)
Administrative expenses charged to NOI	(787)	(661)
Property disposals	(19)	373
Other	(2)	21
Total NOI	\$ 15,360	\$ 15,313

Share of Profit of Associates

Share of profit of associates consists of income from equity accounted investments as well as fair value changes in the underlying investment properties included within equity-accounted investments and other changes to the equity position of the equity-accounted investments that would impact the residual returns on wind-up (such as debt financing incurred). The following schedule shows Plaza's ownership position, rates of preferred returns on investment and Plaza's interest in cash on capital appreciation beyond the preferred returns.

	Ownership Position	Preferred Return	Residual Return
Equity Accounted Investments⁽¹⁾			
Centennial Plaza Limited Partnership	10%	10%	20%
Trois Rivières Limited Partnership	15%	10%	30%
Plazacorp Ontario1 Limited Partnership	25%	4%	25%
Plazacorp Ontario2 Limited Partnership	50%	n/a	n/a
Plazacorp Ontario3 Limited Partnership	50%	n/a	n/a
Plazacorp Ontario4 Limited Partnership	50%	n/a	n/a
RBEG Limited Partnership	50%	n/a	n/a
CPRDL Limited Partnership	50%	n/a	n/a
Fundy Retail Ltd.	50%	n/a	n/a
VGH Limited Partnership ⁽²⁾	20%	8%	27%
Ste. Hyacinthe Limited Partnership	25%	n/a	n/a
144 Denison East Limited Partnership ⁽²⁾	25%	n/a	n/a
The Shoppes at Galway Limited Partnership ⁽²⁾	50%	n/a	n/a

⁽¹⁾ Equity and fair value accounted investments consist of the following properties: 3550 Sources, Centennial Plaza, Place Du Marche, BPK Levis and 100 Saint-Jude Nord (Centennial Plaza Limited Partnership); Plaza des Recollets (Trois Rivières Limited Partnership); Ottawa Street Almonte, Hastings Street Bancroft and Main Street Alexandria (Plazacorp Ontario1 Limited Partnership); Amherstview and Scugog Street Port Perry (Plazacorp Ontario2 Limited Partnership); King & Mill (Plazacorp Ontario3 Limited Partnership); Manotick (Plazacorp Ontario4 Limited Partnership); Bureau en Gros (RBEG Limited Partnership); CPRDL (CPRDL Limited Partnership); Gateway Mall (Fundy Retail Ltd.); St. Jerome (VGH Limited Partnership); 5400 Laurier Ouest (Ste. Hyacinthe Limited Partnership); 144 Denison (144 Denison East Limited Partnership); and the Shoppes at Galway (The Shoppes at Galway Limited Partnership).

⁽²⁾ Land within this partnership is currently in development.

Share of profit of associates for the three months ended March 31, 2018 includes Plaza's share of NOI of approximately \$1.0 million, consistent with the prior year. Share of profit of associates decreased by \$2.1 million for the three months ended March 31, 2018 compared to the three months ended March 31, 2017. The decrease was mainly due to a fair value loss on the disposal of land at an underlying investment property, as well as non-cash fair value adjustments to the underlying investment properties.

Overall committed occupancy for non-consolidated investments (excluding land under development) was 98.3% at March 31, 2018, compared to 97.5% at March 31, 2017.

Distributions received from associates for the three months ended March 31, 2018 were \$212 thousand compared to \$676 thousand for the three months ended March 31, 2017. Subsequent to quarter end, the Trust received distributions in the amount \$474 thousand. These distributions from equity-accounted investments were received in the first quarter in the prior year.

On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Plazacorp - Shediak Limited Partnership and Northwest Plaza Commercial Trust that it did not already own. The units were purchased by the Trust through the payment of \$14.3 million in cash consideration. Unitholder debt outstanding in Northwest Plaza Commercial Trust in the amount of \$859 thousand was also repaid by the Trust as part of the transaction. The two entities were previously included in investments and accounted for on an equity basis and fair value basis, respectively. Concurrent with this transaction, the Trust sold a 50% co-ownership interest in the two underlying properties, namely, Shediak West Plaza, Shediak, NB and Northwest Centre, Moncton, NB, to a Canadian pension fund for gross proceeds of \$20.5 million (\$8.7 million after assumption of 50% of the existing mortgages). See also Part I of this MD&A under the heading "Acquisitions/Dispositions".

Finance Costs

Finance costs for the three months ended March 31, 2018 were \$6.8 million, compared to \$6.3 million for the same period in the prior year. Finance costs were impacted by:

- (i) higher debenture interest of \$266 thousand mainly due to the issuance of \$47.3 million of Series E convertible debentures on February 21, 2018, with the redemption of the \$34.0 million Series D convertible debentures taking place on March 27, 2018; and
- (ii) early mortgage discharge fees of \$135 thousand paid on the early refinancing of a loan, in order to lock in a lower rate.

Administrative Expenses

Administrative expenses for the three months ended March 31, 2018 are consistent with the prior year.

Plaza maintains a fully internalized and integrated structure and therefore incurs certain costs related to development and redevelopment activity that is not capitalizable for accounting purposes or for AFFO purposes, but that in Plaza's view is not indicative of regular income producing activities. Plaza carries between \$700 and \$900 thousand per year in these costs included in administrative expenses. Other real estate entities that are not development-oriented or not fully internalized for their development activities would not incur this level of expenses, or they might otherwise be able to capitalize these costs for accounting purposes.

Change in Fair Value of Investment Properties

Investment properties are recorded at fair value based on a combination of external appraisals and internal valuations, whereby appropriate capitalization rates (supplied by independent appraisers) are applied to budgeted normalized net operating income (property revenue less property operating expenses).

The Trust recorded a fair value decrease to investment properties of \$5.5 million for the three months ended March 31, 2018 compared to a fair value decrease of \$6.1 million for the three months ended March 31, 2017. The weighted average capitalization rate at March 31, 2018 was 7.03% which is consistent with March 31, 2017 and one basis point higher than December 31, 2017. The fair value decrease recorded in the current year was largely due to the increase in capitalization rates since December 31, 2017. The fair value decrease recorded in the prior year was largely due to changes in NOI.

Change in Fair Value of Convertible Debentures

The majority of the convertible debentures are publicly traded with their fair values based on their traded prices.

The fair value adjustment to convertible debentures for the three months ended March 31, 2018 was a net gain of \$126 thousand compared to a net loss of \$61 thousand in the prior year.

Change in Fair Value of Class B Exchangeable LP Units

The Class B exchangeable LP units were issued effective January 1, 2015 in connection with the purchase by Plaza of the interests of certain equity partners in eight properties located in New Brunswick and Prince Edward Island. Distributions paid on these exchangeable units are based on the distributions paid to Plaza unitholders. The exchangeable LP units are exchangeable on a one-for-one basis into Plaza units at the option of the holders. The fair value of these exchangeable LP units is based on the trading price of Plaza's units.

The fair value adjustment to Class B exchangeable LP units for the three months ended March 31, 2018 was a net gain of \$266 thousand compared to a net gain of \$106 thousand in the prior year.

LEASING AND OCCUPANCY

The following table represents leases expiring for the next 5 years and thereafter for Plaza's property portfolio at March 31, 2018 (excluding developments, redevelopments and non-consolidated investments).

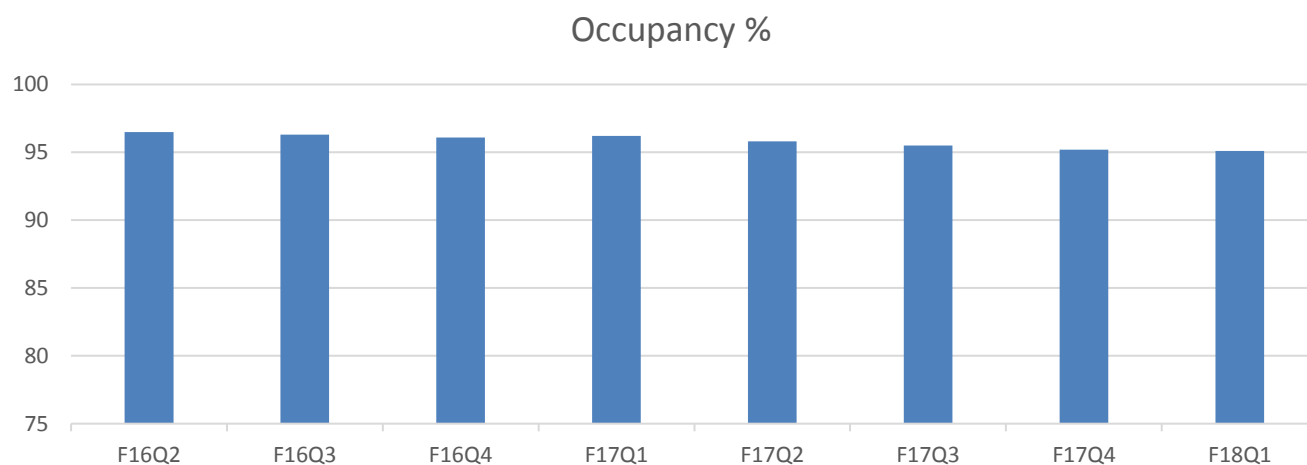
Year	Strip Plazas		Enclosed Malls		Single-User Retail		Single-User QSR ⁽²⁾		Total	
	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%
Remainder of 2018	163,953	4.1	50,831	8.2	2,485	0.3	31,066	11.0	248,335	4.3
2019	233,494	5.9	73,307	11.9	19,504	2.3	16,575	5.9	342,880	6.0
2020	560,558	14.1	62,492	10.1	111,214	13.1	20,361	7.2	754,625	13.2
2021	498,367	12.6	56,939	11.2	38,537	4.5	9,544	3.4	603,387	10.6
2022	436,524	11.0	66,392	10.8	103,739	12.2	44,576	15.8	651,231	11.4
2023	451,531	11.4	47,388	7.7	127,740	15.0	36,800	13.0	663,459	11.6
Thereafter	1,622,621	40.9	259,504	40.1	447,114	52.6	123,391	43.7	2,452,630	42.9
Subtotal	3,967,048	100.0	616,853	100.0	850,333	100.0	282,313	100.0	5,716,547	100.0
Vacant	226,011		95,502		-		1,720		323,233	
Total	4,193,059		712,355		850,333		284,033		6,039,780	
Weighted average lease term										
	6.2 years		3.4 years		7.4 years		7.1 years		6.1 years	

(1) At 100%, regardless of the Trust's ownership interest in the properties.

(2) QSR refers to quick service restaurants.

At March 31, 2018, overall committed occupancy for the portfolio (excluding properties under development, redevelopment and non-consolidated investments) was 95.1% compared to 96.2% at March 31, 2017. Same-asset committed occupancy was 95.0% at March 31, 2018, compared to 96.2% at March 31, 2017. Occupancy at Plaza's enclosed malls negatively impacted occupancy compared to the prior year. Two significant lease buyouts completed in 2017 negatively impacted occupancy in the strip plazas by 0.6%.

Committed occupancy for the portfolio over the last eight quarters is as follows:



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The weighted average contractual base rent per square foot on renewals/new leasing in 2018 versus expiries (excluding developments, redevelopments and non-consolidated investments) is outlined in the following table:

	Strip Plazas	Enclosed Malls	Single-User Retail	Single-User QSR
2018 – Q1				
Leasing renewals (sq. ft.)	215,520	57,507	24,999	130,404
Weighted average rent (\$/sq. ft.)	\$9.06	\$15.97	\$12.73	\$27.62
Change in weighted average rent	-%	0.3%	6.1%	5.2%
Expiries that renewed (sq. ft.)	215,520	57,507	24,999	130,404
Weighted average rent (\$/sq. ft.)	\$9.06	\$15.93	\$12.00	\$26.26
New leasing (sq. ft.)	27,237	9,922	7,638	1,484
Weighted average rent (\$/sq. ft.)	\$17.91	\$10.72	\$29.68	\$37.06
Expiries not renewed (sq. ft.)	24,755	4,202	6,984	3,858
Weighted average rent (\$/sq. ft.)	\$14.97	\$21.96	\$32.97	\$33.13
2018 – Remainder of Year				
Expiries (sq. ft.)	288,385	50,831	2,485	31,066
Weighted average rent (\$/sq. ft.)	\$9.56	\$15.18	\$20.00	\$25.57

In addition, for the three months ended March 31, 2018, the Trust completed 50 thousand square feet of new and renewal leasing deals on developments and redevelopments at market rates and 16 thousand square feet of new and renewal leasing deals at market rates at non-consolidated investments.

During the quarter, the Trust finalized lease renewals on 150,000 square feet or 62 sites with its two primary KFC operators. Most of these leases were set to expire in 2018. Stand-alone KFC restaurants make up approximately 218,000 square feet. The two KFC operators have 81 sites and represent 90% of Plaza's total KFC square footage. The renewals have an average rental increase in the first year of approximately 5% and an average lease term of approximately 7 years.

Plaza's financial exposure to vacancies and lease roll-overs differs among the different retail asset types, as gross rental rates differ by asset class. Committed occupancy by asset class (excluding non-consolidated investments) was as follows:

- Committed occupancy in the strip plazas was 95.2% at March 31, 2018, compared to 96.0% at March 31, 2017.
- Committed occupancy for enclosed malls was 86.6% at March 31, 2018, compared to 91.6% at March 31, 2017.
- Committed occupancy for single use assets was 99.9% at March 31, 2018, compared to 99.6% at March 31, 2017.
- Pre-leased space in active properties under development was 74.8% at March 31, 2018.

Plaza has built a portfolio with a high quality revenue stream. Plaza's ten largest tenants based upon current monthly base rents at March 31, 2018 represent approximately 56.9% of total base rent revenues in place.

	% of Base Rent Revenue ⁽⁵⁾		% of Base Rent Revenue ⁽⁵⁾
1. Shoppers Drug Mart	25.1	6. TJX Group ⁽⁴⁾	3.1
2. KFC ⁽¹⁾	8.1	7. Staples	2.9
3. Dollarama	4.7	8. Rexall Pharma Plus	2.2
4. Sobeys Group ⁽²⁾	3.9	9. Bulk Barn	1.6
5. Canadian Tire Group ⁽³⁾	3.9	10. Tim Horton's	1.4

⁽¹⁾ The majority is represented by 3 tenants.

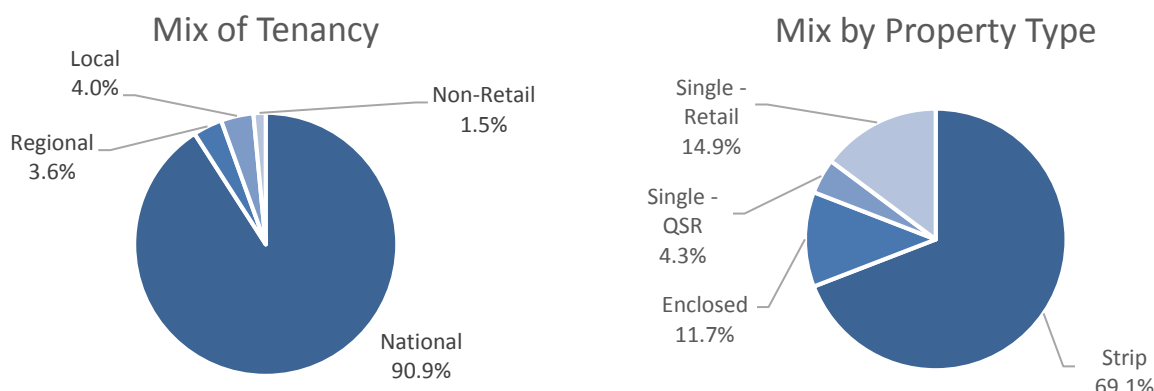
⁽²⁾ Sobeys Group represents the following stores: Sobeys, IGA, Sobeys Fast Fuel and Lawtons.

⁽³⁾ Canadian Tire Group represents the following stores: Canadian Tire, Mark's Work Wearhouse, Paderno and Sport Chek.

⁽⁴⁾ TJX Group represents the following stores: Winners, HomeSense, and Marshalls.

⁽⁵⁾ Excluding developments, redevelopments and non-consolidated investments

The Trust's mix of tenancies, based on square footage, is primarily made up of national tenants. The graphs below exclude developments, redevelopments and non-consolidated investments.



PART III

OPERATING LIQUIDITY AND WORKING CAPITAL

Cash flow, in the form of recurring rent generated from the portfolio, represents the primary source of liquidity to service debt, to pay operating, leasing and property tax costs, and to fund distributions. Costs of development activities, which form a large portion of accounts payable and accrued liabilities, are generally funded by a combination of debt and equity.

Cash flow from operations is dependent upon occupancy levels of properties owned, rental rates achieved, effective collection of rents, and efficiencies in operations as well as other factors.

Plaza maintains a prudent cash distribution policy, in order to retain sufficient funds to manage the business, including ongoing maintenance capital expenditures and debt service. New debt or equity capital raised is generally directed to acquisitions or continuing development activities, which are discretionary, based on the availability of such capital. In setting the annual distributions to unitholders, Plaza reviews budgets and forecasts and considers future growth prospects for the business, including developments/redevelopments and leasing within the portfolio and considers maintenance capital expenditures and leasing costs, among other things. Plaza does not consider temporary fluctuations in cash flow due to working capital items such as the timing of property tax installments and semi-annual debenture interest payments, in determining the level of distributions to be paid in any given time period. Profit under IFRS is not used by Plaza when setting the annual distribution, as profit reflects, among other things, non-cash fair value adjustments relating to the Trust's income producing property and debt – items that are not reflective of Plaza's ability to pay distributions and outside of Plaza's control.

For 2018, Plaza's annual distributions are set at \$0.28 per unit.

	3 Months Ended March 31, 2018 (unaudited)	3 Months Ended March 31, 2017 (unaudited)
(000s)		
Total distributions ⁽¹⁾	\$ 7,210	\$ 6,906
Less: Distribution Reinvestment Plan proceeds ⁽²⁾	(1,438)	(390)
Cash distributions paid	\$ 5,772	\$ 6,516

⁽¹⁾ Total distributions include cash distributions paid and payable to unitholders, unit distributions under the Distribution Reinvestment Plan (DRIP) and distributions on Class B exchangeable LP units classified as finance costs.

⁽²⁾ Plaza's DRIP allows Canadian unitholders to acquire additional units through the reinvestment of distributions, otherwise receivable in cash, and to receive a bonus distribution in units equivalent to 3% of each distribution.

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Total distributions compared to cash provided by operating activities is summarized in the following table.

(000s)	3 Months Ended March 31, 2018 (unaudited)	3 Months Ended March 31, 2017 (unaudited)
Cash provided by operating activities ⁽¹⁾	\$ 7,824	\$ 11,723
Total distributions ⁽²⁾	(7,210)	(6,906)
Excess of cash provided by operating activities over total distributions	\$ 614	\$ 4,817

⁽¹⁾ Cash provided by operating activities is presented net of interest paid, but excludes distributions paid on Class B exchangeable LP units classified as finance costs.

⁽²⁾ Total distributions include cash distributions paid and payable to unitholders, unit distributions under the DRIP and distributions on Class B exchangeable LP units classified as finance costs.

Plaza believes its distributions are sustainable based on expected and historical results and cash flows.

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES

Operating and Development Facilities

(000s)	\$44.0 Million Operating	\$20.0 Million Development	\$15.0 Million Development
December 31, 2017 ⁽¹⁾	\$ 29,538	\$ 2,710	\$ 4,592
Net change	314	-	-
March 31, 2018 ⁽¹⁾	\$ 29,852	\$ 2,710	\$ 4,592
Interest rate	Prime + 0.75% or BA + 2.00%	Prime + 0.75% or BA + 2.25%	Prime + 0.75% or BA + 2.00%
Maturity Security	July 31, 2018 First charges on pledged properties	July 31, 2018 First charges on applicable pledged development property	July 31, 2018 First charges on applicable pledged development property
Other terms	Debt service, maximum leverage, occupancy & equity maintenance covenants	Debt service & maximum leverage covenants	Debt service, maximum leverage, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	\$2.0 million	\$1.5 million	\$0.5 million
Issued and outstanding	\$900 thousand	-	-

⁽¹⁾ Excludes unamortized finance charges

Funding is secured by first mortgage charges on properties or development properties as applicable. The Trust must maintain certain financial ratios to comply with the facilities. As of March 31, 2018, all debt covenants in respect of the above facilities have been maintained.

Costs of development activities are generally funded by a combination of debt and equity. Timing of development activities or whether a development project is launched at all (including those listed in Part I of this MD&A under the heading “Development Pipeline and Acquisitions/Dispositions – Development Pipeline”) is dependent on tenant demand and availability of capital, among other factors. Plaza’s operating facility is generally used to fund the equity portion of development projects (which usually consists of the actual acquisition of the development projects or land). Plaza’s existing development facilities or new construction loans entered into (generally in the case where Plaza has partners in a development) are used to fund construction costs until permanent long-term financing is placed on the finished development. Given the rotation of development projects onto, and off

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of, the development facilities and the availability of specific construction financing when required, Plaza's facilities and its debt capacity are sufficient to fund ongoing planned and committed development expenditures.

Mortgage Bonds

Mortgage bonds are secured by either property or cash. The mortgage bonds terms are as follows:

(000s)	Series X	Series XI	Series XII
Interest rate	5.00%	5.00%	5.50%
Maturity date	June 25, 2020	July 8, 2019	July 15, 2022
Amount	\$6,000	\$6,000	\$3,000

In July 2017, the \$3.0 million 5.50% Series IX mortgage bonds matured and were repaid. On July 15, 2017, the Trust issued the \$3.0 million 5.50% Series XII mortgage bonds.

The Series X, XI and XII mortgage bonds can be deployed up to 90% of the cost of a property under a first or second charge on that property. If it is a second charge, the total debt, including mortgage bonds, cannot exceed 90%. These mortgage bonds can be reallocated to different properties from time to time as required. The Trust can redeem up to one-half of the Series X, XI and XII mortgage bonds at par on the third and fourth anniversaries for the Series X mortgage bonds and the first and second anniversaries for the Series XI and XII mortgage bonds, being: June 25, 2018 and June 25, 2019 for the Series X mortgage bonds; July 8, 2018 for the Series XI mortgage bonds; and July 15, 2018 and July 15, 2019 for the Series XII mortgage bonds.

Debentures

Convertible and non-convertible debentures are subordinate and unsecured. Convertible debentures are recorded at fair value and changes in the fair value are recorded quarterly in profit and loss. The debenture terms are as follows:

(000s)	Convertible Series E	Convertible Series VII	Non-convertible Series I	Non-convertible Series II
Interest rate	5.10%	5.50%	5.00%	5.00%
Conversion price	\$5.65	\$6.04	n/a	n/a
Par call date	April 1, 2022	June 30, 2020	n/a	n/a
Maturity date	March 31, 2023	June 30, 2021	2018 and 2021 ⁽¹⁾	February 28, 2022
Face amount	\$47,250	\$5,500	\$3,730	\$6,000

(1) Tranche A - \$1.33 million - May 2, 2021; Tranche B - \$2.3 million - April 15, 2018; and Tranche C - \$100 thousand - May 2, 2018

On February 21, 2018, the Trust completed a public offering of \$45 million aggregate principal amount of 5.10% convertible unsecured subordinated debentures due March 31, 2023. The debentures are convertible at the option of the holder, into units of the Trust at \$5.65 per unit. In addition, the underwriters were granted an over-allotment option, exercisable in whole or in part up to 30 days after closing, to purchase up to an additional \$2.25 million debentures. The option was exercised on closing of the offering on February 21, 2018. Proceeds from the offering were used to redeem the \$34 million 5.75% Series D convertible debentures on March 27, 2018, which had a par call date of December 31, 2017, with the remainder of the proceeds used to repay amounts outstanding on the Trust's operating line of credit.

(000s)	Use of Proceeds		
	Per Prospectus	Actuals	Variance
Redemption of Series D convertible debentures	\$ 34,000	\$ 34,000	\$ -
Total	\$ 34,000	\$ 34,000	\$ -

The Trust is in the process of extending all of the tranches of the Series I non-convertible debentures to May 2, 2021 on the same terms and conditions. During the three months ended March 31, 2018, \$1.3 million of the \$1.6 million maturing Tranche A debentures were either extended or issued to new parties, with \$270 thousand being repaid.

On February 28, 2017, the Trust issued \$6.0 million in Series II unsecured debentures with an interest rate of 5.0% per annum maturing on February 28, 2022.

Subsequent to quarter end, all of the \$2.4 million remaining Series I non-convertible debentures were either extended or issued to new parties on the same terms and conditions to May 2, 2021. As well, an additional \$130 thousand of new Series I debentures were issued to replace the \$270 thousand that matured and was repaid in February 2018.

Mortgages

During 2018 the Trust obtained new long-term financing in the amount of \$10.6 million (at Plaza's consolidated share) with a weighted average term of 7.3 years and a weighted average interest rate of 4.60%.

The Trust has a \$3.0 million variable rate secured construction loan/credit facility on one of its redevelopment projects. The loan bears interest at prime plus 1.25% or BAs plus 2.50% and matures on May 26, 2018. At March 31, 2018, \$3.0 million has been drawn on the loan.

The Trust has a \$907 thousand variable rate secured construction loan/credit facility on another one of its redevelopment projects. The loan bears interest at prime plus 1.00% or BAs plus 2.50% and matures on September 15, 2018. At March 31, 2018, \$844 thousand has been drawn on the loan.

The Trust has a \$6.6 million variable rate secured construction loan/credit facility in connection with the acquisition of a redevelopment project. The loan bears interest at prime plus 2.25% or BAs plus 3.75%, reducing to prime plus 1.25% or BAs plus 2.75% on the second draw (once construction commences), and matures on November 30, 2019. At March 31, 2018, \$1.95 million has been drawn on the loan.

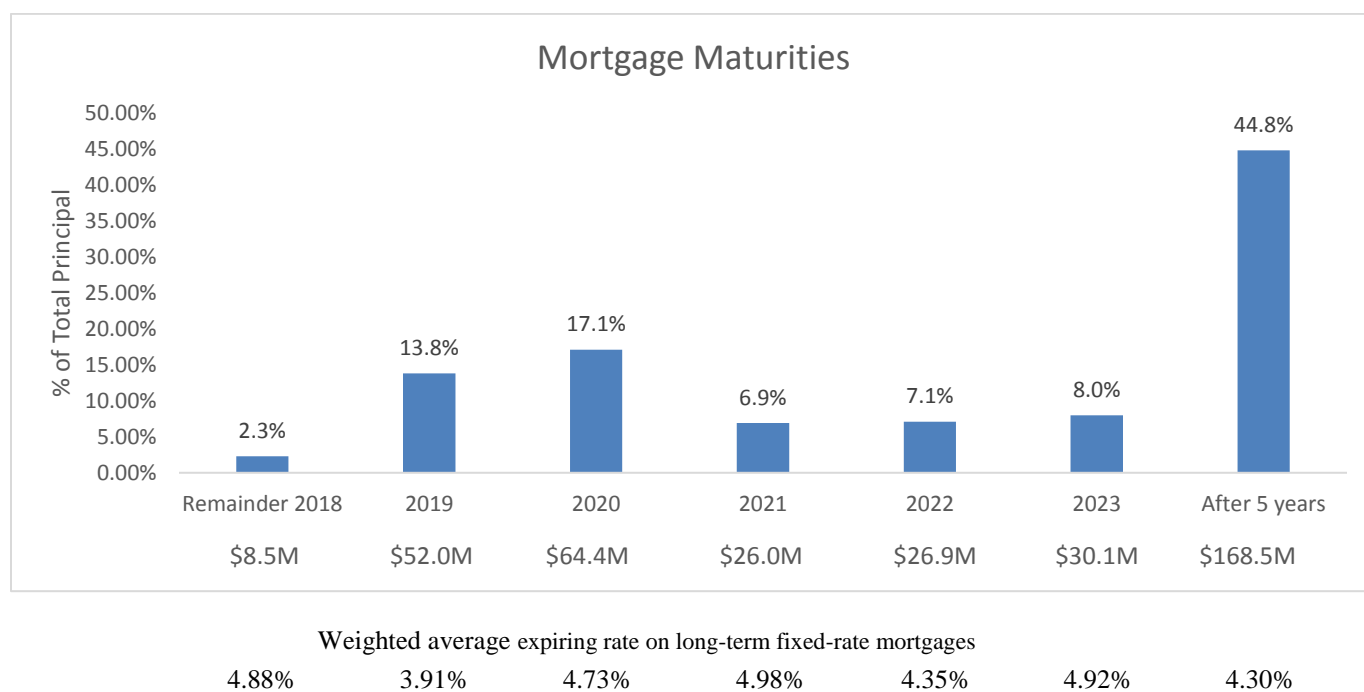
In January 2018, the Trust obtained a \$14.9 million variable rate secured construction loan/credit facility in connection with the acquisition of a redevelopment project. The loan bears interest at prime plus 1.25% or BAs plus 2.50%, and matures on January 10, 2020. At March 31, 2018, \$9.1 million has been drawn on the loan.

In January 2018, the Trust closed on a short-term bridge financing related to a property acquisition in the amount of \$3.0 million at 6.0% for 6 months.

The Trust's strategy is to balance maturities and terms on new debt with existing debt maturities to minimize maturity exposure in any one year and to reduce overall interest costs. Maintaining or improving the average cost of debt will be dependent on market conditions at the time of refinancing. Plaza's debt strategy involves maximizing the term of long-term debt available based on the tenant profiles for the assets being financed, at current market rates, in order to stabilize cash flow available for reinvestment and distribution payments.

As a conservative interest rate risk management practice, the Trust's use of floating-rate debt is generally limited to its operating line (to fund ongoing operations and acquisitions) and its development lines/construction loans (until long term fixed-rate mortgage financing is placed on the completed development projects).

The following is a maturity chart of mortgages by year:



The weighted average term to maturity for the long-term mortgages is 5.9 years. The average remaining repayment (amortization) period on long-term mortgage debt is 22.8 years.

Plaza Retail REIT

Debt Service Ratios

Plaza's summary of EBITDA and debt service ratios for the three months ended March 31, 2018, compared to the three months ended March 31, 2017 is presented below:

	3 Months Ended March 31, 2018 (unaudited)	3 Months Ended March 31, 2017 (unaudited)
(000s – except debt service ratios)		
Profit (loss) and total comprehensive income (loss) for the period	\$ (3,166)	\$ 279
Add (deduct):		
Income taxes	142	119
Finance costs	6,754	6,311
Convertible debenture issuance costs	2,052	-
Fair value adjustment to investment properties	5,514	6,105
Fair value adjustment to investments	3,795	1,570
Fair value adjustment to convertible debentures	(126)	61
Fair value adjustment to Class B exchangeable LP units	(266)	(106)
Fair value adjustment to restricted share units	(6)	-
Fair value adjustment to interest rate swaps and bond forwards	(31)	-
Equity accounting adjustment for interest rate swaps and bond forwards	(18)	(16)
EBITDA	\$ 14,644	\$ 14,323
Finance costs ⁽¹⁾	\$ 6,585	\$ 6,284
Periodic mortgage principal repayments	2,666	2,627
Total debt service	\$ 9,251	\$ 8,911
Debt service ratios		
Interest coverage ratio	2.22 times	2.28 times
Debt coverage ratio	1.58 times	1.61 times

⁽¹⁾ Excludes mark-to-market adjustments, loan defeasance and early mortgage discharge fees and distributions on Class B exchangeable LP units recorded in finance costs.

For the three months ended March 31, 2018, the interest and debt coverage ratios were slightly lower than the prior year mainly due to higher debenture interest expense due to the fact that the Series E convertible debentures were issued on February 21, 2018 and the Series D convertible debentures were redeemed on March 27, 2018. The debt coverage and interest coverage ratios exceed the requirements under borrowing arrangements.

Debt to Gross Assets

Plaza's debt to gross assets is presented below:

	March 31, 2018 (unaudited)	March 31, 2017 (unaudited)	December 31, 2017
Debt to gross assets:			
Including convertible debentures ⁽¹⁾	54.3%	52.2%	52.2%
Excluding convertible debentures	49.4%	48.4%	48.4%

⁽¹⁾ Convertible debentures valued at cost.

Higher debt balances due to acquisitions accounts for the increase over the prior year excluding convertible debentures. Including convertible debentures, the current year ratio was also impacted by the issuance of the \$47.25 million Series E convertible debentures versus the repayment of the \$34.0 million Series D convertible debentures. The Trust's general philosophy is to maintain its leverage at no more than approximately 50% excluding convertible debentures and approximately 55% including

Plaza Retail REIT

convertible debentures. By its Declaration of Trust, Plaza is limited to an overall indebtedness ratio of 60% excluding convertible debentures and 65% including convertible debentures.

Units

If all rights to convert units under the provisions of convertible debt were exercised and exchangeable LP units were exchanged, the impact on units outstanding would be as follows:

At May 10, 2018 (000s) (unaudited)	Units
Current outstanding units	102,087
Class B exchangeable LP units	1,266
Series VII convertible debentures	911
Series E convertible debentures	8,363
Total adjusted units outstanding	112,627

Land Leases

Return on invested cash or equity is a measure Plaza uses to evaluate development and strategic acquisitions. Investing in a project subject to a land lease reduces the cash equity required for an individual project and increases the number of projects which can be undertaken with available capital. This spreads risk and enhances overall unitholder return. In some instances, use of a land lease will enhance project feasibility where a project might not otherwise be undertaken without use of a land lease. Currently Plaza has 26 long-term land leases (affecting 25 properties) with total annual rent of \$3.3 million. One of the land leases relates to shared parking facilities. The other properties under land lease represent approximately 8.8% of the Trust's fair value of investment properties and investments. Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2022 to 2084 with an average life of 40 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 65 years including these non-automatic renewal options. Of the 26 land leases, 10 of the land leases have options to purchase, generally at fair market value.

Gross Capital Additions Including Leasing Fees:

(000s)	3 Months Ended March 31, 2018 (unaudited)	3 Months Ended March 31, 2017 (unaudited)
Existing properties		
Leasing commissions	\$ 147	\$ 11
Other leasing costs	133	127
	280	138
Maintenance capital expenditures	306	129
Total capital additions – existing properties	586	267
Development/redevelopment properties		
Leasing commissions	222	14
Other leasing costs	1,777	3,054
Capital additions	2,119	3,676
Total capital additions - developments/redevelopments	4,118	6,744
Total gross additions per statements of cash flows	\$ 4,704	\$ 7,011
Reconciliation of leasing costs for AFFO purposes		
Leasing costs – existing properties per above	\$ 280	\$ 138
Internal leasing salaries	240	259
Total leasing costs – existing properties for AFFO purposes	\$ 520	\$ 397

COMMITMENTS AND CONTINGENT LIABILITIES**Commitments**

The Trust has \$15.0 million in short-term commitments in respect of development activities. Management believes that Plaza has sufficient unused bank line availability, and/or mortgage bond deployment potential, to fund these commitments.

The Trust's estimated commitments at March 31, 2018 in respect of certain projects under development and other long-term obligations are as follows:

	Remainder 2018	Year 1 2019	Year 2 2020	Year 3 2021	Year 4 2022	Year 5 2023	After 5 Years	Face Value Total
Mortgages – periodic payments	\$8,147	\$10,220	\$9,541	\$8,001	\$7,730	\$6,191	\$23,196	\$73,026
Mortgages – due at maturity	8,506	51,985	64,419	26,033	26,847	30,105	168,529	376,424
Development lines of credit	7,302	-	-	-	-	-	-	7,302
Construction loans	3,799	1,950	9,100	-	-	-	-	14,849
Bank indebtedness	29,852	-	-	-	-	-	-	29,852
Mortgage bonds payable	-	6,000	6,000	-	3,000	-	-	15,000
Debentures ⁽¹⁾	2,400	-	-	6,830	6,000	47,250	-	62,480
Operating land leases	2,427	3,272	3,316	3,337	3,327	3,293	124,636	143,608
Development activities	14,962	-	-	-	-	-	-	14,962
Total contractual obligations	\$77,395	\$73,427	\$92,376	\$44,201	\$46,904	\$86,839	\$316,361	\$737,503

⁽¹⁾ Stated at face value.

Contingent Liabilities

The Trust has contingent liabilities as original borrower on three mortgages partially assumed by the purchasers of the underlying properties, where a 75% interest in each was sold in 2009. These commitments are subject to indemnity agreements. These sales did not relieve the Trust's obligations as original borrower in respect of these mortgages. The debt subject to such guarantees at March 31, 2018 totals \$5.2 million with a weighted average remaining term of 4.8 years. As well, the Trust has contingent liabilities as original borrower on eight mortgages partially assumed by the purchasers of the underlying properties, where a 50% interest in each was sold in November 2017. These commitments are subject to indemnity agreements. These sales did not relieve the Trust's obligations as original borrower in respect of these mortgages. The debt subject to such guarantees at March 31, 2018 totals \$10.0 million with a weighted average remaining term of 5.7 years.

The Trust guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of \$9.1 million. As well, the Trust has a guarantee in excess of its ownership percentage to the mortgagee on one property in the amount of \$536 thousand. This amount is subject to cross-guarantees by the other co-owners.

PART IV
SUMMARY OF SELECTED QUARTERLY INFORMATION

Plaza's summary of selected quarterly information for the last eight quarters is presented below:

(000s except per unit and percentage data) (unaudited)	Q1'18	Q4'17	Q3'17	Q2'17	Q1'17	Q4'16	Q3'16	Q2'16
Total revenue ⁽¹⁾	\$23,558	\$26,461	\$26,817	\$27,839	\$24,846	\$27,845	\$28,453	\$25,858
Property rental revenue	\$25,966	\$25,679	\$25,113	\$26,755	\$25,340	\$25,241	\$25,585	\$24,923
Net property operating income	\$15,360	\$15,489	\$16,308	\$17,248	\$15,313	\$15,656	\$16,433	\$15,279
Profit (loss) and total comprehensive income (loss)	\$(3,166)	\$9,530	\$7,611	\$6,027	\$279	\$9,574	\$7,389	\$11,335
Distributions per unit	7.0¢	6.75¢	6.75¢	6.75¢	6.75¢	6.50¢	6.50¢	6.50¢
Funds from operations per unit – basic	7.9¢	8.3¢	9.0¢	9.6¢	8.2¢	8.7¢	9.2¢	7.5¢
Funds from operations per unit – diluted	7.9¢	8.3¢	9.0¢	9.5¢	8.2¢	8.6¢	9.1¢	7.5¢
Adjusted funds from operations per unit – basic	7.2¢	7.7¢	8.4¢	8.8¢	7.7¢	7.7¢	7.9¢	6.7¢
Adjusted funds from operations per unit – diluted	7.2¢	7.7¢	8.4¢	8.8¢	7.7¢	7.7¢	7.9¢	6.7¢
Distributions as a percentage of basic FFO	88.1%	81.5%	74.8%	70.5%	82.9%	75.1%	70.8%	87.0%
Distributions as a percentage of basic AFFO	97.0%	88.2%	80.9%	76.7%	88.0%	84.5%	82.1%	96.4%
Gross Leasable Area (000s of sq. ft.) (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	6,065	5,547	5,542	5,525	5,516	5,480	5,475	5,412
Occupancy % (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	95.1%	95.2%	95.5%	95.8%	96.2%	96.1%	96.3%	96.5%

⁽¹⁾ Includes investment income, other income and share of profit of associates.

During the last eight quarters occupancy has remained high which contributes to stability of cash flow. Significant fluctuations in profit and loss are mainly due to non-cash fair value adjustments on the Trust's investment properties and debt instruments. Fair value adjustments are based on market parameters for which the Trust has no control or ability to predict.

Some of Plaza's leases have common cost recoveries from tenants linked to the consumer price index (CPI) or otherwise have caps on operating costs. At March 31, 2018, approximately 51.8% of the Trust's leased area is tied to a CPI cost recovery formula. As well, anchor tenant leases may restrict common area maintenance (CAM) cost recoveries. As a result of all of these factors, seasonal fluctuations in NOI, FFO and AFFO occur primarily due to winter costs as well as yearly repair and maintenance activities which typically occur in spring and early summer which may create inconsistencies in quarterly recovery revenues compared with quarterly expenses.

PART V

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. Management attempts to manage these risks through geographic and retail asset class diversification in the portfolio. At March 31, 2018, the Trust held interests in 297 properties spread geographically across Canada. Some of the more important risks are outlined below. See Financial Risk Management Note 27 to the December 31, 2017 Consolidated Financial Statements of the Trust for further details. Also see the Trust's Annual Information Form dated March 22, 2018 for a complete list of risks and uncertainties.

Interest Rate, Financing and Refinancing Risk

Management attempts to lock in cash returns on assets for the longest period possible, consistent with exposure to debt maturing and leases expiring in any given year.

The Trust mitigates interest rate risk by maintaining the majority of its debt at fixed rates. Floating rate debt is typically used on its operating line of credit and for development or redevelopment projects as interim financing, until the projects are completed and are then able to attract the appropriate long-term financing. The hypothetical impact of a 1% change in interest rates would be approximately \$520 thousand. The Trust mitigates its exposure to fixed-rate interest risk by staggering maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. At existing financing rates, the Trust is able to obtain positive returns from debt financing. The quality of the Trust's projects and properties makes management believe it can obtain suitable long-term financing for those projects on completion of development as well as those properties with maturing existing debt. The Trust has an ongoing requirement to access the debt markets and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Trust or on any terms at all. Management believes that all debts maturing in 2018 or properties needing long term financing in 2018 will be able to be financed or refinanced as they come due.

From time to time Plaza may enter into derivative instruments to hedge the cash flow variability on future interest payments on anticipated mortgage financings from changes in interest rates until the time the mortgage interest rate is set.

Credit Risk

Credit risk mainly arises from the possibility that tenants may be unable to fulfill their lease commitments. Management mitigates this risk by ensuring that Plaza's tenant mix is diversified and heavily weighted to national tenants. Plaza also maintains a portfolio that is diversified geographically so that exposure to local business is lessened.

Currently one tenant, Shoppers Drug Mart, represents 25.1% of current monthly base rents in place, while franchisees of KFC represent 8.1%. The top 10 tenants collectively represent approximately 56.9% of current monthly base rents in place. National and regional tenants represent 94.5% of the tenant base, based on square footage.

Lease Roll-Over and Occupancy Risk

Lease roll-over risk arises from the possibility that Plaza may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants.

Management attempts to stagger the lease expiry profile so that Plaza is not faced with a disproportionate amount of square footage of leases expiring in any one year. Management further mitigates this risk by maintaining a diversified portfolio mix both by retail asset type and geographic location and ensuring that the Trust maintains a well-staffed and highly skilled leasing department to deal with all leasing issues.

One of Plaza's performance drivers is related to occupancy levels. The majority of Plaza's leases in place are referred to as "net leases", meaning tenants reimburse Plaza fully for their share of property operating costs (subject to consumer price index adjustments in many cases) and realty taxes. Many of Plaza's operating costs and realty taxes are not reduced by vacancy. Certain costs such as utilities and janitorial costs would not decline with a decline in occupancy.

The hypothetical impact to NOI of a change in occupancy of 1% would be approximately \$600 thousand to \$1.0 million per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions management may take in relation to the changes. Plaza's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space.

Development and Acquisition Risk

Plaza's external growth prospects will depend in large part on identifying suitable development, redevelopment and acquisition opportunities, pursuing such opportunities, conducting necessary due diligence, consummating acquisitions (including obtaining necessary consents) and effectively operating the properties acquired or developed by the Trust. If Plaza is unable to manage its growth and integrate its acquisitions and developments effectively, its business, operating results and financial condition could be adversely affected. Developments and acquisitions may not meet operational or financial expectations due to unexpected costs or market conditions, which could impact the Trust's performance.

Environmental Risk

Plaza is subject to various laws relating to the environment which deal primarily with the costs of removal and remediation of hazardous substances such as asbestos or petroleum products. Environmental risk is relevant to Plaza'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 Plaza. Management is not aware of any material non-compliance with environmental laws or regulations with regard to Plaza's portfolio, or of any material pending or threatened actions, investigations or claims against Plaza relating to environmental matters. Plaza manages environmental exposures in a proactive manner during every aspect of the property life cycle including extensive due diligence in respect of environmental risk before purchase or development.

Status of the REIT

Plaza is required to comply with specific restrictions regarding its activities and the investments held by it in order to maintain its mutual fund trust status. Should Plaza cease to qualify as a mutual fund trust, the consequences could be material and adverse. As well, Plaza conducts its affairs in order to qualify as a REIT under applicable tax statutes so that it retains its status as a flow-through vehicle for the particular year. Should Plaza not meet the conditions to qualify as a REIT in a particular year, it may be subject to tax similar to a corporation, which may have an adverse impact on it and its unitholders, on the value of the units and on its ability to undertake financings and acquisitions, and its distributable cash may be materially reduced. Management believes that it complies with both the mutual fund trust rules and the REIT rules.

PART VI

RELATED PARTY TRANSACTIONS

Notes Payable to Related Parties

The following non-interest bearing notes existed at the time of acquisition of properties in September 2000. Certain of the notes are owed to parties controlled directly or indirectly by Michael Zakuta. The notes are repayable on sale or refinancing of the related asset.

	March 31, 2018 (unaudited)	December 31, 2017
(000s)		
Non-interest bearing notes:		
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta, President, Chief Executive Officer and trustee of the Trust	\$ 261	\$ 261

Bonds and Debentures Held

The trustees, directly or indirectly, held mortgage bonds or debentures of the Trust as follows (stated at face value):

	March 31, 2018 (unaudited)	December 31, 2017
(000s)		
Edouard Babineau	\$ 150	\$ 150
Earl Brewer	450	425
Stephen Johnson	300	300
Michael Zakuta	100	100
Total	\$ 1,000	\$ 975

Other key management personnel own \$20 thousand in mortgage bonds of the Trust at March 31, 2018.

Other Related Party Transactions

TC Land LP, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to Plaza at a total annual rent of \$1.1 million. The land leases expire at various times from October 2043 to November 2047, subject to options to renew. All of these land leases have options to purchase, of which one is at a fixed price and the others are at fair market value.

Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. There is a \$5 thousand accounts receivable balance owing to the Trust for property management fees. For the three months ended March 31, 2018, property management, development and leasing fees of \$14 thousand were earned by a subsidiary of the Trust from this property.

Until January 31, 2018, Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, held interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Northwest Plaza Commercial Trust that it did not already own. A special committee of independent trustees of the Trust was formed to review and approve the related party transaction. For the one month ended January 31, 2018, property management, development and leasing fees of \$18 thousand were earned by a subsidiary of the Trust from this property.

The Montreal office of Plaza Group Management Limited (a wholly-owned subsidiary of the Trust) shares office space with a company indirectly owned by Michael Zakuta in an office building owned by that related party. No basic minimum rent is payable for the space.

Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 20% interest in Mountainview Plaza, Midland, ON and Park Street Plaza, Kenora, ON. A subsidiary of the Trust manages the malls. At March

31, 2018 there is \$7.7 million owed by the properties to the Trust which is recorded in notes and advances receivable. As well, there is a \$63 thousand accounts receivable balance owing to the Trust for property management and development fees. For the three months ended March 31, 2018, property management, leasing and development fees of \$28 thousand were earned by a subsidiary of the Trust from these properties.

Until January 31, 2018, Edouard Babineau, Earl Brewer, Denis Losier and Michael Zakuta, directly or indirectly, held interests in common with the Trust's 10% interest in Shediac West Plaza, Shediac, NB. A subsidiary of the Trust manages the property. On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Plazacorp – Shediac Limited Partnership that it did not already own. A special committee of independent trustees of the Trust was formed to review and approve the related party transaction. For the one month ended January 31, 2018, property management, leasing and development fees of \$2 thousand were earned by a subsidiary of the Trust from this property.

Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in two single-use properties located in Amherstview and Port Perry, ON. A subsidiary of the Trust manages the properties. For the three months ended March 31, 2018, property management fees of \$2 thousand were earned by a subsidiary of the Trust from these properties.

Edouard Babineau, Earl Brewer, James Petrie, Barbara Trenholm and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in KGH Plaza, Miramichi, NB, a single-use property located at 681 Mountain Road, Moncton, NB, a single-use property located at 201 Main Street, Sussex, NB and Robie Street Truro Plaza, Truro, NS. A subsidiary of the Trust manages the properties. At March 31, 2018 there is a \$4 thousand accounts receivable balance owing to the Trust for property management fees. For the three months ended March 31, 2018, property management, leasing and development fees of \$13 thousand were earned by a subsidiary of the Trust from these properties.

Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in Scott Street Plaza, St. Catharines, ON, and five single-use properties located at St. Joseph's Boulevard, Orleans, ON, Dufferin and Wilson, Perth, ON, Ontario Street Port Hope, Port Hope, ON, Civic Centre Road, Petawawa, ON and 615 King Street, Gananoque, ON. A subsidiary of the Trust manages the properties. For the three months ended March 31, 2018, property management fees of \$6 thousand were earned by a subsidiary of the Trust from these properties.

Edouard Babineau, Earl Brewer, and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in the following eight properties: Boulevard Hebert Plaza and Victoria Street Plaza in Edmundston, NB; Grand Falls Shopping Center and Madawaska Road Plaza in Grand Falls, NB; Connell Road Plaza, Woodstock, NB; Welton Street Plaza, Sydney, NS; and Pleasant Street Plaza and Starrs Road Plaza in Yarmouth, NS. A subsidiary of the Trust manages the properties. At March 31, 2018 there is a \$9 thousand accounts receivable balance owing to the Trust for property management fees. For the three months ended March 31, 2018, property management, leasing and development fees of \$34 thousand were earned by a subsidiary of the Trust from these properties.

PART VII

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Trust maintains appropriate DC&P and ICFR to ensure that information disclosed externally is complete, reliable and timely.

A control system, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management’s assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

The Trust’s Chief Executive Officer and Chief Financial Officer evaluated, or under their supervision caused to be evaluated, the design of the Trust’s DC&P and ICFR at March 31, 2018. Based on that evaluation they determined that the Trust’s DC&P and ICFR were appropriately designed based on the criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

During the three months ended March 31, 2018, there were no changes in the Trust’s ICFR that occurred that have materially affected, or are reasonably likely to materially affect, the Trust’s ICFR.

CRITICAL ACCOUNTING POLICIES

Critical Accounting Estimates

The preparation of the Trust’s Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. The significant estimates and judgments include the assessment of fair values, the discount rates used in the valuation of the Trust’s assets and liabilities, capitalization rates, the relative credit worthiness of the Trust to its counterparties, the determination of the accounting basis for investments and joint arrangements, the amount of borrowing costs to capitalize to properties under development and the selection of accounting policies.

(i) Investment properties

One significant judgment and key estimate that affects the reported amounts of assets at the date of the Consolidated Financial Statements and the reported amounts of profit or loss during the period, relates to property valuations. Investment properties, which are carried on the consolidated statements of financial position at fair value, are valued either by the Trust or by external valuers. The valuation of investment properties is one of the principal estimates and uncertainties of the financial statements. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. These investment properties are sensitive to fluctuations in capitalization and discount rates.

Specifically, the fair value of investment properties is based on a combination of external appraisals and internal valuations as noted below. Management undertakes a quarterly review of the fair value of its investment properties to assess the continuing validity of the underlying assumptions, such as cash flows and capitalization rates. Where increases or decreases are warranted, the Trust adjusts the fair values of its investment properties. Related fair value gains and losses are recorded in profit and loss in the period in which they arise.

(a) External appraisals

Independent appraisals are obtained in the normal course of business as refinancing activities require them, and as applicable, the fair value of various investment properties are based on these external appraisals.

(b) Internal approach – direct capitalization income approach

Under this approach the Trust determines the fair value based upon capitalization rates applied to budgeted normalized net operating income (property revenue less property operating expenses). Normalized net operating income adjusts net operating income for things like market property management fees, or in the case of development properties, to reflect full intended occupancy (less a normal vacancy allowance). The key assumption is the capitalization rate for each specific property. The Trust receives quarterly capitalization rate matrices from an external independent appraiser. The capitalization rate matrices provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Trust utilizes capitalization rates within the range of rates provided. To the extent that the externally provided capitalization rate ranges change from one reporting period to the next or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

At March 31, 2018 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately \$36.5 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately \$33.9 million.

FUTURE ACCOUNTING POLICY CHANGES

The following standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ending December 31, 2018, and have not been applied in preparing the Condensed Interim Consolidated Financial Statements. Please also refer to Note 3 to the Consolidated Financial Statements for the year ended December 31, 2017 for additional details about future accounting policy changes.

(i) Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, *Leases*. The new standard will replace existing lease guidance in IFRS and related interpretations, and requires lessees to bring most leases on-balance sheet. Lessor accounting remains similar to the current standard. The Trust is evaluating the identification of leases and non-lease components in accordance with the new requirements. IFRS 16 is only applicable to lease components and therefore other standards, such as IFRS 15, will apply to non-lease components of contracts. IFRS 15 requires allocation of transaction prices to relative standalone selling prices. The Trust is evaluating whether this will have a measurement impact. The new standard is effective for years beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

EXPLANATION OF NON-IFRS MEASURES USED IN THIS DOCUMENT

The below-noted measures are not defined by IFRS, and therefore should not be considered as alternatives to profit or net income calculated in accordance with IFRS.

Funds From Operations (FFO) and Adjusted Funds From Operations (AFFO) are not IFRS financial measures. FFO and AFFO are industry terms commonly used in the real estate industry and their calculations are prescribed in publications of the Real Property Association of Canada (REALpac). Plaza calculates FFO and AFFO in accordance with REALpac’s publications.

In late 2016, REALpac undertook an initiative to prescribe definitions for certain non-IFRS financial measures used in the real estate industry, such as AFFO (whereas previously a prescribed definition only existed for FFO). The new guidelines were issued in March 2017 and Plaza has adopted the new definition for AFFO, as this is a non-IFRS financial measure that has always been used and reported by Plaza.

FFO and AFFO as calculated by Plaza may not be comparable to similar titled measures reported by other entities. FFO is an industry standard widely used for measuring operating performance and is exclusive of unrealized changes in the fair value of investment properties, deferred income taxes and gains or losses on property dispositions. AFFO is an industry standard widely used for measuring recurring or sustainable economic operating performance and AFFO further primarily adjusts FFO for operating capital and leasing (both internal and external) requirements that must be made merely to preserve the existing rental stream. Capital expenditures which generate a new investment or revenue stream, such as the development of a new property or the construction of a new retail pad during property expansion or intensification would not be included in determining AFFO.

See the reconciliation of FFO and AFFO to profit for the period attributable to unitholders in Part II of this MD&A under the heading “Property and Corporate Financial Performance”.

Plaza considers FFO and AFFO meaningful additional measures as they adjust for certain non-cash and other items that do not necessarily provide an appropriate picture of the Trust’s recurring performance. They more reliably show the impact on operations of trends in occupancy levels, rental rates, net property operating income, interest costs and sustaining capital expenditures compared to profit determined in accordance with IFRS. As well, FFO and AFFO allow some comparability amongst different real estate entities using the same definition of FFO and AFFO.

FFO per unit and AFFO per unit are not IFRS financial measures. Plaza calculates FFO per unit and AFFO per unit as FFO or AFFO divided by the weighted average number of units outstanding.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is not an IFRS financial measure. EBITDA, as calculated by Plaza, may not be comparable to similarly titled measures reported by other entities. EBITDA is used in calculations that measure the Trust’s ability to service debt. Its calculation is profit before finance costs, income tax expense, gains/losses on property dispositions, unrealized changes from fair value adjustments, transaction costs expensed as a result of the purchase of a business or properties, and net revaluation of interest rate swaps. See the reconciliation of EBITDA to profit for the period in Part III of this MD&A under the heading “Capital Resources, Equity and Debt Activities – Debt Service Ratios”.

Same-Asset Net Property Operating Income (Same-asset NOI) is not an IFRS financial measure. Same-asset NOI, as calculated by Plaza, may not be comparable to similarly titled measures reported by other entities. Same-asset NOI is used by Plaza to evaluate the period over period performance of those properties owned by Plaza since January 1, 2017, and excludes partial year results from certain assets due to timing of acquisition, development, redevelopment or disposition. Its calculation is revenues less operating expenses for the same-asset pool of properties. The revenues or operating expenses exclude the impact of non-cash straight-line rent, administrative expenses charged to NOI, property tax settlements and lease buyout revenue. Excluding these items enables the users to better understand the period over period performance for a consistent pool of assets from contractual rental rate changes embedded in lease agreements, and the impact of leasing and occupancy on the same-asset portfolio. See the reconciliation of same-asset NOI to NOI in Part II of this MD&A under the heading “Property and Corporate Financial Performance”.

EXPLANATION OF ADDITIONAL IFRS MEASURES USED IN THIS DOCUMENT

Net Property Operating Income (NOI) is an industry term in widespread use. The Trust includes NOI as an additional IFRS measure in its consolidated statement of comprehensive income. NOI as calculated by Plaza may not be comparable to similar titled measures reported by other entities. Plaza considers NOI a meaningful additional measure of operating performance of property assets, prior to financing considerations. Its calculation is total revenues less total operating expenses as shown in the consolidated statements of comprehensive income (property revenues less total property operating costs, including operating ground rents).

ADDITIONAL INFORMATION

Additional information relating to Plaza including the Management Information Circular, Material Change reports and all other continuous disclosure documents required by the securities regulators, are filed on the System for Electronic Document Analysis and Retrieval (SEDAR) and can be accessed electronically at www.sedar.com or on Plaza’s website at www.plaza.ca.

PROPERTIES OF THE TRUST

A chart listing the Trust’s properties at March 31, 2018 can be accessed on Plaza’s website at www.plaza.ca.

Plaza Retail REIT
Condensed Interim Consolidated Statements of Financial Position

(unaudited)

(in thousands of Canadian dollars)

March 31, 2018 December 31, 2017

Assets

Non-Current Assets

Investment properties (Note 5)	\$ 996,080	\$ 959,618
Investments	39,630	45,550
Tenant loans	392	403
Deferred income tax asset	444	520
Total non-current assets	1,036,546	1,006,091

Current Assets

Cash	8,536	6,250
Receivables (Note 6)	4,552	4,480
Prepaid expenses and deposits (Note 7)	2,152	4,067
Tenant loans	46	448
Notes and advances receivable (Note 8)	11,394	9,999
Total current assets	26,680	25,244
Total assets	\$ 1,063,226	\$ 1,031,335

Liabilities and Unitholders' Equity

Non-Current Liabilities

Debentures payable (Note 9)	\$ 60,226	\$ 11,437
Mortgage bonds payable (Note 10)	14,788	14,764
Mortgages payable (Note 11)	432,269	410,879
Class B exchangeable LP units (Note 18)	5,127	5,393
Deferred income tax liability	7,568	7,547
Total non-current liabilities	519,978	450,020

Current Liabilities

Current portion of debentures payable (Note 9)	2,400	38,336
Bank indebtedness (Note 12)	29,852	29,538
Current portion of mortgages payable (Note 11)	37,863	33,700
Accounts payable, accrued liabilities, tenant payables and tenant deposits (Note 13)	17,508	15,222
Notes payable	1,424	1,424
Total current liabilities	89,047	118,220
Total liabilities	609,025	568,240

Unitholders' equity	450,067	458,864
Non-controlling interests	4,134	4,231
Total unitholders' equity	454,201	463,095
Total liabilities and unitholders' equity	\$ 1,063,226	\$ 1,031,335

Subsequent events – see Note 23



Barbara Trenholm, Trustee



Earl Brewer, Trustee

The notes on pages 37 to 52 are an integral part of these condensed interim consolidated financial statements.

Plaza Retail REIT

Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited)

(in thousands of Canadian dollars)

3 Months Ended March 31, 2018	3 Months Ended March 31, 2017
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Revenues (Note 14)	\$ 25,966	\$ 25,340
Operating expenses (Note 15)	(10,606)	(10,027)
Net property operating income	15,360	15,313
Share of profit (loss) of associates	(3,143)	(1,013)
Administrative expenses (Note 16)	(2,079)	(2,050)
Investment income	184	239
Other income	551	280
Income before finance costs, fair value adjustments and income taxes	10,873	12,769
Finance costs (Note 17)	(6,754)	(6,311)
Finance costs – convertible debenture issuance costs	(2,052)	-
Finance costs - net change in fair value of convertible debentures (Note 9)	126	(61)
Finance costs - net change in fair value of Class B exchangeable LP units (Note 18)	266	106
Finance costs - net change in fair value of interest rate swaps and bond forwards (Note 11)	31	-
Net change in fair value of investment properties (Note 5)	(5,514)	(6,105)
Profit (loss) before income tax	(3,024)	398
Income tax expense		
- Current	(47)	(30)
- Deferred	(95)	(89)
	(142)	(119)
Profit (loss) and total comprehensive income (loss) for the period	\$ (3,166)	\$ 279
Profit (loss) and total comprehensive income (loss) for the period attributable to:		
- Unitholders	\$ (3,123)	\$ 220
- Non-controlling interests	(43)	59
	\$ (3,166)	\$ 279

The notes on pages 37 to 52 are an integral part of these condensed interim consolidated financial statements.

Plaza Retail REIT

Condensed Interim Consolidated Statements of Changes in Unitholders' Equity

(unaudited)

(in thousands of Canadian dollars)

	Trust Units (Note 18)	Retained Earnings	Total Attributable to Unitholders	Non- Controlling Interests	Total Equity
Balance as at December 31, 2016	\$ 258,011	\$ 189,794	\$ 447,805	\$ 3,938	\$ 451,743
Profit (loss) and total comprehensive income (loss) for the period	-	220	220	59	279
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders - DRIP and RSU plan	394	-	394	-	394
- Units issued through debt conversion	12,213	-	12,213	-	12,213
- Distributions to unitholders (Note 19)	-	(6,817)	(6,817)	-	(6,817)
- Contributions to (distributions from) non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	61	61
Balance as at March 31, 2017	\$ 270,618	\$ 183,197	\$ 453,815	\$ 4,058	\$ 457,873
Balance as at December 31, 2017	\$ 273,158	\$ 185,706	\$ 458,864	\$ 4,231	\$ 463,095
Profit (loss) and total comprehensive income (loss) for the period	-	(3,123)	(3,123)	(43)	(3,166)
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders - DRIP and RSU plan	1,448	-	1,448	-	1,448
- Distributions to unitholders (Note 19)	-	(7,122)	(7,122)	-	(7,122)
- Contributions to (distributions from) non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(54)	(54)
Balance as at March 31, 2018	\$ 274,606	\$ 175,461	\$ 450,067	\$ 4,134	\$ 454,201

The notes on pages 37 to 52 are an integral part of these condensed interim consolidated financial statements.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2018 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

Cash obtained from (used for):

Operating activities

Profit (loss) and total comprehensive income (loss) for the period	\$ (3,166)	\$ 279
Items not affecting cash:		
Finance costs (Note 17)	6,754	6,311
Share of loss (profit) of associates	3,143	1,013
Net change in fair value of investment properties	5,514	6,105
Net change in fair value of convertible debentures	(126)	61
Net change in fair value of Class B exchangeable LP units	(266)	(106)
Net change in fair value of interest rate swaps and bond forwards (Note 11)	(31)	-
Current and deferred income taxes	142	119
Straight-line rent (Note 14)	76	26
Interest paid	(5,957)	(5,445)
Income taxes paid	(39)	(45)
Distributions from equity accounted investments	212	676
Leasing commissions	(147)	(11)
Change in non-cash working capital (Note 20)	1,715	2,740
	<u>7,824</u>	<u>11,723</u>

Financing activities

Cash paid on conversion of convertible debentures	-	(1,454)
Cash distributions paid to unitholders (Note 19)	(5,684)	(6,427)
Cash distributions paid to Class B exchangeable LP unitholders (Note 17)	(88)	(89)
Cash received on acquisition of Plazacorp – Shediak Limited Partnership and Northwest Plaza Commercial Trust (Note 4)	739	-
Gross proceeds from mortgage bonds and debentures	47,250	6,000
Fees incurred for bonds and debentures	(6)	(143)
Redemption/repayment of mortgage bonds and debentures	(34,270)	(2,276)
Gross mortgage proceeds	23,062	8,864
Fees incurred for placement of mortgages	(156)	(149)
Loan defeasance expenses and early mortgage discharge fees paid	(135)	-
Mortgages repaid	(7,346)	(16,250)
Periodic mortgage principal repayments	(2,666)	(2,627)
Increase in notes payable	-	12
	<u>20,700</u>	<u>(14,539)</u>

Investing activities

Acquisitions of investment properties and land (Note 5)	(16,772)	-
Investment properties – additions	(4,557)	(7,000)
Net proceeds from disposal of investment properties and land (Note 5(e))	10,219	78
Net proceeds from disposal of investment properties and land on properties previously classified as held for sale	-	92
Advances to equity accounted investments for developments	(703)	(250)
Contributions to/(distributions from) subsidiaries from/to non-controlling interests	(54)	61
Repayment of Northwest Plaza Commercial Trust unitholder debt (Note 4)	(859)	-
Purchase of remaining units of Northwest Plaza Commercial Trust and Plazacorp - Shediak Limited Partnership (Note 4)	(14,296)	-
Decrease in deposits for acquisitions and financings (Note 7)	1,452	350
Increase in notes and advances receivable	(1,395)	(288)
Repayment of tenant loans	413	422
	<u>(26,552)</u>	<u>(6,535)</u>

Net increase (decrease) in cash

Cash less bank indebtedness, beginning of the period	(23,288)	(7,380)
Cash less bank indebtedness, end of the period	\$ (21,316)	\$ (16,731)

The notes on pages 37 to 52 are an integral part of these condensed interim consolidated financial statements.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2018 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

1. Reporting Entity

Plaza Retail REIT (the “Trust”) is an unincorporated “open-ended” real estate investment trust established pursuant to its declaration of trust dated as of November 1, 2013 (the “Declaration of Trust”) and governed by the laws of the Province of Ontario. The address of the Trust’s head office is 98 Main Street, Fredericton, New Brunswick. The Trust operates a retail real estate ownership and development business in Canada. Management does not distinguish or group its operations by geography or any other basis, when measuring its performance or making decisions. Accordingly, the Trust has a single reportable segment for disclosure purposes.

2. Basis of Preparation

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and in particular International Accounting Standard (“IAS”) 34, “Interim financial reporting” on a basis consistent with the accounting policies disclosed in Note 3 of the December 31, 2017 consolidated financial statements of the Trust.

The condensed interim consolidated financial statements do not include all the information required for full annual financial statements. The condensed interim consolidated financial statements should be read in conjunction with the 2017 annual financial statements of the Trust.

The condensed interim consolidated financial statements were authorized for issue by the Audit Committee on behalf of the Board of Trustees of the Trust on May 10, 2017.

3. Summary of Significant Accounting Policies

Changes in Accounting Policies

On January 1, 2018, the Trust implemented IFRS 15, Revenue from contracts with customers (“IFRS 15”) and IFRS 9, Financial instruments (“IFRS 9”), in accordance with IAS 8, Accounting policies, changes in accounting estimates and errors. The impacts on implementation of IFRS 15 and IFRS 9 are described below.

(i) Revenue from Contracts with Customers

In 2014, the IASB issued IFRS 15, replacing IAS 18, Revenue, IAS 11, Construction contracts, and related interpretations. IFRS 15 provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 contains a single, control-based model that applies to contracts with customers and provides two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. IFRS 15 also includes additional disclosure requirements for revenue accounted for under the standard.

The Trust adopted IFRS 15 beginning on January 1, 2018, using the cumulative effect method, which means that the Trust did not apply the requirements of IFRS 15 to the comparative period presented. The effect of initially applying this standard would have been recognized at January 1, 2018, however, the adoption of IFRS 15 did not have an impact on the timing of recognition or measurement of revenue.

(ii) Financial Instruments

In 2014, the IASB issued IFRS 9, replacing IAS 39, Financial instruments: recognition and measurement (“IAS 39”), and related interpretations. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 became effective for annual periods beginning on or after January 1, 2018.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2018 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

The Trust adopted IFRS 9 beginning on January 1, 2018, the mandatory effective date. The adoption of IFRS 9 was generally applied retrospectively, without restatement of comparative information. There was no material impact from the adoption of IFRS 9.

Classification and Measurement - IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on the three categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). Financial liabilities are classified and measured on two categories: amortized cost or FVTPL. One distinction on financial liabilities is that under the previous IAS 39, all fair value changes of liabilities designated as FVTPL were recognized in profit or loss, whereas under IFRS 9, the amount of change in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and the remaining amount of change in fair value is presented in profit or loss. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table summarizes the classification impacts upon adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities.

Asset / Liability	Classification under IAS 39	Classification under IFRS 9
Investments:		
- Fair value accounted investments	Fair value through profit and loss	Fair value through profit and loss
- Held-to-maturity investments	Amortized cost	Amortized cost
Tenant loans	Loans and receivables (amortized cost)	Amortized cost
Cash	Fair value through profit and loss	Amortized cost
Receivables	Loans and receivables (amortized cost)	Amortized cost
Notes and advances receivable	Loans and receivables (amortized cost)	Amortized cost
Debentures payable:		
- Convertible debentures	Fair value through profit and loss	Elected fair value through profit and loss ⁽¹⁾
- Non-convertible debentures	Other financial liabilities (amortized cost)	Amortized cost
Mortgage bonds payable	Other financial liabilities (amortized cost)	Amortized cost
Mortgages payable	Other financial liabilities (amortized cost)	Amortized cost
Class B exchangeable LP units	Fair value through profit and loss	Fair value through profit and loss
Bank indebtedness	Other financial liabilities (amortized cost)	Amortized cost
Accounts payable, accrued liabilities, tenant payables and tenant deposits	Other financial liabilities (amortized cost)	Amortized cost
Notes payable	Other financial liabilities (amortized cost)	Amortized cost
Interest rate swaps	Fair value through profit and loss	Fair value through profit and loss

⁽¹⁾ As the Trust has elected to measure convertible debentures at fair value through profit and loss, changes in fair value associated with the Trust's own credit risk are presented in other comprehensive income.

Financial assets are not reclassified subsequent to their initial recognition, unless the Trust identifies changes in its business model in managing financial assets and would reassess the classification of financial assets.

Impairment - IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each balance sheet date, to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments.

The Trust adopted the practical expedient to determine ECL on receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL models applied to other financial assets also required judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. The provision matrix and ECL models applied did not have a material impact on receivables or other financial assets of the Trust.

Impairment losses, if incurred, would be recorded in the consolidated statement of comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2018 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statement of comprehensive income. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

General Hedging - IFRS 9 includes a new general hedge accounting standard which aligns hedge accounting more closely with an entity's risk management objectives and strategies. The Trust does not currently apply hedge accounting in its financial statements.

4. Acquisition of Plazacorp - Shediac Limited Partnership & Northwest Plaza Commercial Trust

On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Plazacorp - Shediac Limited Partnership and Northwest Plaza Commercial Trust that it did not already own. The units were purchased by the Trust through the payment of \$14.3 million in cash consideration. The purchases have been accounted for as asset acquisitions. Unitholder debt outstanding in Northwest Plaza Commercial Trust in the amount of \$859 thousand was also repaid by the Trust as part of the transaction. The two entities were previously included in investments and accounted for on an equity basis and fair value basis, respectively.

The following table summarizes the consideration paid and the estimated fair value of the net assets.

	(At 100%)
Investment properties	\$ 42,129
Cash	739
Receivables	125
Prepaid expenses and deposits	11
Deferred financing charges	162
Mortgages payable	(23,646)
Mortgages payable – mark to market	(739)
Accounts payable and accrued liabilities	(355)
Fair value of net assets	\$ 18,426
Consideration satisfied by:	
Cash paid for 90% of the issued and outstanding units	\$ 14,296
Cash paid to discharge unitholder debt	859
10% of investment already owned	3,271
Total consideration	\$ 18,426

Concurrent with this transaction, the Trust sold a 50% co-ownership interest in the two underlying properties, namely, Shediac West Plaza, Shediac, NB and Northwest Centre, Moncton, NB, to a Canadian pension fund for gross proceeds of \$20.5 million (\$8.7 million after assumption of 50% of the existing mortgages by the purchaser).

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2018 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

5. Investment Properties

	Income producing properties	March 31, 2018 Properties under development	Total	Income producing properties	December 31, 2017 Properties under development	Total
Balance, beginning of the period:	\$ 905,964	\$ 53,654	\$ 959,618	\$ 912,462	\$ 47,427	\$ 959,889
Additions (deductions):						
Additions to investment properties	1,937	3,258	5,195	7,264	10,918	18,182
Acquisitions of investment properties and land	42,129	16,772	58,901	2,055	9,439	11,494
Disposals ⁽¹⁾	(22,042)	-	(22,042)	(16,884)	(2,433)	(19,317)
Transfers	18,722	(18,722)	-	8,431	(8,431)	-
Straight line rent receivable change	(134)	56	(78)	(337)	99	(238)
Change in fair value ⁽²⁾	(7,028)	1,514	(5,514)	(7,027)	(3,365)	(10,392)
Balance, end of the period:	\$ 939,548	\$ 56,532	\$ 996,080	\$ 905,964	\$ 53,654	\$ 959,618

⁽²⁾ Cash received from disposals as per the statement of cash flows of \$10.2 million is net of \$11.8 million of mortgages assumed by purchasers.

⁽³⁾ The change in fair value includes a loss of \$594 thousand (December 31, 2017 – \$160 thousand loss) related to properties where the Trust has a 20% ownership interest and a 50% economic interest above its invested capital.

The majority of the Trust's investment properties have been pledged as security under various debt agreements.

Investment properties are stated at fair value using the following methods, estimates and key assumptions:

(i) External appraisals

Independent appraisals are obtained in the normal course of business as refinancing activities require them, and as applicable, the fair value of various investment properties are based on these external appraisals. Of the total fair value in the chart above, \$258 million of investment properties were based on such external appraisals (December 31, 2017 - \$322 million).

(ii) Internal approach - direct capitalization income approach

Under this approach the Trust determines the fair value based upon capitalization rates applied to budgeted normalized net operating income (property revenue less property operating expenses). Normalized net operating income adjusts net operating income for things like market property management fees, or in the case of development properties, to reflect full intended occupancy (less a normal vacancy allowance). The key assumption is the capitalization rate for each specific property. The Trust receives quarterly capitalization rate matrices from an external independent appraiser. The capitalization rate matrices provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Trust utilizes capitalization rates within the range of rates provided. To the extent that the externally provided capitalization rate ranges change from one reporting period to the next or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2018 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

As at March 31, 2018 the Trust has utilized the following range of capitalization rates:

	Number of Properties ⁽¹⁾	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding or Mini Box	73	6.51%	5.50% - 8.50%	6.00% - 9.00%
Quick Service Restaurant	115	6.97%	5.50% - 9.00%	6.00% - 11.00%
Anchored Strip – Class A	14	6.98%	6.00% - 8.25%	6.25% - 9.00%
Anchored Strip – Class B	31	7.03%	6.00% - 8.50%	6.75% - 10.00%
Unanchored Strip	38	7.63%	5.75% - 9.00%	6.00% - 11.00%
Enclosed Malls – Community	5	7.92%	7.50% - 9.50%	7.50% - 11.00%
	276	7.03%		

⁽¹⁾ Excludes certain properties under development and non-consolidated trusts and partnerships.

Freestanding or Mini Box - defined as a freestanding retail, non-restaurant use such as a pharmacy or equivalent national box retailer. May include nominal additional gross leasable area ("GLA") if the additional GLA is 15% or less than the total GLA or gross revenue.

Quick Service Restaurant – defined as freestanding retail space for food.

Anchored Strip – Class A - defined as a food or equivalent-anchored retail strip, 20,000-125,000 square feet and where the anchor tenant(s) represents 70% or more of GLA or gross revenue.

Anchored Strip – Class B - defined as a food or equivalent-anchored retail strip, 20,000-200,000 square feet and where the anchor tenant(s) represents less than 70% of GLA or gross revenue.

Unanchored Strip - defined as an unanchored retail strip less than 75,000 square feet.

Enclosed Malls - Community - defined as an enclosed community mall with food or department/junior department store or equivalent anchors.

At March 31, 2018 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately \$36.5 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately \$33.9 million.

As at December 31, 2017 the Trust utilized the following range of capitalization rates:

	Number of Properties ⁽¹⁾	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding or Mini Box	72	6.44%	5.50% - 8.50%	6.00% - 9.00%
Quick Service Restaurant	117	7.26%	5.50% - 9.00%	6.00% - 11.00%
Anchored Strip – Class A	13	7.07%	6.00% - 8.25%	6.25% - 9.00%
Anchored Strip – Class B	31	7.03%	6.00% - 8.50%	6.75% - 10.00%
Unanchored Strip	38	7.61%	5.75% - 9.00%	6.00% - 11.00%
Enclosed Malls – Community	4	7.80%	7.50% - 9.50%	7.50% - 11.00%
	275	7.02%		

⁽¹⁾ Excludes certain properties under development and non-consolidated trusts and partnerships.

(a) Straight-line Rent

Included in investment properties at March 31, 2018 is \$12.1 million (December 31, 2017 - \$11.9 million) of straight line rents receivable arising from the recognition of rental revenue on a straight line basis over the lease terms in accordance with IAS 17, "Leases".

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(b) Surplus Land

Included in investment properties at March 31, 2018 is \$1.2 million of surplus lands at fair value (December 31, 2017 - \$1.4 million).

(c) Borrowing Costs

The total amount of borrowing costs capitalized for the period ended March 31, 2018 is \$196 thousand (for the period ended March 31, 2017 - \$80 thousand).

(d) Acquisitions

During the period ended March 31, 2018, the Trust purchased the following (all including closing costs): land in Oshawa, ON for \$2.5 million and land and building in Brockville, ON for redevelopment for \$14.3 million. As well, the Trust acquired a 100% interest in Shediak West Plaza, Shediak, NB and Northwest Centre, Moncton, NB for \$42.1 million through the purchase of the remaining 90% of the issued and outstanding units of Plazacorp - Shediak Limited Partnership and Northwest Plaza Commercial Trust that it did not already own (the "Transaction"). Net of assumption of debt, working capital and the existing ownership interest, the remaining units were purchased for total cash consideration of \$14.3 million. See Note 4 for further details.

During the year ended December 31, 2017, the Trust purchased the following (all including closing costs): land adjacent to an existing property in Picton, ON for \$217 thousand; land in Fredericton, NB for \$287 thousand; land in Dunnville, ON for \$279 thousand; land in Gatineau, QC for \$1.1 million; a 50% interest in development lands in Mississauga, ON for \$6.1 million; a 50% interest in an existing property for redevelopment in Saguenay, QC for \$3.3 million; and development lands in Liverpool, NS for \$168 thousand.

(e) Disposals

During the period ended March 31, 2018, the Trust disposed of land and building in Ottawa, ON and Perth, ON for net proceeds of \$1.6 million. As well, concurrent with the Transaction, the Trust sold a 50% co-ownership interest in Shediak West Plaza, Shediak, NB and Northwest Centre, Moncton, NB, for gross proceeds of \$20.5 million (\$8.7 million after assumption of 50% of the existing mortgages). See Note 4 for further details.

During the year ended December 31, 2017, the Trust disposed of surplus land in Kenora, ON for net proceeds of \$92 thousand which was recorded as investment properties held for sale at December 31, 2016. The Trust also disposed of land in Calgary, AB and in Miramichi, NB for net proceeds of \$78 thousand and \$272 thousand, respectively. The Trust disposed of properties in North Sydney, NS, for net proceeds of \$215 thousand, in Oshawa, ON for net proceeds of \$662 thousand, in Hamilton, ON for net proceeds of \$577 thousand and in Niagara Falls, ON for net proceeds \$287 thousand. The Trust disposed of a 50% non-managing interest in eight properties in Edmundston, NB, Woodstock, NB, Grand Falls, NB, Yarmouth, NS and Sydney, NS for net proceeds of \$17.3 million (\$7.3 million after assumption of 50% of the existing mortgages).

6. Receivables

Receivables consist of the following:

	March 31, 2018	December 31, 2017
Tenant accounts receivable, net of allowance	\$ 2,439	\$ 1,214
Excise tax	1,144	1,525
Other receivables	950	1,720
Income taxes receivable	19	21
Total receivables	\$ 4,552	\$ 4,480

The Trust determines its allowance for doubtful accounts on a tenant-by-tenant basis using an expected credit loss model taking into consideration lease terms, industry conditions and status of the tenants' accounts, among other factors. Accounts are written off only when all collection efforts have been exhausted. Allowance for doubtful accounts balance at March 31, 2018 is \$219 thousand (December 31, 2017 - \$77 thousand). This amount is deducted from tenant accounts receivable.

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There were no impairment losses recognized during the period ended March 31, 2018 (for the period ended March 31, 2017 – nil).

7. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	March 31, 2018	December 31, 2017
Prepaid expenses	\$ 1,814	\$ 2,277
Deposits for acquisitions and financings	338	1,790
Total prepaid expenses and deposits	\$ 2,152	\$ 4,067

8. Notes and Advances Receivable

The notes and advances receivable are owed by co-owners of investment properties as a result of funding requirements on a short-term basis during development of investment properties, and by minority interest shareholders of consolidated entities. The notes and advances are due on demand.

9. Debentures Payable

Debentures payable consist of the following:

	Maturity Date	Interest Rate	March 31, 2018	December 31, 2017
Convertible ⁽¹⁾				
Series D	December 31, 2018	5.75%	\$ -	\$ 34,336
Series E	March 31, 2023	5.10%	47,486	-
Series VII	June 30, 2021	5.50%	5,528	5,554
Total convertible debentures			53,014	39,890
Non-convertible ⁽²⁾⁽³⁾	Various (see below)	5.00%	9,612	9,883
Total debentures payable			62,626	49,773
Less: current portion of debentures payable			(2,400)	(38,336)
Debentures payable – long-term portion			\$ 60,226	\$ 11,437

⁽¹⁾ Recorded at fair value based on closing market trading prices of debentures; the fair value change during 2018 was a gain of \$126 thousand (for the three months ended March 31, 2017 – loss of \$61 thousand)

⁽²⁾ Recorded at amortized cost

⁽³⁾ Net of unamortized finance charges of \$118 thousand (December 31, 2017 - \$117 thousand)

Convertible and non-convertible debentures are subordinate and unsecured.

Convertible debenture terms are as follows:

	Series E	Series VII
Conversion price	\$5.65	\$6.04
Trust's first redemption date	April 1, 2021	June 30, 2019
Par call date	April 1, 2022	June 30, 2020
Maturity date	March 31, 2023	June 30, 2021
Face value outstanding	\$47,250	\$5,500
Publicly listed	yes	no

Non-convertible debenture maturities are as follows:

	Series I			Series II	Total
	Tranche A	Tranche B	Tranche C		
Face value outstanding	\$1,330	\$2,300	\$100	\$6,000	\$9,730
Maturity date	May 2, 2021	April 15, 2018	May 2, 2018	February 28, 2022	

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On February 21, 2018, the Trust completed a public offering of \$45 million aggregate principal amount of Series E 5.10% convertible unsecured subordinated debentures due March 31, 2023. The debentures are convertible at the option of the holder, into units of the Trust at \$5.65 per unit. In addition, the underwriters were granted an over-allotment option, exercisable in whole or in part up to 30 days after closing, to purchase up to an additional \$2.25 million debentures. The option was exercised on closing of the offering on February 21, 2018. Proceeds from the offering were used to redeem the \$34 million 5.75% Series D convertible unsecured subordinated debentures on March 27, 2018, with the remainder of the proceeds used to repay amounts outstanding on the Trust's operating line of credit.

The Trust is in the process of extending all of the tranches of the Series I non-convertible debentures to May 2, 2021 on the same terms and conditions. During the three months ended March 31, 2018, \$1.3 million of the \$1.6 million maturing Tranche A debentures were either extended or issued to new parties, with \$270 thousand being repaid.

On February 28, 2017, the Trust issued \$6.0 million in Series II unsecured debentures with an interest rate of 5.0% per annum maturing on February 28, 2022.

10. Mortgage Bonds Payable

Mortgage bonds payable are secured by the following properties:

				March 31, 2018	December 31, 2017
	Series X	Series XI	Series XII	Total	Total
Various properties, 1 st mortgage	6,000	-	-	\$ 6,000	6,000
Various properties, 1 st mortgage	-	6,000	-	6,000	6,000
Various properties, 1 st mortgage	-	-	3,000	3,000	3,000
Gross mortgage bonds payable	6,000	6,000	3,000	15,000	15,000
Less: unamortized finance charges				(212)	(236)
Net mortgage bonds payable				14,788	14,764
Less: current portion of mortgage bonds payable				-	-
Net mortgage bonds payable – long-term portion				\$ 14,788	\$ 14,764

	Series X	Series XI	Series XII
Interest Rate	5.00%	5.00%	5.50%
Maturity Date	July 25, 2020	July 8, 2019	July 15, 2022
Amount	\$6,000	\$6,000	\$3,000

The Series X, XI and XII mortgage bonds can be deployed up to 90% of the cost of a property under a first or second charge on that property. If it is a second charge, the total debt, including mortgage bonds, cannot exceed 90%. These mortgage bonds can be reallocated to different properties from time to time as required.

The Trust can redeem up to one-half of the Series X, XI and XII mortgage bonds at par on the third and fourth anniversaries for the Series X mortgage bonds and the first and second anniversaries for the Series XI and XII mortgage bonds, being: June 25, 2018 and June 25, 2019 for the Series X mortgage bonds; July 8, 2018 for the Series XI mortgage bonds; and July 15, 2018 and July 15, 2019 for the Series XII mortgage bonds.

On July 15, 2017, the \$3.0 million 5.50% Series IX mortgage bonds matured and were repaid.

On July 15, 2017, the \$3.0 million 5.50% Series XII mortgage bonds were issued.

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11. Mortgages Payable

	Interest Rate Range	Weighted Average Effective Interest Rate	Maturity Dates	March 31, 2018	December 31, 2017
Secured fixed rate loans:	2.47% - 7.00%	4.57%	Up to June 2034	\$ 440,807	\$ 433,995
Unsecured interest-only fixed rate loans:	5.00% - 6.00%	5.35%	Up to Jan 2023	8,643	-
Fair value of interest rate swap				144	175
Revaluation of loans upon acquisitions, net of amortization of \$5,824 (December 31, 2017 - \$5,770)				949	264
Less: unamortized finance charges				(2,459)	(2,472)
Total net fixed rate loans				448,084	431,962
Variable rate loans:					
- \$20 million development facility	Prime plus 0.75% or BA plus 2.25%		July 31, 2018	2,710	2,710
- \$15 million development facility	Prime plus 0.75% or BA plus 2.00%		July 31, 2018	4,592	4,592
- \$3.0 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.50%		May 26, 2018	2,955	2,768
- \$907 thousand secured non-revolving construction credit facility	Prime plus 1.00% or BA plus 2.50%		September 15, 2018	844	712
- \$6.6 million secured non-revolving construction credit facility	Prime plus 2.25% or BA plus 3.75% ⁽¹⁾		November 30, 2019	1,950	1,950
- \$14.9 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.50%		January 10, 2020	9,100	-
Less: unamortized finance charges				(103)	(115)
Total net variable rate loans				22,048	12,617
Net mortgages payable				470,132	444,579
Less: mortgages payable – current portion				(37,863)	(33,700)
Total mortgages payable – long-term portion				\$ 432,269	\$ 410,879

⁽¹⁾ Rates reduce to prime plus 1.25% or BA plus 2.75% once construction begins and construction draws under the facility are advanced.

All secured mortgages and facilities are secured by charges against specific assets. The unamortized finance charges are made up of fees and costs incurred to obtain the mortgage financing less accumulated amortization.

To fund development activities the Trust has two revolving development facilities with Canadian chartered banks available upon pledging of specific assets. One is a \$20.0 million one-year revolving facility that bears interest at prime plus 0.75% or bankers' acceptances ("BAs") plus 2.25%, and the other is a \$15.0 million two-year revolving facility that bears interest at prime plus 0.75% or BAs plus 2.00%. At March 31, 2018 there is \$27.7 million available on these development facilities (December 31, 2017 - \$27.7 million). Funding is secured by first mortgage charges on development properties. The Trust must maintain certain financial ratios to comply with the facilities. These covenants include loan-to-value, debt coverage, interest coverage and occupancy covenants, as well as unitholder equity tests. As of March 31, 2018 the Trust is in compliance with all financial covenants.

In January 2018 the Trust obtained a \$14.9 million secured non-revolving construction credit facility relating to the acquisition of a development property.

In the second quarter of 2015 as part of the acquisition of a development property, the Trust assumed a \$4.0 million variable rate mortgage that had an interest rate swap in place (thereby fixing the variable interest rate). The interest rate swap matures on August 13, 2023 and is recorded at fair value.

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12. Bank Indebtedness

The Trust has a \$44.0 million (December 31, 2017 - \$44.0 million) revolving operating line of credit facility with a Canadian chartered bank at the rate of prime plus 0.75% or BAs plus 2.00%, maturing July 31, 2018. The amount available to be drawn fluctuates depending on the specific assets pledged as security. Based on the assets pledged at March 31, 2018, the available limit was \$43.1 million of which \$29.8 million (December 31, 2017 – \$29.5 million) was drawn and therefore the maximum amount available to be drawn on the facility was \$12.4 million (December 31, 2017 – \$11.0 million), net of letters of credit outstanding of \$900 thousand (December 31, 2017 - \$750 thousand). As security, at March 31, 2018, the Trust has provided a \$50.0 million demand debenture secured by a first mortgage over forty-one properties.

13. Accounts Payable, Accrued Liabilities, Tenant Payables and Tenant Deposits

Accounts payable, accrued liabilities, tenant payables and tenant deposits consist of the following:

	March 31, 2018	December 31, 2017
Accounts payable and accrued liabilities	\$ 9,700	\$ 7,395
Distributions payable	2,408	2,315
Excise tax payable	1,556	1,055
Accrued interest payable	2,073	1,735
Deferred tenant revenue and deposits	1,395	2,195
Other	376	527
Total accounts payable, accrued liabilities, tenant payables and tenant deposits	\$ 17,508	\$ 15,222

14. Revenues

	3 Months Ended March 31, 2018	3 Months Ended March 31, 2017
Contractual revenue	\$ 18,875	\$ 18,424
Straight-line rent	(76)	(26)
Recovery revenue	7,132	6,915
Other revenue	35	27
Total property revenues	\$ 25,966	\$ 25,340

15. Operating Expenses

	3 Months Ended March 31, 2018	3 Months Ended March 31, 2017
Property taxes	\$ 5,292	\$ 5,024
Recoverable expenses	3,999	3,708
Non-recoverable expenses	1,315	1,295
Total operating expenses	\$ 10,606	\$ 10,027

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16. Administrative Expenses

	3 Months Ended March 31, 2018	3 Months Ended March 31, 2017
Salaries and benefits	\$ 1,423	\$ 1,387
Professional services	225	311
Office expenses	431	352
Total administrative expenses	\$ 2,079	\$ 2,050

Total employee salaries and benefits paid by the Trust during the period were \$2.8 million, of which \$1.1 million is included in operating expenses, \$1.4 million is included in administrative expenses and \$312 thousand has been capitalized to income producing properties (for the period ended March 31, 2017 - \$2.7 million, of which \$1.1 million is in operating expenses, \$1.4 million is in administrative expenses and \$264 thousand is in income producing properties).

17. Finance Costs

	3 Months Ended March 31, 2018	3 Months Ended March 31, 2017
Mortgage interest	\$ 5,059	\$ 5,050
Debenture interest	910	644
Mortgage bond interest	191	191
Distributions paid to Class B exchangeable LP unitholders	88	89
Operating line of credit interest	205	140
Interest and bank charges	126	82
Amortization of finance charges	290	257
Loan defeasance and early mortgage discharge fees	135	-
Mark to market amortization	(54)	(62)
Capitalization of interest	(196)	(80)
Total finance costs	\$ 6,754	\$ 6,311

18. Unitholders' Equity

(a) Authorized

The Declaration of Trust authorizes the issuance of an unlimited number of units and special voting units. Special voting units are only issued in tandem with the issuance of securities exchangeable into units.

Each special voting unit shall have no economic entitlement nor beneficial interest in the Trust including in the distributions or assets of the Trust, but shall entitle the holder of record thereof to a number of votes at any meeting of the unitholders equal to the number of units that may be obtained upon the exchange of the exchangeable security to which such special voting unit is attached. Special voting units may only be issued in connection with or in relation to, securities exchangeable into units, for the purpose of providing voting rights with respect to the Trust to the holders of such securities. The creation or issuance of special voting units is subject to the prior written consent of the Toronto Stock Exchange ("TSX").

In addition, preferred units may from time to time be created and issued in one or more classes (each of which may be made up of unlimited series) without requiring voting unitholder approval. Before the issuance of preferred units of a series, the Board will execute an amendment to the Declaration of Trust containing a description of such series, including the designations, rights, privileges, restrictions and conditions determined by the Board, and the class of preferred units of which such series is a part. The issuance of preferred units is also subject to the prior written consent of the TSX.

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(b) Issued and Outstanding

(i) Class B Exchangeable LP Units

The Class B exchangeable units are economically equivalent to units of the Trust and are exchangeable at any time into units of the Trust on a one-for-one basis. These units are puttable instruments where the Trust has a contractual obligation to issue Trust units to the exchangeable unitholders upon redemption. Holders of the exchangeable LP units are entitled to receive distributions per unit equal to distributions per unit provided to the unitholders of the Trust.

	March 31, 2018		December 31, 2017	
	Units (000s)	Amount	Units (000s)	Amount
Exchangeable LP units outstanding, beginning of the period	1,266	\$ 5,393	1,319	\$ 6,595
Exchanges	-	-	(53)	(232)
Fair value adjustment for the period	-	(266)	-	(970)
Exchangeable LP units outstanding, end of the period	1,266	\$ 5,127	1,266	\$ 5,393

(ii) Special Voting Units

At March 31, 2018, there were 1,266,000 (December 31, 2017 1,266,000) special voting units outstanding, issued in connection with 1,266,000 (December 31, 2017 - 1,266,000) Class B exchangeable LP units of a subsidiary of the Trust (see above).

(iii) Units

	March 31, 2018		December 31, 2017	
	Trust Units (000s)	Amount	Trust Units (000s)	Amount
Units outstanding, beginning of the period	101,610	\$ 273,158	98,488	\$ 258,011
Issuance of units:				
Exchange of Class B exchangeable LP units	-	-	53	232
Distribution reinvestment plan	363	1,438	597	2,607
RSU plan	2	10	22	95
Convertible debenture conversions				
- face value of convertible debentures	-	-	2,450	11,439
- impact of fair value of convertible debentures	-	-	-	774
Units outstanding, end of the period	101,975	\$ 274,606	101,610	\$ 273,158

Unitholders have the right to redeem their units at the lesser of (i) 90% of the Market Price of the unit (Market Price is defined for this purpose in the Declaration of Trust as the weighted average trading price of the previous 10 trading days) and (ii) the most recent Closing Market Price (Closing Market Price is defined for this purpose in the Declaration of Trust as the weighted average trading price on the specified date) at the time of the redemption. The redemption price will be satisfied by cash, up to a limit of \$50 thousand for all redemptions in a calendar month, or a note payable. For the period ended March 31, 2018 no unitholder had redeemed units.

The Trust has a Distribution Reinvestment Plan ("DRIP") to enable Canadian resident unitholders to acquire additional units of the Trust through the reinvestment of distributions on their units. Units issued in connection with the DRIP are issued directly from the treasury of the Trust at a price based on the weighted average daily closing price of the units on the TSX for the 5 trading days immediately preceding the relevant distribution date. Participants also receive "bonus units" in an amount equal to 3% of the distribution amount reinvested.

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19. Distributions

Distributions are declared monthly at the discretion of the Board of Trustees of the Trust.

	3 Months Ended March 31, 2018	3 Months Ended March 31, 2017
Distributions paid to unitholders	\$ 7,122	\$ 6,817
Distribution reinvestment proceeds	(1,438)	(390)
Cash distributions paid to unitholders	\$ 5,684	\$ 6,427

20. Additional Cash Flow Information

(a) Changes in Non-Cash Working Capital

	3 Months Ended March 31, 2018	3 Months Ended March 31, 2017
Receivables	\$ 51	\$ (1,090)
Prepaid expenses and deposits	474	(150)
Change in construction accruals removed from investing activities	(491)	2,134
Accounts payable, accrued liabilities, tenant payables and tenant deposits	1,681	1,846
Total cash from change in non-cash working capital	\$ 1,715	\$ 2,740

(b) Changes in Liabilities Arising from Financing Activities

	March 31, 2018	December 31, 2017
Current and long-term debt ⁽¹⁾ – beginning of the period	\$ 515,933	\$ 542,549
Gross proceeds from mortgage bonds and debentures	47,250	9,000
Redemption/repayment of mortgage bonds and debentures	(34,270)	(5,276)
Periodic mortgage principal repayments	(2,666)	(10,416)
Mortgages repaid	(7,346)	(31,975)
Gross mortgage proceeds	23,062	36,933
Fees incurred for placement of debt	(162)	(647)
Increases in notes payable	-	234
Non-cash changes in current and long-term debt:		
Convertible debenture conversions	-	(13,667)
Mortgages assumed on acquisition	23,646	-
Mortgages assumed by purchasers on sale of investment properties	(11,822)	(10,035)
Deferred finance charges assumed on acquisition	(162)	-
Deferred finance charges written off on sale of investment properties	82	-
Net change in fair value of Class B exchangeable LP units	(266)	(970)
Net change in fair value of interest rate swaps and bond forwards	(31)	(182)
Net change in fair value of convertible debentures	(126)	(339)
Exchanges of Class B exchangeable LP units	-	(232)
Amortization of finance charges	290	1,107
Mark to market on assumption of debt	739	-
Mark to market amortization	(54)	(151)
Current and long-term debt ⁽¹⁾ – end of the period	\$ 554,097	\$ 515,933

⁽¹⁾ Long-term debt defined for this purpose as mortgage bonds, debentures, mortgages payable, notes payable and Class B exchangeable LP units.

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21. Related Party Transactions

The following are the related party transactions of the Trust. All related party transactions have been recorded at the exchange amount.

(a) Bonds and Debentures

The trustees own directly or indirectly the following mortgage bonds and debentures of the Trust (stated at face value):

	March 31, 2018	December 31, 2017
Edouard Babineau	\$ 150	\$ 150
Earl Brewer	450	425
Stephen Johnson	300	300
Michael Zakuta	100	100
Total	\$ 1,000	\$ 975

Other key management personnel own \$20 thousand in mortgage bonds of the Trust at March 31, 2018 (December 31, 2017 - \$20 thousand).

(b) Notes Payable to Related Parties

The following non-interest bearing notes existed at the time of acquisition of properties in September 2000. Certain of the notes are owed to parties controlled directly or indirectly by Michael Zakuta. The notes are repayable on sale or refinancing of the related asset.

	March 31, 2018	December 31, 2017
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta, President, Chief Executive Officer and trustee of the Trust	\$ 261	\$ 261

(c) Other Transactions with Related Parties

- (i) TC Land LP, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to the Trust at a total annual rent of \$1.1 million. The land leases expire at various times from October 2043 to November 2047, subject to options to renew. All of these land leases have options to purchase, of which one is at a fixed price and the others are at fair market value.
- (ii) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. There is a \$5 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2017 - \$7 thousand). For the three months ended March 31, 2018, property management, development and leasing fees of \$14 thousand were earned by a subsidiary of the Trust from this property (for the three months ended March 31, 2017 - \$38 thousand).
- (iii) Until January 31, 2018, Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, held interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Northwest Plaza Commercial Trust that it did not already own (see Note 4). A special committee of independent trustees of the Trust was formed to review and approve the related party transaction. For the one month ended January 31, 2018, property management, development and leasing fees of \$18 thousand were earned by a subsidiary of the Trust from this property (for the three months ended March 31, 2017 - \$30 thousand).
- (iv) The Montreal office of Plaza Group Management Limited (a wholly-owned subsidiary of the Trust) shares office space with a company indirectly owned by Michael Zakuta in an office building owned by that related party. No basic minimum rent is payable for the space.

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March 31, 2018 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

- (v) Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 20% interest in Mountainview Plaza, Midland, ON and Park Street Plaza, Kenora, ON. A subsidiary of the Trust manages the malls. At March 31, 2018 there is \$7.7 million owed by the properties to the Trust which is recorded in notes and advances receivable (December 31, 2017 - \$6.5 million). As well, there is a \$63 thousand accounts receivable balance owing to the Trust for property management and development fees (December 31, 2017 - \$64 thousand). For the three months ended March 31, 2018, property management, leasing and development fees of \$28 thousand were earned by a subsidiary of the Trust from these properties (for the three months ended March 31, 2017 - \$35 thousand).
- (vi) Until January 31, 2018, Edouard Babineau, Earl Brewer, Denis Losier and Michael Zakuta, directly or indirectly, held interests in common with the Trust's 10% interest in Shediak West Plaza, Shediak, NB. A subsidiary of the Trust manages the property. On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Plazacorp – Shediak Limited Partnership that it did not already own (see Note 4). A special committee of independent trustees of the Trust was formed to review and approve the related party transaction. For the one month ended January 31, 2018, property management, leasing and development fees of \$2 thousand were earned by a subsidiary of the Trust from this property (for the three months ended March 31, 2017 - \$34 thousand).
- (vii) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in two single-use properties located in Amherstview and Port Perry, ON. A subsidiary of the Trust manages the properties. For the three months ended March 31, 2018, property management fees of \$2 thousand were earned by a subsidiary of the Trust from these properties (for the three months ended March 31, 2017 - \$5 thousand).
- (viii) Edouard Babineau, Earl Brewer, James Petrie, Barbara Trenholm and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in KGH Plaza, Miramichi, NB, a single-use property located at 681 Mountain Road, Moncton, NB, a single-use property located at 201 Main Street, Sussex, NB and Robie Street Truro Plaza, Truro, NS. A subsidiary of the Trust manages the properties. At March 31, 2018 there is a \$4 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2017 - \$5 thousand). For the three months ended March 31, 2018, property management, leasing and development fees of \$13 thousand were earned by a subsidiary of the Trust from these properties (for the three months ended March 31, 2017 - \$13 thousand).
- (ix) Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in Scott Street Plaza, St. Catharines, ON, and five single-use properties located at St. Joseph's Boulevard, Orleans, ON, Dufferin and Wilson, Perth, ON, Ontario Street Port Hope, Port Hope, ON, Civic Centre Road, Petawawa, ON and 615 King Street, Gananoque, ON. A subsidiary of the Trust manages the properties. For the three months ended March 31, 2018, property management fees of \$6 thousand were earned by a subsidiary of the Trust from these properties (for the three months ended March 31, 2017 - \$5 thousand).
- (x) Effective December 1, 2017, Edouard Babineau, Earl Brewer, and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in the following eight properties: Boulevard Hebert Plaza and Victoria Street Plaza in Edmundston, NB; Grand Falls Shopping Center and Madawaska Road Plaza in Grand Falls, NB; Connell Road Plaza, Woodstock, NB; Welton Street Plaza, Sydney, NS; and Pleasant Street Plaza and Starrs Road Plaza in Yarmouth, NS. A subsidiary of the Trust manages the properties. At March 31, 2018 there is a \$9 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2017 - \$13 thousand). For the three months ended March 31, 2018, property management, leasing and development fees of \$34 thousand were earned by a subsidiary of the Trust from these properties (for the three months ended March 31, 2017 - n/a).

22. Financial Instruments and Risk Management

In accordance with IFRS, the Trust is required to classify its financial instruments carried at fair value in the financial statements using a fair value hierarchy that exhibits the significance of the inputs used in making the measurements.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2018 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

The following table provides information on financial assets and liabilities measured at fair value.

	March 31, 2018			December 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	\$ -	\$ -	\$ 996,080	\$ -	\$ -	\$ 959,618
Investment properties held for sale	-	-	-	-	-	-
	\$ -	\$ -	\$ 996,080	\$ -	\$ -	\$ 959,618
Class B exchangeable LP units	\$ 5,127	\$ -	\$ -	\$ 5,393	\$ -	\$ -
Series C, D and E convertible debentures	47,486	-	-	34,336	-	-
Series VII convertible debentures	-	5,528	-	-	5,554	-
	\$ 52,613	\$ 5,528	\$ -	\$ 39,729	\$ 5,554	\$ -

The fair value of investment properties is based on a combination of external appraisals and internal valuations based on a capitalization matrix provided by independent appraisers (see Note 5 for a more detailed description of the Trust's valuation approach). The significant unobservable inputs include normalized net operating income, which is supported by the terms of existing leases in place and current market rents to renew or lease up vacant or expiring space, adjusted for estimated or normalized vacancy rates based on market conditions and factoring in expected maintenance costs.

23. Subsequent Events

Financings

Subsequent to quarter end, all of the \$2.4 million remaining Series I non-convertible debentures were either extended or issued to new parties on the same terms and conditions to May 2, 2021. As well, an additional \$130 thousand of new Series I debentures were issued to replace the \$270 thousand that matured and was repaid in February 2018.

Investment properties

In April 2018, the Trust waived conditions to purchase the remaining 50% interest in Northumberland Square for \$5.1 million.

In April 2018, a purchaser waived conditions to buy land from the Trust in Campbellton, NB for \$25 thousand.

In April 2018, a purchaser waived conditions to buy a property from the Trust in London, ON for \$972 thousand. This transaction will not close until April 2019.

In April 2018, a purchaser waived conditions to buy a 50% co-ownership interest in a property in Brockville, ON for \$7.0 million.

In April 2018, a purchaser waived conditions to buy 8 properties in Alberta from the Trust for \$12.2 million.

Distributions and Distribution Reinvestment Plan

The Trust paid a cash distribution of \$0.02333 per unit for a total of \$1.9 million on April 16, 2018 and 111 thousand units were issued at a purchase price of \$3.93 per unit for a total of \$439 thousand under the Distribution Reinvestment Plan.

Plaza Retail REIT
98 Main Street
Fredericton, NB
E3A 9N6

506-451-1826

506-451-1802

Email: info@plaza.ca
www.plaza.ca