



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, 2017 AND 2016**

DATED: MAY 11, 2017

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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 11, 2017. 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.

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, 2017 and 2016, along with the MD&A of the Trust for the year ended December 31, 2016, 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 contained in this MD&A contains forward-looking statements, based on the Trust's estimates and assumptions, which are subject to numerous risks and uncertainties, including those described under "Risks and Uncertainties" in this MD&A. This may cause the actual results and performance of the Trust to differ materially from the forward-looking statements contained in this MD&A. Without limiting the foregoing, the words "believe", "expect", "continue", "anticipate", "should", "may", "intend", "estimate" 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, financing and the availability of financing sources. Factors that could cause actual results to differ from the 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 space; changes in interest rates; changes in operating costs; the availability of development and redevelopment opportunities for growth; 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 will be consistent with these forward-looking statements.

These forward-looking statements are made as of May 11, 2017 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"). It 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;
- 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 Retail REIT

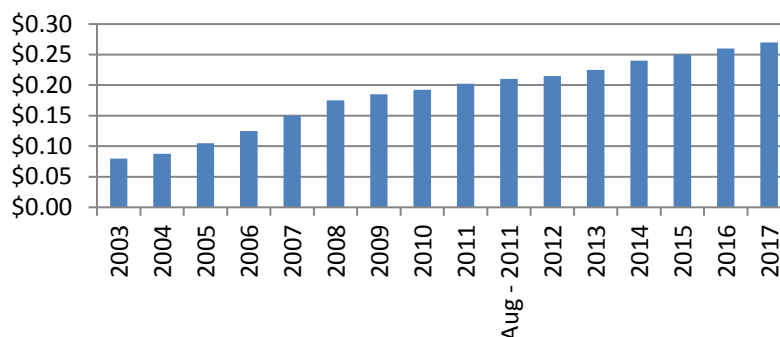
Plaza's growth is driven by value-add developments and redevelopments as well as organic growth from the existing portfolio as leases roll-over. Plaza's unique business strategy and focus on cash flow per unit has allowed it to increase its distribution every year since it began paying distributions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

(1) Plaza began paying distributions in November 2002.
2003 is the first full year of distribution payments.

Distributions/Dividends per unit



The Trust's portfolio at March 31, 2017 includes interests in 298 properties totaling approximately 7.8 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.

Summary of Properties

	Number of Properties March 31, 2017 ⁽¹⁾	Gross Leasable Area (sq. ft.) March 31, 2017 ^{(1) (2)}	Number of Properties March 31, 2016 ⁽¹⁾	Gross Leasable Area (sq. ft.) March 31, 2016 ^{(1) (2)}
Alberta	10	52,513	11	50,829
Newfoundland and Labrador	12	679,926	12	645,565
New Brunswick	51	1,890,349	50	1,723,255
Nova Scotia	37	1,179,910	37	1,170,913
Manitoba	6	30,424	6	30,424
Ontario	73	1,271,596	78	947,470
Prince Edward Island	11	595,850	11	576,126
Quebec	98	2,078,674	97	1,960,672
Total	298	7,779,242	302	7,105,254

(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 continue to deliver growth and a solid performance in 2017.

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

Notwithstanding more recent volatility in Government of Canada bond rates, long-term debt financing continues to be readily available from lenders, not only at historically competitive and low fixed rates, but with long amortization periods and long terms as well. Plaza believes that this will continue to be the case for the remainder of 2017.

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, 2017 ⁽⁴⁾	Anticipated Completion Date
In Planning/In Development:				
Strip Plaza:				
90 Blvd. Tache Ouest, Montmagny, QC	6,000	50%	n/a	Q1 2018
Plaza de L'Ouest, Sherbrooke, QC – Phase III	40,000	50%	n/a	2018
Fairville Boulevard, Saint John, NB – Phase III	24,000	100%	n/a	2018
St. Jerome, St. Jerome (Montreal), QC -Phase III ⁽²⁾	100,000	20%	n/a	2018
7550 Rue Beclard, Anjou, QC ⁽³⁾	40,030	100%	n/a	2018
600 JP Perrault, Sherbrooke, QC	83,000	50%	n/a	Q3 2017
Lawrence Avenue Plaza, Scarborough, ON ⁽³⁾	7,540	100%	84.5%	Q4 2017
100 Saint-Jude Nord, Granby, QC ⁽²⁾	100,000	8%	n/a	2018
The Shoppes at Galway, St. John's, NL – Phase I ⁽²⁾	265,000	50%	n/a	2018
The Shoppes at Galway, St. John's, NL – Phase II ⁽²⁾	335,000	50%	n/a	2019
The Shoppes at Galway, St. John's, NL – Phase III ⁽²⁾	100,000	50%	n/a	2019
Single Use:				
3000 Bd. St. Charles, Kirkland, QC ⁽³⁾	2,554	100%	100%	Q1 2018
233 Main St, Moncton, NB	24,999	100%	100%	Q1 2018
9205 Bd. Lacordaire, St. Leonard, QC ⁽³⁾	2,632	100%	n/a	Q1 2018
1675 Rue Notre Dame Ouest, Lachine, QC ⁽³⁾	2,989	100%	n/a	2018
Expansion:				
Pleasant Street, Yarmouth, NS	2,000	100%	n/a	2018
9025 Torbram Rd, Brampton, ON ⁽³⁾	34,272	100%	100%	Q3 2018
In Construction:				
Enclosed Mall to Strip Plaza:				
Park Street Plaza, Kenora, ON	71,192	20%	87%	Q2 2017
Mountainview Plaza, Midland, ON	180,996	20%	95%	Q3 2017
Northumberland, Miramichi, NB	91,000	50%	98%	Q3 2017
Eastcourt, Cornwall, ON	142,000	50%	99%	Q3 2017
Timiskaming, New Liskeard, ON	81,000	50%	74%	Q3 2017
Single Use:				
Millidgeville, Saint John, NB	13,941	100%	100%	Q2 2017
Central Avenue Plaza, Greenwood, NS ⁽³⁾	1,920	100%	100%	Q2 2017
Expansion:				
University Plaza, Charlottetown, PE ⁽³⁾	11,000	86%	100%	Q2 2017
Bureau en Gros, Rimouski, QC ⁽²⁾	5,000	50%	100%	Q2 2017
Powell Drive Plaza, Carbonear, NL ⁽³⁾	4,000	100%	100%	Q4 2017
Welton Street Plaza, Sydney, NS ⁽³⁾	3,850	100%	100%	Q4 2017
Total	1,775,915			

(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.

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 59 thousand additional square feet of gross leasable area.

At March 31, 2017, there are three land assemblies under purchase agreement and subject to due diligence or other conditions. These land purchases will represent an additional 29 thousand square feet of retail space at completion. Subsequent to quarter end, conditions were waived on one land assembly and those lands were acquired.

At March 31, 2017, there is a 50% interest in two properties, representing 60 thousand square feet (at the Trust's proportionate share) for redevelopment under purchase agreement and subject to due diligence or other conditions.

The total estimated costs for the developments and redevelopments (noted in the chart on the previous page) are between \$85 million and \$95 million, of which approximately \$53 million has already been spent (at Plaza's ownership percentage).

SUMMARY OF SELECTED YEAR TO DATE INFORMATION

(000s, except as otherwise noted)	3 Months Ended March 31, 2017 (unaudited)	3 Months Ended March 31, 2016 (unaudited)	3 Months Ended March 31, 2015 (unaudited)
Property rental revenue	\$ 25,340	\$ 24,466	\$ 23,902
Total revenue	\$ 24,846	\$ 25,873	\$ 27,458
NOI ⁽¹⁾	\$ 15,313	\$ 15,304	\$ 14,878
Same-asset NOI ⁽¹⁾	\$ 14,549	\$ 14,613	N/A ⁽³⁾
FFO ⁽¹⁾	\$ 8,326	\$ 7,491	\$ 7,489
AFFO ⁽¹⁾	\$ 7,845	\$ 7,037	\$ 6,894
EBITDA ⁽¹⁾	\$ 14,323	\$ 14,236	\$ 13,977
Total assets	\$ 1,027,921	\$ 1,014,932	\$ 978,129
Total mortgages, mortgage bonds, notes payable, bank credit facilities	\$ 487,829	\$ 482,643	\$ 465,034
Total debentures	\$ 50,148	\$ 65,217	\$ 65,582
Weighted average units outstanding ⁽²⁾	102,141	94,213	93,916
Amounts on a Per Unit Basis			
FFO ⁽¹⁾	\$ 0.082	\$ 0.080	\$ 0.080
AFFO ⁽¹⁾	\$ 0.077	\$ 0.075	\$ 0.073
Distributions	\$ 0.0675	\$ 0.065	\$ 0.0625
Financial Ratios			
Weighted average interest rate – fixed rate mortgages	4.43%	4.58%	4.75%
Debt to gross assets (excluding converts)	48.4%	47.7%	47.7%
Debt to gross assets (including converts)	52.2%	53.6%	53.9%
Interest coverage ratio ⁽¹⁾	2.28x	2.07x	2.04x
Debt coverage ratio ⁽¹⁾	1.61x	1.51x	1.55x
Distributions as a % of FFO	82.9%	83.2%	78.4%
Distributions as a % of AFFO	88.0%	88.6%	85.1%
Leasing Information			
Square footage leased during the period (total portfolio)	236,899	269,148	217,143
Committed occupancy	96.2%	96.4%	96.3%
Same-asset committed occupancy	96.3%	97.0%	96.6%
Mix of Tenancy Based on Square Footage			
National	90.6%	90.5%	90.4%
Regional	3.9%	4.1%	4.1%
Local	3.9%	4.3%	4.2%
Non retail	1.6%	1.1%	1.3%
Other			
Average term to maturity - mortgages	6.4 Years	6.3 years	6.4 years
Average term to maturity - leases	6.2 Years	6.4 years	6.6 years
IFRS capitalization rate	7.03%	7.04%	7.06%
Property Type Breakdown			
	Number of Properties March 31, 2017	Square Footage (000s) March 31, 2016	Square Footage (000s) March 31, 2015
Strip	103	5,342	4,568
Enclosed	5	1,036	1,121
Single Use – Quick Service Restaurant	128	377	385
Single Use – Retail	62	1,024	1,031
Total	298	7,779	7,105

(1) Refer to “Non-IFRS Measures” and “Additional IFRS Measures” 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, 2016.

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. Prior year comparative amounts for AFFO have been restated to reflect the new prescribed definition.

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 under the "Property and Corporate Performance" section of this MD&A.

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 under the "Property and Corporate Performance" section of this MD&A.

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, 2016, 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 termination 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 under the "Property and Corporate Performance" section of this MD&A.

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).

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 amortized 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, 2017 compared to the three months ended March 31, 2016.

FFO⁽¹⁾		YTD Q1 2017	YTD Q1 2016
	FFO	\$8,326	\$7,491
	FFO per unit	\$0.082	\$0.080
	Distributions as a % of FFO	82.9%	83.2%
	<ul style="list-style-type: none"> ➤ The increase in FFO was mainly due to growth in NOI from developments/redevelopments/acquisitions of \$445 thousand and a decrease in finance costs of \$697 thousand mainly due to lower debenture interest due to the redemption of Series B and Series C convertible debentures. ➤ The per unit amount was impacted by: (1) the public offering of 5.0 million units completed on March 31, 2016 partly used to redeem the Series B convertible debentures; and (2) the conversion of \$14.6 million in Series C convertible debentures into 2.8 million units in late 2016 and 2017, upon the issuance of a redemption notice for that series of convertible debentures in November 2016. 		
AFFO⁽¹⁾		YTD Q1 2017	YTD Q1 2016
	AFFO	\$7,845	\$7,037
	AFFO per unit	\$0.077	\$0.075
	Distributions as a % of AFFO	88.0%	88.6%
	<ul style="list-style-type: none"> ➤ The principal factors influencing AFFO are consistent with those impacting FFO. 		
Debt Service Ratios⁽¹⁾		YTD Q1 2017	YTD Q1 2016
	Interest coverage ratio	2.28x	2.07x
	Debt coverage ratio	1.61x	1.51x
	<ul style="list-style-type: none"> ➤ The increase mainly reflects lower finance costs. 		
Debt to Gross Assets		Q1 2017	Q1 2016
	Debt to gross assets (excluding converts)	48.4%	47.7%
	Debt to gross assets (including converts)	52.2%	53.6%
	<ul style="list-style-type: none"> ➤ The increase excluding converts is mainly due to the issuance of \$6.0 million in Series II unsecured debentures in February 2017. ➤ The decrease including converts is mainly due to the redemption of the Series B and C convertible debentures. 		
Same-Asset NOI⁽¹⁾		YTD Q1 2017	YTD Q1 2016
	Same-asset NOI	\$14,549	\$14,613
	<ul style="list-style-type: none"> ➤ The decrease in same-asset NOI was mainly due to a regional retailer bankruptcy and recovery adjustments in the quarter. For the remainder of 2017 volatility is anticipated in same-asset NOI due to known vacancies. 		
Weighted Average Interest Rate – Fixed Rate Mortgages		Q1 2017	Q1 2016
	Weighted average interest rate – fixed rate mortgages	4.43%	4.58%
	<ul style="list-style-type: none"> ➤ The decrease was a result of continued financings at historically low rates. 		
Occupancy Levels		YTD Q1 2017	YTD Q1 2016
	Committed occupancy	96.2%	96.4%
	Same-asset committed occupancy	96.3%	97.0%

⁽¹⁾ Refer to “Non-IFRS Measures” and “Additional IFRS Measures” for further explanations.

PROPERTY AND CORPORATE PERFORMANCE 2017 AND 2016
Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)

Plaza's summary of FFO and AFFO for the three months ended March 31, 2017, compared to the three months ended March 31, 2016 is presented below:

	3 Months Ended March 31, 2017 (unaudited)	3 Months Ended March 31, 2016 (unaudited)
(000s – except per unit amounts)		
Profit and total comprehensive income for the period attributable to unitholders	\$ 220	\$ 4,387
Add (deduct):		
Incremental leasing costs included in administrative expenses	355	299
Distributions on Class B exchangeable LP units included in finance costs	89	86
Deferred income taxes	89	344
Fair value adjustment to investment properties	6,105	1,990
Fair value adjustment to investments	1,570	(464)
Fair value adjustment to Class B exchangeable LP units	(106)	(26)
Fair value adjustment to convertible debentures	61	722
Fair value adjustment to interest rate swap and bond forward	-	166
Equity accounting adjustment	(16)	6
Non-controlling interest adjustment	(41)	(19)
Basic and Diluted FFO	\$ 8,326	\$ 7,491
Add (deduct):		
Non-cash revenue – straight-line rent	26	(39)
Leasing costs – existing properties	(397)	(369)
Maintenance capital expenditures – existing properties	(129)	(49)
Non-controlling interest adjustment	19	3
Basic and Diluted AFFO	\$ 7,845	\$ 7,037
Basic and diluted weighted average units outstanding ⁽¹⁾	102,141	94,213
Basic and Diluted FFO per unit	\$ 0.082	\$ 0.080
Basic and Diluted AFFO per unit	\$ 0.077	\$ 0.075
Gross distributions to unitholders ⁽²⁾	\$ 6,906	\$ 6,234
Distributions as a percentage of basic FFO	82.9%	83.2%
Distributions as a percentage of basic AFFO	88.0%	88.6%

⁽¹⁾ Includes Class B exchangeable LP units.

⁽²⁾ Includes distributions on Class B exchangeable LP units.

Basic FFO for the three months ended March 31, 2017 increased by \$835 thousand, or 11.1% over the prior year. Basic FFO per unit for the three months ended March 31, 2017 increased 2.5% over the prior year. Propelling the increase was net development and redevelopment activity and a decrease in finance costs.

More specifically, impacting FFO was:

- (i) growth in NOI of \$445 thousand from developments/redevelopments/acquisitions;
- (ii) a decrease in NOI of \$189 thousand due to the sale of properties;
- (iii) an increase in administrative expenses charged to NOI of \$138 thousand, mainly due to an increase in head count and salary increases;
- (iv) an increase in share of profit of associates (net of underlying income producing property fair value adjustments) of \$115 thousand due to a property at the underlying investment moving to income producing status from development status in the prior year; and

- (v) a decrease in finance costs of \$697 thousand mainly due to lower debenture interest due to the redemption of Series B and Series C convertible debentures.

For the three months ended March 31, 2017, AFFO increased by \$808 thousand, or 11.5% over the prior year, and AFFO per unit increased by 2.7% over the prior year. The increase in AFFO was mainly due to the same factors impacting FFO.

The per unit amounts were impacted by the public offering of 5.0 million units completed on March 31, 2016, partly used to redeem the Series B convertible debentures. The per unit amounts were also impacted by the conversion of \$14.6 million in Series C convertible debentures into 2.8 million units in late 2016 and January 2017, upon the issuance of a redemption notice for the Series C convertible debentures in November 2016. The full impact of the conversions is reflected in the quarter in the number of units outstanding, while the reduction in finance costs associated with the conversions will continue throughout the year.

Debt Service Ratios

Plaza's summary of EBITDA and debt service ratios for the three months ended March 31, 2017, compared to the three months ended March 31, 2016 is presented below:

	3 Months Ended March 31, 2017 (unaudited)	3 Months Ended March 31, 2016 (unaudited)
(000s – except debt service ratios)		
Profit and total comprehensive income for the period	\$ 279	\$ 4,460
Add (deduct):		
Income taxes	119	374
Finance costs	6,311	7,008
Fair value adjustment to investment properties	6,105	1,990
Fair value adjustment to investments	1,570	(464)
Fair value adjustment to convertible debentures	61	722
Fair value adjustment to Class B exchangeable LP units	(106)	(26)
Fair value adjustment to interest rate swap and bond forward	-	166
Equity accounting adjustment for interest rate swaps and bond forwards	(16)	6
EBITDA	\$ 14,323	\$ 14,236
Finance costs ⁽¹⁾	\$ 6,284	\$ 6,882
Periodic mortgage principal repayments	2,627	2,546
Total debt service	\$ 8,911	\$ 9,428
Debt service ratios		
Interest coverage ratio	2.28 times	2.07 times
Debt coverage ratio	1.61 times	1.51 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, 2017, the interest and debt coverage ratios were improved over the prior year, mainly reflecting lower finance costs mainly due to lower debenture interest due to the redemption of Series B and Series C convertible debentures. The debt coverage and interest coverage ratios exceed the requirements under borrowing arrangements.

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, 2017 and the entire year ended December 31, 2016 and excludes partial year results from certain assets due to timing of acquisition, development, redevelopment or disposition.

Plaza Retail REIT

Significant portions of the Trust's leases have common cost recoveries from tenants linked to the consumer price index (CPI). At March 31, 2017, approximately 49.1% 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.

	3 Months Ended March 31, 2017 (unaudited)	3 Months Ended March 31, 2016 (unaudited)
(000s)		
Same-asset rental revenue	\$ 22,308	\$ 22,173
Same-asset operating expenses	(3,600)	(3,468)
Same-asset realty tax expense	(4,159)	(4,092)
Same-asset NOI	\$ 14,549	\$ 14,613

As noted in the chart above, the same-asset NOI for the three months ended March 31, 2017 decreased by \$64 thousand or 0.4%, over the same period in the prior year. The decrease in same-asset NOI was mainly due to a regional retailer bankruptcy and recovery adjustments in the quarter. For the remainder of 2017 volatility is anticipated in same-asset NOI due to known vacancies.

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

	3 Months Ended March 31, 2017 (unaudited)	3 Months Ended March 31, 2016 (unaudited)
(000s except percentage data)		
New Brunswick	\$ 3,369	\$ 3,436
Nova Scotia	2,880	2,973
Quebec	3,258	3,284
Alberta	226	226
Manitoba	191	191
Ontario	2,248	2,173
Newfoundland and Labrador	1,192	1,114
Prince Edward Island	1,185	1,216
Same-asset NOI	\$ 14,549	\$ 14,613
Percentage decrease over prior period	(0.4)%	

Plaza Retail REIT

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, 2017 (unaudited)	3 Months Ended March 31, 2016 (unaudited)
(000s)		
Same-asset NOI	\$ 14,549	\$ 14,613
Developments and redevelopments transferred to income producing in 2016	616	239
Developments and redevelopments transferred to income producing in 2017 (\$1.0 million annualized NOI)	169	61
NOI from properties currently under redevelopment	644	684
Straight-line rent	(26)	39
Administrative expenses charged to NOI	(661)	(523)
Property disposals	-	189
Other	22	2
Total NOI	\$ 15,313	\$ 15,304

Leasing and Occupancy

The following table represents leases expiring for the next 5 years and thereafter for Plaza's property portfolio at March 31, 2017 (excluding developments, redevelopments and non-consolidated investments).

	Strip Plazas		Enclosed Malls		Single-User Retail		Single-User QSR ⁽²⁾		Total	
Year	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%
Remainder of 2017	126,362	3.6	29,835	4.6	8,963	1.0	16,132	5.5	181,292	3.4
2018	240,315	6.9	43,658	6.7	-	-	194,632	66.5	478,605	9.1
2019	278,588	8.0	131,101	20.1	19,504	2.3	-	-	429,193	8.1
2020	522,458	15.1	158,043	24.2	109,776	12.6	12,014	4.1	802,291	15.2
2021	488,239	14.1	32,845	5.0	38,537	4.4	-	-	559,621	10.6
2022	334,885	9.7	26,295	4.0	130,728	15.0	13,657	4.7	505,565	9.6
Thereafter	1,472,438	42.6	230,236	35.4	564,347	64.7	56,132	19.2	2,323,153	44.0
Subtotal	3,463,285	100.0	652,013	100.0	871,855	100.0	292,567	100.0	5,279,720	100.0
Vacant	167,796		63,889		-		4,540		236,225	
Total	3,631,081		715,902		871,855		297,107		5,515,945	
Weighted average										
lease term	6.5 years		3.4 years		8.2 years		3.3 years		6.2 years	

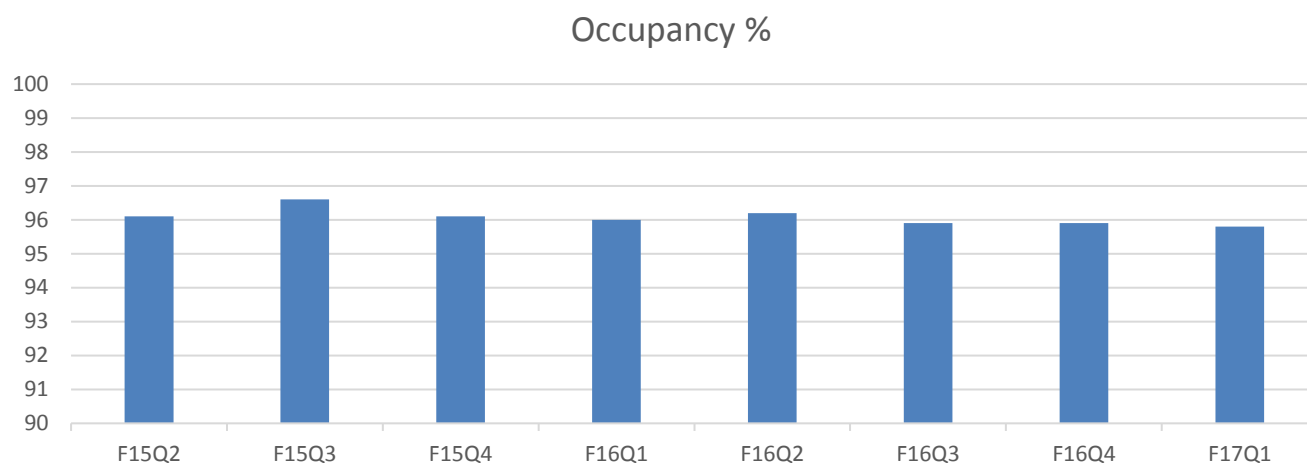
⁽¹⁾ At 100%, regardless of the Trust's ownership interest in the properties.

⁽²⁾ QSR refers to quick service restaurants.

At March 31, 2017, overall committed occupancy for the portfolio (excluding properties under development, redevelopment and non-consolidated investments) was 96.2% compared to 96.4% at March 31, 2016. Same-asset committed occupancy was 96.3% at March 31, 2017, compared to 97.0% at March 31, 2016.

Plaza Retail REIT

Committed occupancy for the portfolio has remained relatively stable over the last eight quarters.



The weighted average contractual base rent per square foot on renewals/new leasing in 2017 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
<u>2017 – Q1</u>				
Leasing renewals (sq. ft.)	79,328	39,575	14,296	-
Weighted average rent (\$/sq. ft.)	\$14.26	\$17.83	\$28.00	-
Change in weighted average rent	3.6%	4.2%	4.7%	-
Expiries that renewed (sq. ft.)	79,328	39,575	14,296	-
Weighted average rent (\$/sq. ft.)	\$13.76	\$17.11	\$26.75	-
New leasing (sq. ft.)	16,093	2,344	-	1,790
Weighted average rent (\$/sq. ft.)	\$17.74	\$19.71	-	\$25.00
Expiries not renewed (sq. ft.)	14,726	6,331	-	1,790
Weighted average rent (\$/sq. ft.)	\$12.86	\$12.32	-	\$22.00
<u>2017 – Remainder of Year</u>				
Expiries (sq. ft.)	126,362	29,835	8,963	16,132
Weighted average rent (\$/sq. ft.)	\$15.01	\$16.56	\$20.56	\$35.32

In addition, for the three months ended March 31, 2017, the Trust completed 36 thousand square feet of new and renewal leasing deals on developments and redevelopments at market rates and 48 thousand square feet of new and renewal leasing deals at market rates at non-consolidated investments.

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 96.0% at March 31, 2017, compared to 96.2% at March 31, 2016.
- Committed occupancy for enclosed malls was 91.6% at March 31, 2017, compared to 92.0% at March 31, 2016.
- Committed occupancy for single use assets was 99.6% at March 31, 2017, compared to 99.7% at March 31, 2016.
- Pre-leased space in active properties under development was 75.1% at March 31, 2017.

Plaza Retail REIT

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, 2017 represent approximately 57.5% of total base rent revenues in place.

	% of Base Rent Revenue ⁽⁵⁾		% of Base Rent Revenue ⁽⁵⁾
1. Shoppers Drug Mart	25.8	6. Staples	2.9
2. KFC ⁽¹⁾	8.7	7. TJX Group ⁽⁴⁾	2.8
3. Dollarama	4.9	8. Rexall Pharma Plus	2.1
4. Sobeys Group ⁽²⁾	3.6	9. Bulk Barn	1.8
5. Canadian Tire Group ⁽³⁾	3.1	10. Best Buy	1.8

(1) Represented by 6 tenants.

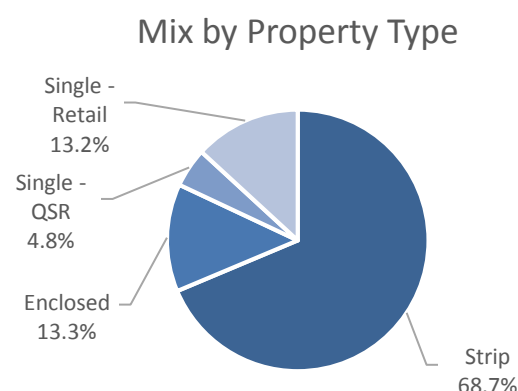
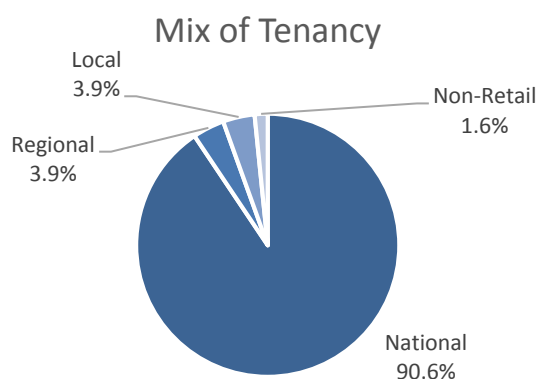
(2) Sobeys Group represents the following stores: Sobeys, IGA, Sobeys Fast Fuel and Lawtons.

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



Profit and Total Comprehensive Income for the Period

The Trust recorded profit and total comprehensive income for the three months ended March 31, 2017 of \$279 thousand compared to \$4.5 million for the same period in the prior year. Profit was impacted by the same factors mentioned in the discussion of FFO previously, as well as:

- (i) a decrease in share of profit of associates of \$1.9 million relating to the non-cash fair value adjustment to the underlying investment properties;
- (ii) a net loss from the non-cash fair value adjustment to convertible debentures of \$61 thousand compared to a net loss of \$722 thousand in the prior year; and
- (iii) a net loss from non-cash fair value adjustments to investment properties of \$6.1 million in the current quarter, compared to a net loss of \$2.0 million in the prior year.

Plaza Retail REIT

Share of Profit of Associates

Share of profit of associates consists of income from equity and fair value-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 – Shediak Limited Partnership	10%	8%	50%
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
The Shoppes at Galway Limited Partnership ⁽²⁾	50%	n/a	n/a
Fair Value Accounted Investments⁽¹⁾			
Northwest Plaza Commercial Trust	10%	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); Shediak West (Plazacorp – Shediak 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); the Shoppes at Galway (The Shoppes at Galway Limited Partnership) and Northwest Centre (Northwest Plaza Commercial Trust).

⁽²⁾ The land within this partnership is currently in development.

Share of profit of associates for the three months ended March 31, 2017 includes Plaza's share of NOI of approximately \$988 thousand. Share of profit of associates decreased by \$1.9 million for the three months ended March 31, 2017 compared to the three months ended March 31, 2016. The decrease was mainly due to non-cash fair value adjustments.

Distributions received from associates for the three months ended March 31, 2017 were \$676 thousand compared to \$584 thousand for the three months ended March 31, 2016.

Finance Costs

Finance costs for the three months ended March 31, 2017 were \$6.3 million, compared to \$7.0 million for the same period in the prior year. Finance costs for the current quarter were impacted by:

- (i) lower debenture interest of \$475 thousand due to the redemption of Series B and Series C convertible debentures;
- (ii) prior year early mortgage discharge fees incurred of \$148 thousand; and
- (iii) lower mortgage interest due to refinancings at lower interest rates and due to the sale of properties.

These were partly offset by:

- (i) higher debenture interest expense of \$101 thousand due to the Series VII debentures issued in June 2016 and the Series II unsecured debentures issued in February 2017.

Change in Fair Value of Investment Properties

The Trust recorded a fair value decrease to investment properties of \$6.1 million for the three months ended March 31, 2017 compared to a fair value decrease of \$2.0 million for the three months ended March 31, 2016. The weighted average capitalization rate at March 31, 2017 was 7.03% which is one basis point lower than March 31, 2016. The fair value decrease was largely due to changes in NOI, and not capitalization rate increases at the properties. At March 31, 2017 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 \$34.8 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately \$32.4 million.

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 of the non-public convertible debentures are based on relative trading prices of the Trust's most closely comparable publicly traded convertible debentures.

The fair value adjustment to convertible debentures for the three months ended March 31, 2017 was a net loss of \$61 thousand compared to a net loss of \$722 thousand for the three months ended March 31, 2016.

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, 2017 was a net gain of \$106 thousand compared to a net gain of \$26 thousand, in the prior year.

Administrative Expenses

Administrative expenses for the three months ended March 31, 2017 are consistent with the prior year, at \$2.0 million.

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.

Acquisitions/Dispositions

During the three months ended March 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 surplus land in Calgary, AB for net proceeds of \$78 thousand.

PART III
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)	Q1'17	Q4'16	Q3'16	Q2'16	Q1'16	Q4'15	Q3'15	Q2'15
Total revenue ⁽¹⁾	\$24,846	\$27,845	\$28,453	\$25,858	\$25,873	\$24,079	\$25,434	\$24,883
Property rental revenue	\$25,340	\$25,241	\$25,585	\$24,923	\$24,466	\$24,337	\$23,899	\$23,912
Net property operating income	\$15,313	\$15,656	\$16,433	\$15,279	\$15,304	\$15,293	\$15,711	\$15,016
Profit and total comprehensive income	\$279	\$9,574	\$7,389	\$11,335	\$4,460	\$5,036	\$9,092	\$8,217
Distributions per unit	6.75¢	6.50¢	6.50¢	6.50¢	6.50¢	6.25¢	6.25¢	6.25¢
Funds from operations per unit – basic	8.2¢	8.7¢	9.2¢	7.5¢	8.0¢	9.3¢	8.5¢	7.5¢
Funds from operations per unit – diluted	8.2¢	8.6¢	9.1¢	7.5¢	8.0¢	9.3¢	8.5¢	7.5¢
Adjusted funds from operations per unit – basic	7.7¢	7.7¢	7.9¢	6.7¢	7.5¢	8.0¢	7.4¢	6.3¢
Adjusted funds from operations per unit – diluted	7.7¢	7.7¢	7.9¢	6.7¢	7.5¢	8.0¢	7.4¢	6.3¢
Distributions as a percentage of basic FFO	82.9%	75.1%	70.8%	87.0%	83.2%	67.0%	73.7%	83.1%
Distributions as a percentage of basic AFFO	88.0%	84.5%	82.1%	96.4%	88.6%	78.4%	84.8%	99.1%
Gross Leasable Area (000s of sq. ft.) (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	5,516	5,480	5,475	5,412	5,434	5,415	5,286	5,295
Occupancy % (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	96.2%	96.2%	96.2%	96.5%	96.4%	96.2%	96.9%	96.2%

⁽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, 2017, approximately 49.1% 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 IV

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.

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

	3 Months Ended March 31, 2017 (unaudited)	3 Months Ended March 31, 2016 (unaudited)
(000s)		
Cash provided by operating activities ⁽¹⁾	\$ 11,723	\$ 9,965
Total distributions ⁽²⁾	(6,906)	(6,234)
Excess of cash provided by operating activities over total distributions	\$ 4,817	\$ 3,731

⁽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 Distribution Reinvestment Plan (DRIP) and distributions on Class B exchangeable LP units classified as finance costs.

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

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES
Operating and Development Facilities

(000s) (unaudited)	\$44.0 Million Operating	\$20.0 Million Development	\$15.0 Million Development
December 31, 2016 ⁽¹⁾	\$ 12,562	\$ 2,825	\$ 4,075
Net Change	9,455	(1,062)	1,036
March 31, 2017 ⁽¹⁾	\$ 22,017	\$ 1,763	\$ 5,111
Interest rate	Prime + 0.75% or BA + 2.00%	Prime + 0.75% or BA + 2.25%	Prime + 0.75% or BA + 2.00%
Maturity	July 31, 2018	July 31, 2017	July 31, 2018
Security	First charges on pledged properties	First charges on applicable pledged development property	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	\$952 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, 2017, all debt covenants in respect of the above facilities have been maintained.

Mortgage Bonds

Mortgage bonds are secured by either property or cash.

In February 2016, the \$900 thousand 5.25% Series VI mortgage bonds matured and were repaid. In June 2016, the \$1.185 million Series V 8.0% mortgage bonds matured and were repaid. In August 2016, the \$3.86 million Series VII 6.0% mortgage bonds matured and were repaid. On July 8, 2016 and August 15, 2016, the Trust issued a total of \$6.0 million Series XI 5.0% floating mortgage bonds.

The Series X and XI 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 and XI mortgage bonds at par on the first and second anniversaries, being June 25, 2018 and June 25, 2019 for the Series X mortgage bonds, and July 8, 2017 and July 8, 2018 for the Series XI mortgage bonds. The Trust has no right to redeem any of the Series IX mortgage bonds prior to their maturity date.

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.

On April 29, 2016, the Trust redeemed the \$9.2 million outstanding 8% Series B convertible debentures. The proceeds from the public offering of 5.0 million units completed on March 31, 2016 were partly used to redeem the Series B convertible debentures.

Plaza Retail REIT

On June 15, 2016, \$5.5 million in Series VII convertible debentures were issued as part of the financing to acquire a 50.0% interest in three properties. These convertible debentures are at an interest rate of 5.5% and mature on June 30, 2021.

On November 30, 2016, the Trust issued a redemption notice for the 7.0% Series C convertible debentures to be redeemed on January 9, 2017. A total of \$1.75 million were converted in 2016 into 333 thousand units and \$198 thousand in cash, leaving a balance of \$15.2 million in face value of debentures. Between January 3rd and 6th, 2017, \$12.9 million were converted into 2.45 million units and \$1.5 million in cash. On January 9, 2017, the remaining \$2.3 million were redeemed and paid out.

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.

Mortgages

During 2017 the Trust obtained new long-term financing in the amount of \$7.6 million (at Plaza's consolidated share) with a weighted average term of 10.0 years and a weighted average interest rate of 3.99%.

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 in August 2017. At March 31, 2017, \$2.6 million has been drawn on the loan.

The Trust also 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 in December 2017. At March 31, 2017, \$467 thousand has been drawn on the loan.

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 by year:

(000s, except percentage data) (unaudited)	Remainder 2017	Year 1 2018	Year 2 2019	Year 3 2020	Year 4 2021	Year 5 2022	After 5 Years	Total
Long-term mortgages	\$9,773	\$15,281	\$50,572	\$64,379	\$28,646	\$26,847	\$170,076	\$365,574
Construction loans	3,089	-	-	-	-	-	-	3,089
Development lines of credit	1,763	5,111	-	-	-	-	-	6,874
Bank operating facility	-	22,017	-	-	-	-	-	22,017
Total	\$14,625	\$42,409	\$50,572	\$64,379	\$28,646	\$26,847	\$170,076	\$397,554
As a percentage	3.7%	10.6%	12.7%	16.2%	7.2%	6.8%	42.8%	100.0%
Weighted average expiring rate on long- term mortgages	5.61%	4.95%	3.80%	4.75%	4.77%	4.34%	4.32%	

The weighted average term to maturity for the long-term mortgages is 6.4 years. The average remaining repayment (amortization) period on long-term mortgage debt is 24.1 years.

The ratio of debt to gross book assets at March 31, 2017 (excluding convertible debentures) is 48.4% compared to 47.7% at March 31, 2016 and 47.7% at December 31, 2016. Including convertible debentures at cost, Plaza's debt to gross assets at March 31, 2017 is 52.2% compared to 53.6% at March 31, 2016 and 53.0% at December 31, 2016. The increase over the prior

Plaza Retail REIT

year excluding convertible debentures was mainly due to the issuance of \$6.0 million Series II unsecured debentures. The decrease over the prior year including convertible debentures was mainly due to the redemption of the Series B and C 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 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 Outstanding

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 11, 2017 (000s) (unaudited)	Units
Current outstanding units	101,045
Class B exchangeable LP units	1,319
Series D convertible debentures	5,913
Series VII convertible debentures	911
Total adjusted units outstanding	109,188

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 \$3.2 million. One of the land leases relates to shared parking facilities. The other properties under land lease represent approximately 9.2% of the Trust's fair value of investment properties and investments. Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2017 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, 2017 (unaudited)	3 Months Ended March 31, 2016 (unaudited)
Existing properties		
Leasing commissions	\$ 11	\$ 140
Other leasing costs	386	229
	397	369
Maintenance capital expenditures	129	49
Total capital additions – existing properties	526	418
Development/redevelopment properties		
Leasing commissions	14	-
Other leasing costs	67	203
Capital additions	6,404	4,654
Total capital additions – developments/redevelopments	6,485	4,857
Total gross additions	\$ 7,011	\$ 5,275

COMMITMENTS AND CONTINGENT LIABILITIES

The Trust has \$4.4 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 has contingent liabilities as original borrower on three mortgages partially assumed by the purchasers of 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, 2017 totals \$5.5 million with a weighted average remaining term of 5.8 years.

The Trust guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of \$19.2 million. As well, the Trust has a guarantee in excess of its ownership percentage to the mortgagee on one property in the amount of \$550 thousand. This amount is subject to cross-guarantees by the other co-owners.

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, 2017, the Trust held interests in 298 properties spread geographically across Canada. Some of the more important risks are outlined below. See Financial Risk Management Note 24 to the December 31, 2016 Consolidated Financial Statements of the Trust for further details. Also see the Trust's Annual Information Form dated March 24, 2017 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 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 2017 or properties needing long term financing in 2017 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 25.8% of current monthly base rents in place, while franchisees of KFC represent 8.7%. The top 10 tenants collectively represent approximately 57.5% 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 to \$700 thousand 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, 2017 (unaudited)	December 31, 2016
(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, 2017 (unaudited)	December 31, 2016
(000s)		
Edouard Babineau	\$ 150	\$ 150
Earl Brewer	425	125
Stephen Johnson	300	100
Michael Zakuta	100	100
Total	\$ 975	\$ 475

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

Other Related Party Transactions

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. At March 31, 2017 there is \$96 thousand owed by the Gateway Mall to some of the owners of the mall. The pro rata amount owed to the Trust is \$24 thousand. As well, there is a \$5 thousand accounts receivable balance owing to the Trust for property management fees. For the three months ended March 31, 2017, property management and leasing fees of \$38 thousand were earned by a subsidiary of the Trust from this property.

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. The business purpose of the leases was to enhance levered equity returns on the affected assets.

Earl Brewer and Michael Zakuta hold 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. For the three months ended March 31, 2017, property management and leasing fees of \$30 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.

Earl Brewer, Michael Zakuta and Edouard Babineau 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, 2017 there is \$5.4 million owed by the properties to the Trust. As well, there is \$17 thousand accounts receivable balance owing to the Trust for property management and development fees. For the three months ended March 31, 2017, property management, leasing and development fees of \$35 thousand were earned by a subsidiary of the Trust from these properties.

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, 2017. 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, 2017, 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 Condensed Interim 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.

FUTURE ACCOUNTING POLICY CHANGES

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ending December 31, 2017, and have not been applied in preparing the Condensed Interim Consolidated Financial Statements. Please see Note 3 to the Consolidated Financial Statements for the year ended December 31, 2016 for further details about future accounting policy changes.

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, 2017 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,
2017**

**December 31,
2016**

Assets

Non-Current Assets

Investment properties (Note 4)	\$ 958,557	\$ 959,889
Investments	43,513	46,551
Tenant loans	433	846
Deferred income tax asset	142	126
Total non-current assets	1,002,645	1,007,412

Current Assets

Cash	5,286	5,182
Receivables	4,645	3,542
Prepaid expenses and deposits	2,320	2,518
Investments	99	99
Tenant loans	460	469
Notes and advances receivable	12,466	10,578
Investment properties held for sale (Note 4)	-	92
Total current assets	25,276	22,480
Total assets	\$ 1,027,921	\$ 1,029,892

Liabilities and Unitholders' Equity

Non-Current Liabilities

Debentures payable (Note 5)	\$ 48,548	\$ 44,093
Mortgage bonds payable (Note 6)	11,863	11,843
Mortgages payable (Note 7)	417,536	414,839
Class B exchangeable LP units (Note 10)	6,489	6,595
Deferred income tax liability	7,322	7,217
Total non-current liabilities	491,758	484,587

Current Liabilities

Bank indebtedness (Note 8)	22,017	12,562
Current portion of debentures payable (Note 5)	1,600	16,079
Current portion of mortgage bonds payable (Note 6)	2,911	2,905
Current portion of mortgages payable (Note 7)	32,300	45,005
Accounts payable, accrued liabilities, tenant payables and tenant deposits	18,260	15,821
Notes payable	1,202	1,190
Total current liabilities	78,290	93,562
Total liabilities	570,048	578,149

Unitholders' equity	453,815	447,805
Non-controlling interests	4,058	3,938
Total unitholders' equity	457,873	451,743
Total liabilities and unitholders' equity	\$ 1,027,921	\$ 1,029,892

Subsequent events – see Note 14



Barbara Trenholm, Trustee



Earl Brewer, Trustee

The notes on pages 33 to 43 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,
2017

3 Months
Ended
March 31,
2016

Revenues	\$ 25,340	\$ 24,466
Operating expenses	(10,027)	(9,162)
Net property operating income	15,313	15,304
Share of profit (loss) of associates	(1,013)	906
Administrative expenses	(2,050)	(2,017)
Investment income	239	148
Other income	280	353
Income before finance costs, fair value adjustments and income taxes	12,769	14,694
Finance costs (Note 9)	(6,311)	(7,008)
Finance costs - net change in fair value of convertible debentures (Note 5)	(61)	(722)
Finance costs - net change in fair value of Class B exchangeable LP units (Note 10)	106	26
Finance costs - net change in fair value of interest rate swap and bond forward (Note 7)	-	(166)
Net change in fair value of investment properties (Note 4)	(6,105)	(1,990)
Profit before income tax	398	4,834
Income tax expense		
- Current	(30)	(30)
- Deferred	(89)	(344)
	(119)	(374)
Profit and total comprehensive income for the period	\$ 279	\$ 4,460
Profit and total comprehensive income for the period attributable to:		
- Unitholders	\$ 220	\$ 4,387
- Non-controlling interests	59	73
	\$ 279	\$ 4,460

The notes on pages 33 to 43 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 10)	Retained Earnings	Total Attributable to Unitholders	Non- Controlling Interests	Total Equity
Balance as at December 31, 2015	\$ 233,224	\$ 182,441	\$ 415,665	\$ 3,885	\$ 419,550
Profit and total comprehensive income for the period	-	4,387	4,387	73	4,460
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders - DRIP and RSU plan	308	-	308	-	308
- Contributions by unitholders – public offering, net of issues costs	21,691	-	21,691	-	21,691
- Distributions to unitholders	-	(6,148)	(6,148)	-	(6,148)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(43)	(43)
Balance as at March 31, 2016	\$ 255,223	\$ 180,680	\$ 435,903	\$ 3,915	\$ 439,818
Balance as at December 31, 2016	\$ 258,011	\$ 189,794	\$ 447,805	\$ 3,938	\$ 451,743
Profit and total comprehensive income 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	-	(6,817)	(6,817)	-	(6,817)
- Distributions to 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

The notes on pages 33 to 43 are an integral part of these condensed interim consolidated financial statements.

Plaza Retail REIT

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)

(in thousands of Canadian dollars)

3 Months

Ended

March 31,

2017

3 Months

Ended

March 31,

2016

Cash obtained from (used for):

Operating activities

Profit and total comprehensive income for the period	\$ 279	\$ 4,460
Items not affecting cash:		
Finance costs (Note 9)	6,311	7,008
Share of (profit) loss of associates	1,013	(906)
Net change in fair value of investment properties	6,105	1,990
Net change in fair value of convertible debentures	61	722
Net change in fair value of Class B exchangeable LP units	(106)	(26)
Net change in fair value of interest rate swap and bond forward (Note 7)	-	166
Current and deferred income taxes	119	374
Straight-line rent revenue	26	(39)
Interest paid	(5,445)	(5,819)
Income taxes paid	(45)	(44)
Distributions from equity accounted investments	676	584
Leasing commissions	(11)	(140)
Change in non-cash working capital (Note 11)	2,740	1,635
	11,723	9,965

Financing activities

Issuance of units from public offering, net of issue costs	-	21,691
Cash paid on conversion of Series C convertible debentures (Note 5)	(1,454)	-
Distributions paid to unitholders	(6,817)	(6,148)
Distributions paid to Class B exchangeable LP unitholders	(89)	(86)
Distribution reinvestment proceeds (Note 10)	390	308
Gross proceeds of mortgage bonds and debentures	6,000	-
Finance charges incurred for bonds and debentures	(143)	-
Redemption/repayment of mortgage bonds and debentures	(2,276)	(900)
Gross mortgage proceeds	8,864	12,322
Fees incurred for placement of mortgages	(149)	(76)
Loan defeasance expenses and early mortgage discharge fees paid	-	(148)
Mortgages repaid	(16,250)	(14,368)
Periodic mortgage principal repayments	(2,627)	(2,546)
Redemptions of bonds purchased for mortgage defeasances	-	11,569
Increase in notes payable	12	-
	(14,539)	21,618

Investing activities

Acquisitions	-	(2,731)
Developments and redevelopments - additions	(7,000)	(5,135)
Net proceeds from disposal of investment properties and land (Note 4(f))	78	6,039
Net proceeds from disposal of investment properties and land on properties previously classified as held for sale (Note 4(g))	92	1,800
Advances to equity accounted investments for developments	(250)	(150)
Contributions to/(distributions from) subsidiaries from/to non-controlling interests	61	(43)
Decrease (increase) in deposits for acquisitions and financings	350	(52)
Decrease (increase) in notes receivable	(288)	171
Repayment of tenant loans	422	434
	(6,535)	333

Net increase (decrease) in cash

Cash less bank indebtedness, beginning of the period	(9,351)	31,916
	(7,380)	(23,742)
Cash less bank indebtedness, end of the period	\$ (16,731)	\$ 8,174

The notes on pages 33 to 43 are an integral part of these condensed interim consolidated financial statements.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 (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.

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, 2016 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 2016 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 11, 2017.

3. Summary of Significant Accounting Policies

Changes in Accounting Policies

(i) Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. The amendments to IAS 7 became effective for the annual period beginning on January 1, 2017. The Trust will adopt these changes for the 2017 annual financial statements.

(ii) Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The amendments to IAS 12 became effective for the annual period beginning on January 1, 2017. The adoption of the amendments did not have a material impact on the financial statements.

Plaza Retail REIT

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited)

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

4. Investment Properties

	March 31, 2017	December 31, 2016
Balance, beginning of the period:	\$ 959,889	\$ 945,757
Additions (deductions):		
Additions to investment properties	4,877	18,586
Additions – acquisitions of investment properties and land	-	15,122
Disposals	(78)	(21,491)
Investment properties held for sale	-	(92)
Straight line rent receivable change	(26)	359
Change in fair value ⁽¹⁾	(6,105)	1,648
Balance, end of the period:	\$ 958,557	\$ 959,889

⁽¹⁾ The change in fair value includes a loss of \$126 thousand (December 31, 2016 – \$895 thousand gain) 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, \$316 million of investment properties were based on such external appraisals (December 31, 2016 - \$281 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). 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.

As at March 31, 2017 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	69	6.45%	5.50% - 8.50%	6.00% - 9.00%
Quick Service Restaurant	121	7.37%	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	30	6.97%	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	7.79%	7.50% - 9.50%	7.50% - 11.00%
	275	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.

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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, 2017 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 \$34.8 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately \$32.4 million.

As at December 31, 2016 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	68	6.45%	5.50% - 8.50%	6.00% - 9.00%
Quick Service Restaurant	121	7.30%	5.50% - 9.00%	6.00% - 11.00%
Anchored Strip – Class A	14	7.11%	6.00% - 8.25%	6.25% - 9.00%
Anchored Strip – Class B	30	6.97%	6.00% - 8.50%	6.75% - 10.00%
Unanchored Strip	38	7.66%	6.00% - 9.00%	6.50% - 11.00%
Enclosed Malls – Community	4	7.79%	7.50% - 9.50%	7.50% - 11.00%
	275	7.03%		

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

(a) Straight-line Rent

Included in investment properties at March 31, 2017 is \$12.2 million (December 31, 2016 - \$12.3 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".

(b) Surplus Land

Included in investment properties at March 31, 2017 is \$2.4 million of surplus lands at fair value (December 31, 2016 - \$3.6 million).

(c) Properties under Development

Included in investment properties at March 31, 2017 is \$48.5 million of properties under development/redevelopment (December 31, 2016 - \$48.0 million).

(d) Borrowing Costs

The total amount of borrowing costs capitalized for the three months ended March 31, 2017 is \$80 thousand (for the three months ended March 31, 2016 - \$73 thousand).

(e) Acquisitions

During the year ended December 31, 2016, the Trust acquired an additional 5.5% interest in the Village Shopping Centre in St. John's, NL for \$2.7 million. The Trust now owns 50.0% of this property. The Trust also acquired a 50.0% interest from an arms-length party in three properties located in Miramichi, NB, Cornwall, ON and New Liskeard, ON for \$11.5 million. As consideration for the acquisition the Trust paid cash of \$750 thousand, issued a vendor take back interest-only mortgage

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secured by one of the properties of \$5.25 million bearing interest at 5.00% per annum with a seven year term, and issued \$5.5 million, 5.50% Series VII convertible debentures. The vendor take back mortgage is repayable at any time without penalty. Closing costs associated with the acquisition were \$155 thousand. The Trust also acquired land for development in Saint John, NB for \$757 thousand.

(f) Disposals

During the three months ended March 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 surplus land in Calgary, AB for net proceeds of \$78 thousand.

During the year ended December 31, 2016, the Trust disposed of income producing properties for net proceeds of \$20.5 million in Aurora, ON, Calgary, AB, London, ON, Markham, ON, Toronto, ON and Mississauga, ON. As well, the Trust disposed of income producing properties in Toronto, ON and Windsor, ON for net proceeds of \$1.8 million, which were recorded as investment properties held for sale at December 31, 2015. The Trust also disposed of surplus land for net proceeds of \$997 thousand in Fredericton, NB, Oromocto, NB and Coaticook, QC.

(g) Investment Properties held for Sale

During the year ended December 31, 2016 the Trust had segregated investment properties held for sale of \$92 thousand for land located in Kenora, ON. This land was sold in January 2017.

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5. Debentures Payable

Debentures payable consist of the following:

	Maturity Date	Interest Rate	March 31, 2017	December 31, 2016
Convertible ⁽¹⁾				
Series C	December 31, 2017	7.00%	\$ -	\$ 16,079
Series D	December 31, 2018	5.75%	34,680	34,510
Series VII	June 30, 2021	5.50%	5,610	5,583
Total convertible debentures			40,290	56,172
Non-convertible ^{(2) (3)}	Various (see below)	5.00%	9,858	4,000
Total debentures payable			50,148	60,172
Less: current portion of debentures payable			(1,600)	(16,079)
Debentures payable – long-term portion			\$ 48,548	\$ 44,093

⁽¹⁾ Recorded at fair value based on closing market trading prices of debentures; the fair value change during 2017 was a loss of \$61 thousand (for the three months ended March 31, 2016 – loss of \$722 thousand)

⁽²⁾ Recorded at amortized cost

⁽³⁾ Net of unamortized finance charges of \$142 thousand (December 31, 2016 - nil)

Convertible and non-convertible debentures are subordinate and unsecured.

Convertible debenture terms are as follows:

	Series D	Series VII
Conversion price	\$5.75	\$6.04
Trust's first redemption date	December 31, 2016	June 30, 2019
Par call date	December 31, 2017	June 30, 2020
Maturity date	December 31, 2018	June 30, 2021
Face value outstanding	\$34,000	\$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	\$1,600	\$2,300	\$100	\$6,000	\$10,000
Maturity date	February 26, 2018	April 15, 2018	May 2, 2018	February 28, 2022	

Series C convertible debentures were originally assumed on the acquisition of KEYreit. As a result of the change of control of KEYreit, and pursuant to the respective trust indentures as supplemented and amended, upon the change of control, each \$1,000 principal amount of the Series C debentures was convertible into \$112.76 in cash and 190 units of the Trust. On November 30, 2016, the Trust issued a redemption notice for the Series C convertible debentures to be redeemed on January 9, 2017. A total of \$1.75 million were converted in 2016 into 333 thousand units and \$198 thousand in cash, leaving a balance of \$15.2 million in face value of debentures. Between January 3rd and 6th, 2017, \$12.9 million were converted into 2.45 million units and \$1.5 million in cash. On January 9, 2017, the remaining \$2.3 million were redeemed and paid out.

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.

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6. Mortgage Bonds Payable

Mortgage bonds payable are secured by the following properties:

	March 31,			2017	December 31,
					2016
	Series IX	Series X	Series XI	Total	Total
Various properties, 1 st mortgage	\$ 3,000	\$ -	\$ -	\$ 3,000	\$ 3,000
Torbram Rd., Brampton, ON, 1 st mortgage	-	6,000	-	6,000	6,000
Various properties, 1 st mortgage	-	-	6,000	6,000	6,000
Gross mortgage bonds payable	3,000	6,000	6,000	15,000	15,000
Less: unamortized finance charges				(226)	(252)
Net mortgage bonds payable				14,774	14,748
Less: current portion of mortgage bonds payable				(2,911)	(2,905)
Net mortgage bonds payable – long-term portion				\$ 11,863	\$ 11,843

	Series IX	Series X	Series XI
Interest Rate	5.50%	5.00%	5.00%
Maturity Date	July 15, 2017	June 25, 2020	July 8, 2019
Amount	\$3,000	\$6,000	\$6,000

The Series X and XI 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 has no right to redeem any of the Series IX mortgage bonds prior to their maturity date.

The Trust can redeem up to one-half of the Series X and XI mortgage bonds at par on the first and second anniversaries, being June 25, 2018 and June 25, 2019 for the Series X mortgage bonds, and July 8, 2017 and July 8, 2018 for the Series XI mortgage bonds.

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7. Mortgages Payable

	Interest Rate Range	Weighted Average Effective Interest Rate	Maturity Dates	March 31, 2017	December 31, 2016
Fixed rate loans:	2.47% - 7.29%	4.59%	Up to June 2034	\$ 442,244	\$ 452,231
Fair value of interest rate swap				343	357
Revaluation of loans upon acquisition of KEYreit, net of amortization of \$5,681 (December 31, 2016 - \$5,619)				353	415
Less: unamortized finance charges				(2,918)	(3,024)
Total net fixed rate loans				440,022	449,979
Variable rate loans:					
- \$20 million development facility	Prime plus 0.75% or BA plus 2.25%		July 31, 2017	1,763	2,825
- \$15 million development facility	Prime plus 0.75% or BA plus 2.00%		July 31, 2018	5,111	4,075
- \$3.0 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.50%		August 26, 2017	2,622	2,622
- \$907 thousand secured non-revolving construction credit facility	Prime plus 1.00% or BA plus 2.50%		December 16, 2017	467	467
Less: unamortized finance charges				(149)	(124)
Total net variable rate loans				9,814	9,865
Net mortgages payable				449,836	459,844
Less: mortgages payable – current portion				(32,300)	(45,005)
Total mortgages payable – long-term portion				\$ 417,536	\$ 414,839

All mortgages 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 facility that bears interest at prime plus 0.75% or bankers' acceptances ("BAs") plus 2.25%, and the other is a \$15.0 million facility that bears interest at prime plus 0.75% or BAs plus 2.00%. At March 31, 2017 there is \$28.1 million available on these development facilities (December 31, 2016 - \$28.1 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, 2017 the Trust is in compliance with all financial covenants.

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) during the second quarter of 2015. The interest rate swap matures on August 13, 2023 and is recorded at fair value.

In July 2015, the Trust entered into an interest rate hedge in the form of a bond forward, with a Canadian chartered bank, in anticipation of long-term financing on two development properties once completed in order to hedge the 10-year Government of Canada bond rate. The hedge was for a notional amount of \$6.0 million and was for a twelve month period, with a settlement date of July 29, 2016. The all-in hedged rate was 1.715%. The bond forward did not qualify for hedge accounting under IFRS, and therefore, changes in the fair value of the bond forward (based on estimated future cash flows based on observable yield curves) were recognized in profit and loss in each reporting period. On July 29, 2016, the bond forward matured and \$368 thousand was paid based on the applicable Government of Canada bond rate on the maturity date.

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8. Bank Indebtedness

The Trust pledged additional properties to increase its operating line of credit from \$30.0 million to \$44.0 million (December 31, 2016 - \$30.0 million) in March 2017. The operating line of credit facility is 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, 2017, the available limit was \$43.5 million of which \$22.0 million (December 31, 2016 – \$12.6 million) was drawn and therefore the maximum amount available to be drawn on the facility was \$20.5 million (December 31, 2016 – \$16.4 million), net of letters of credit outstanding of \$952 thousand (December 31, 2016 - \$1.0 million). As security, at March 31, 2017, the Trust has provided a \$50.0 million demand debenture secured by a first mortgage over forty-two properties.

9. Finance Costs

	3 Months Ended March 31, 2017	3 Months Ended March 31, 2016
Finance costs:		
Mortgage interest	\$ 5,050	\$ 5,295
Debenture interest	644	1,018
Mortgage bond interest	191	205
Distributions paid to Class B exchangeable LP unitholders	89	86
Operating line of credit interest	140	198
Interest and bank charges	82	62
Amortization of finance charges	257	177
Loan defeasances and early mortgage discharge fees	-	148
Mark to market adjustments	(62)	(108)
Capitalization of interest	(80)	(73)
Total finance costs	\$ 6,311	\$ 7,008

10. 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.

(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

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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, 2017		December 31, 2016	
	Units (000s)	Amount	Units (000s)	Amount
Exchangeable LP units outstanding, beginning of the period	1,319	\$ 6,595	1,319	\$ 6,199
Fair value adjustment for the period	-	(106)	-	396
Exchangeable LP units outstanding, end of the period	1,319	\$ 6,489	1,319	\$ 6,595

(ii) Special Voting Units

At March 31, 2017, there were 1,319,000 special voting units outstanding, issued in connection with 1,319,000 Class B exchangeable LP units of a subsidiary of the Trust (see above).

(iii) Units

	March 31, 2017		December 31, 2016	
	Trust Units (000s)	Amount	Trust Units (000s)	Amount
Units outstanding, beginning of the period	98,488	\$ 258,011	92,858	\$ 233,224
Issuance of units:				
Units issued through public offering, net of issue costs	-	-	5,003	21,674
Units issued through distribution reinvestment plan	79	390	290	1,358
Units issued through RSU plan	1	4	4	18
Units issued through convertible debenture conversions (Note 5)				
- face value debentures	2,450	11,439	333	1,554
- impact of fair value of convertible debentures		774	-	183
Units outstanding, end of the period	101,018	\$ 270,618	98,488	\$ 258,011

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 three months ended March 31, 2017 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.

On March 31, 2016, the Trust completed a public offering of 5.0 million units at a price of \$4.60 per unit for gross proceeds of \$23.0 million. Costs of the offering were \$1.3 million.

11. Change in Non-Cash Working Capital

	3 Months Ended March 31, 2017	3 Months Ended March 31, 2016
Receivables	\$ (1,090)	\$ (2,597)
Prepaid expenses and deposits	(150)	1,335
Accounts payable and accrued liabilities	3,980	2,897
Total cash from change in non-cash working capital	\$ 2,740	\$ 1,635

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12. 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, 2017	December 31, 2016
Edouard Babineau	\$ 150	\$ 150
Earl Brewer	425	125
Stephen Johnson	300	100
Michael Zakuta	100	100
Total	\$ 975	\$ 475

Other key management personnel own \$20 thousand in mortgage bonds of the Trust at March 31, 2017 (December 31, 2016 - \$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, 2017	December 31, 2016
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 Key Management Personnel

- (i) 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.
- (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. At March 31, 2017 there is \$96 thousand owed by the Gateway Mall to some of the owners of the mall (December 31, 2016 - \$120 thousand). The pro rata amount owed to the Trust is \$24 thousand (December 31, 2016 - \$30 thousand). As well, there is a \$5 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2016 - \$5 thousand). For the three months ended March 31, 2017, property management and leasing fees of \$38 thousand were earned by a subsidiary of the Trust from this property (for the three months ended March 31, 2016 - \$14 thousand).
- (iii) Earl Brewer and Michael Zakuta hold 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. At March 31, 2017 there is no account receivable balance owing to the Trust for property management fees (December 31, 2016 - nil). For the three months ended March 31, 2017, property management, and leasing fees of \$30 thousand were earned by a subsidiary of the Trust from this property (for the three months ended March 31, 2016 - \$31 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.
- (v) Earl Brewer, Michael Zakuta and Edouard Babineau 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

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March 31, 2017 there is \$5.4 million owed by the properties to the Trust which is recorded in notes and advances receivable (December 31, 2016 - \$5.1 million). As well, there is \$17 thousand accounts receivable balance owing to the Trust for property management and development fees (December 31, 2016 - \$82 thousand). For the three months ended March 31, 2017, property management, leasing and development fees of \$35 thousand were earned by a subsidiary of the Trust from these properties (for the three months ended March 31, 2016 - \$24 thousand).

13. 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.

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

	March 31, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	\$ -	\$ -	\$ 958,557	\$ -	\$ -	\$ 959,889
Investment properties held for sale	-	-	-	-	-	92
	\$ -	\$ -	\$ 958,557	\$ -	\$ -	\$ 959,981
Class B exchangeable LP units	\$ 6,489	\$ -	\$ -	\$ 6,595	\$ -	\$ -
Series C and D convertible debentures	34,680	-	-	50,589	-	-
Series VII convertible debentures	-	5,610	-	-	5,583	-
	\$ 41,169	\$ 5,610	\$ -	\$ 57,184	\$ 5,583	\$ -

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 4 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.

14. Subsequent Events

Financings

Subsequent to quarter end, long term financing was obtained totalling \$943 thousand with a term of 17.25 years and a weighted average interest rate of 4.44%.

Investment Properties

In April 2017, the Trust sold an unoccupied property located in North Sydney, NS for \$225 thousand.

In May 2017, the Trust purchased land adjacent to an existing property in Picton, ON for \$210 thousand.

Notes Receivable

In April 2017, \$3.29 million in notes receivable were paid in full.

Distribution and Distribution Reinvestment Plan

The Trust paid a cash distribution of \$0.0225 per unit for a total of \$2.1 million on April 17, 2017 and 27 thousand units were issued at a purchase price of \$4.76 per unit for a total of \$130 thousand under the Distribution Reinvestment Plan.

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