CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Condensed Consolidated Financial Statements
March 31, 2020

Contents

CROMBIE REAL ESTATE INVESTMENT TRUST
Unaudited Interim Condensed Consolidated Balance Sheets
(in thousands of CAD dollars)

	Note	March 31, 2020	December 31, 2019
Assets			
Non-current assets			
Investment properties	3	$ 3,553,530	$ 3,557,572
Investment in joint ventures	4	45,221	45,123
Other assets	5	278,172	286,947
		3,876,923	3,889,642
Current assets			
Cash and cash equivalents		112,657	—
Other assets	5	48,711	30,625
		161,368	30,625
Total Assets		4,038,291	3,920,267
Liabilities			
Non-current liabilities			
Fixed rate mortgages	6	1,028,793	1,045,015
Credit facilities	6	166,111	54,308
Senior unsecured notes	7	922,495	922,479
Employee future benefits obligation		8,188	8,122
Trade and other payables	8	11,902	14,613
Lease liabilities	18	28,558	28,675
		2,166,047	2,073,212
Current liabilities			
Fixed rate mortgages	6	108,645	257,495
Credit facilities	6	120,000	—
Employee future benefits obligation		289	289
Trade and other payables	8	106,195	133,484
Lease Liabilities	18	718	744
		335,847	392,012
Total liabilities excluding net assets attributable to Unitholders		2,501,894	2,465,224
Net assets attributable to Unitholders		$ 1,536,397	$ 1,455,043
Net assets attributable to Unitholders represented by:			
Crombie REIT Unitholders		$ 915,609	$ 870,792
Special Voting Units and Class B Limited Partnership Unitholders		620,788	584,251
		$ 1,536,397	$ 1,455,043
Commitments, contingencies and guarantees	19		
Subsequent events	20		

See accompanying notes to the interim condensed consolidated financial statements.

(in thousands of CAD dollars)

		Three months ended	
	Note	**March 31, 2020**	March 31, 2019
Property revenue	9	$ **102,252**	$ 105,240
Property operating expenses		**35,237**	32,366
Net property income		**67,015**	72,874
Gain (loss) on disposal of investment properties	3	**(829)**	26,629
Depreciation and amortization	3,5	**(19,318)**	(19,918)
General and administrative expenses	11	**(3,019)**	(5,784)
Finance costs - operations	12	**(22,640)**	(25,667)
Income from equity accounted investments	4	**115**	94
Operating income attributable to Unitholders		**21,324**	48,228
Finance costs - other			
Distributions to Unitholders		**(34,702)**	(33,736)
Change in fair value of financial instruments	11	**1,929**	(671)
		(32,773)	(34,407)
Increase (decrease) in net assets attributable to Unitholders		**(11,449)**	13,821
Other comprehensive income			
Items that will be subsequently reclassified to increase (decrease) in net assets attributable to Unitholders:			
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		**510**	551
Net change in derivatives designated as cash flow hedges		**(6,120)**	(2,321)
Other comprehensive income		**(5,610)**	(1,770)
Comprehensive income (loss)		$ **(17,059)**	$ 12,051

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Unaudited Interim Condensed Consolidated Statements of Changes in Net Assets Attributable to Unitholders
(In thousands of CAD dollars)

	REIT Units, Special Voting Units and Class B LP Units	Net Assets (Liabilities) Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 13)					
Balance, January 1, 2020	$ 1,759,324	$ (304,412)	$ 131	$ 1,455,043	$ 870,792	$ 584,251
Adjustments related to EUPP	12	—	—	12	12	—
Statements of comprehensive income (loss)	—	(11,449)	(5,610)	(17,059)	(11,765)	(5,294)
Units issued under Distribution Reinvestment Plan ("DRIP")	979	—	—	979	573	406
Unit issue proceeds, net of costs	97,422	—	—	97,422	55,997	41,425
Balance, March 31, 2020	**$ 1,857,737**	**$ (315,861)**	**$ (5,479)**	**$ 1,536,397**	**$ 915,609**	**$ 620,788**

	REIT Units, Special Voting Units and Class B LP Units	Net Assets (Liabilities) Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
	(Note 13)					
Balance, January 1, 2019	$ 1,756,458	$ (312,287)	$ (1,331)	$ 1,442,840	$ 864,779	$ 578,061
Adjustments related to adoption of IFRS 16	—	(2,505)	—	(2,505)	(1,501)	(1,004)
Adjustments related to EUPP	183	5	—	188	188	—
Statements of comprehensive income (loss)	—	13,821	(1,770)	12,051	6,766	5,285
Units issued under DRIP	747	—	—	747	435	312
Balance, March 31, 2019	$ 1,757,388	$ (300,966)	$ (3,101)	$ 1,453,321	$ 870,667	$ 582,654

See accompanying notes to the interim condensed consolidated financial statements.

(In thousands of CAD dollars)

	Note	Three months ended March 31, 2020	Three months ended March 31, 2019
Cash flows provided by (used in)			
Operating Activities			
Increase (decrease) in net assets attributable to Unitholders		$ (11,449)	$ 13,821
Special cash distribution		(14,857)	—
Additions to tenant incentives		(24,291)	(2,944)
Items not affecting operating cash	14	22,030	(3,611)
Change in other non-cash operating items		(5,062)	10,840
Cash (used in) provided by operating activities		(33,629)	18,106
Financing Activities			
Issue of mortgages	6	—	25,288
Financing - other		(265)	(647)
Repayment of mortgages - principal		(10,790)	(13,647)
Repayment of mortgages - maturity	6	(157,630)	(17,450)
Advance (repayment) of floating rate credit facilities		231,660	(30,856)
Advance of joint operation credit facilities	6	142	—
REIT Units and Class B LP Units issued	13	100,012	—
REIT Units and Class B LP Units issue costs	13	(2,590)	—
Collection of EUPP loans receivable		12	183
Payments of lease liabilities		(177)	(163)
Advances on long-term receivables		—	(1,199)
Cash provided by (used in) financing activities		160,374	(38,491)
Investing Activities			
Acquisition of investment properties and intangible assets		(317)	(32,439)
Additions to investment properties		(14,139)	(17,284)
Proceeds on disposal of investment properties	3	901	73,781
Distributions from (contributions to) joint ventures		17	(2,233)
Additions to fixtures and computer equipment		(161)	(776)
Additions to deferred leasing costs		(338)	(664)
Advances on long-term receivables		(51)	—
Cash provided by (used in) provided by investing activities		(14,088)	20,385
Net change in cash and cash equivalents		112,657	—
Cash and cash equivalents, beginning of period		—	—
Cash and cash equivalents, end of period		$ 112,657	$ —

See accompanying notes to the interim condensed consolidated financial statements.

1) GENERAL INFORMATION AND NATURE OF OPERATIONS

Crombie Real Estate Investment Trust (“Crombie”) is an unincorporated “open-ended” real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The principal business of Crombie is investing in income-producing retail, office and mixed-use properties in Canada. Crombie is registered in Canada and the address of its registered office is 610 East River Road, Suite 200, New Glasgow, Nova Scotia, Canada, B2H 3S2. The interim condensed consolidated financial statements for the period ended March 31, 2020 and March 31, 2019 include the accounts of Crombie and all of its subsidiary entities. The units of Crombie are traded on the Toronto Stock Exchange (“TSX”) under the symbol “CRR.UN”.

The three months ended March 31, 2020 interim condensed consolidated financial statements were authorized for issue by the Board of Trustees on May 6, 2020.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, and do not contain all of the information required by IAS 1, Presentation of Financial Statements. Therefore, they should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019.

(b) Basis of presentation

These interim condensed consolidated financial statements are presented in Canadian dollars ("CAD"); Crombie's functional and reporting currency, rounded to the nearest thousand. The interim condensed consolidated financial statements are prepared on a historical cost basis except for any financial assets and liabilities classified as fair value with changes in fair value either recognized as an increase (decrease) in net assets attributable to Unitholders ("FVTPL" classification) or fair value through other comprehensive income ("FVOCI" classification).

(c) Critical accounting estimates and assumptions

The preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. As of March 31, 2020 there has been increased measurement uncertainty around valuation. Crombie has disclosed increased sensitivity around capitalization rates and continues to monitor the ongoing potential impacts on valuation related to the outbreak of the novel strain of coronavirus ("COVID-19"). The estimates and assumptions that are critical to the determination of the amounts reported in the interim condensed consolidated financial statements relate to the following:

(i) Fair value measurement

A number of assets and liabilities included in Crombie's interim condensed consolidated financial statements require measurement at, and/or disclosure of, fair value. In estimating the fair value of an asset or a liability, Crombie uses market-observable data to the extent it is available. Where Level 1 inputs are not available, Crombie estimates the fair value based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

(ii) Investment properties

Investment properties are carried at cost less accumulated depreciation. Crombie estimates the residual value and useful lives of investment properties and the significant components thereof to calculate depreciation and amortization.

(iii) Investment property valuation

External, independent valuation companies, having appropriate recognized professional qualifications and recent experience in the location and category of properties being valued, value substantially all of Crombie's investment property portfolio on a rotating basis over a maximum period of four years. The fair values, based on the measurement date, represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Internal quarterly valuations are performed using internally generated valuation models prepared by considering the aggregate trailing net property income received from leasing the property, that is stabilized for any major tenant movement. Crombie adjusted net property income for expected impacts related to COVID-19, by looking at potential bad debts at each property and applying probability to several potential scenarios. Crombie also completed discounted cash flow models to support its fair value of investment property. Biannual yields are obtained from an independent valuation company, which reflects the specific risks inherent in the net property income, to arrive at property valuations. As at March 31, 2020, management's determination of fair value was updated for current market assumptions, informed by market capitalization rates and recent appraisals provided by independent appraisal professionals.

(In thousands of CAD dollars)

3) INVESTMENT PROPERTIES

	March 31, 2020	December 31, 2019
Income properties	$ 3,451,337	$ 3,461,359
Properties under development	102,193	96,213
	$ 3,553,530	$ 3,557,572

Income properties

	Land	Buildings	Intangibles	Deferred Leasing Costs	Total
Cost					
Opening balance, January 1, 2020	$ 1,117,701	$ 2,825,447	$ 112,313	$ 8,853	$ 4,064,314
Acquisitions	317	—	—	—	317
Additions	502	9,599	—	296	10,397
Dispositions	(1,730)	—	—	—	(1,730)
Write-off fully depreciated assets	—	—	(19,921)	—	(19,921)
Balance, March 31, 2020	1,116,790	2,835,046	92,392	9,149	4,053,377
Accumulated depreciation and amortization and impairment					
Opening balance, January 1, 2020	2,673	530,576	66,657	3,049	602,955
Depreciation and amortization	79	17,436	1,270	221	19,006
Write-off fully depreciated assets	—	—	(19,921)	—	(19,921)
Balance, March 31, 2020	2,752	548,012	48,006	3,270	602,040
Net carrying value, March 31, 2020	$ 1,114,038	$ 2,287,034	$ 44,386	$ 5,879	$ 3,451,337

Included in land are right of use assets of $16,326 net of accumulated depreciation of $79 for land held under lease.

Properties under development

	Land	Buildings	Total
Opening balance, January 1, 2020	$ 76,104	$ 20,109	$ 96,213
Additions	677	5,303	5,980
Balance, March 31, 2020	$ 76,781	$ 25,412	$ 102,193

(In thousands of CAD dollars)

Fair value

Crombie's total fair value of investment properties exceeds carrying value by $713,759 at March 31, 2020 (December 31, 2019 - $808,674). Crombie uses the cost method for accounting for investment properties and increases in fair value over carrying value are not recognized until realized through disposition or derecognition of properties, while impairment is recognized at the time of impairment. As of March 31, 2020 there has been increased measurement uncertainty around valuation. Crombie has disclosed increased sensitivity around capitalization rates and continues to monitor the ongoing potential impacts on valuation.

The estimated fair values of Crombie's investment properties are as follows:

		Fair Value		Carrying Value
March 31, 2020	**$**	**4,519,000**	**$**	**3,805,241**
December 31, 2019	$	4,605,000	$	3,796,326

Carrying value consists of the net carrying value of:

	Note		March 31, 2020		December 31, 2019
Income properties	3	**$**	**3,451,337**	$	3,461,359
Properties under development	3		**102,193**		96,213
Accrued straight-line rent receivable	5		**82,199**		80,268
Tenant incentives	5		**169,512**		158,486
Total carrying value		**$**	**3,805,241**	$	3,796,326

Crombie has utilized the following weighted average capitalization rates on its income properties. Related to the growth in properties under development, Crombie reports the weighted average capitalization rate excluding the value of properties under development with the comparative rates adjusted to reflect this change.

	March 31, 2020	December 31, 2019
Weighted Average Capitalization Rate	**5.99%**	5.99%

Crombie has determined that an increase (decrease) in this applied capitalization rate at March 31, 2020 would result in an increase (decrease) in the fair value of the investment properties as follows:

Capitalization Rate Sensitivity		Increase In Rate	Decrease in Rate
March 31, 2020			
	0.25%	**(179,000)**	**196,000**
	0.50%	**(343,000)**	**413,000**
	0.75%	**(495,000)**	**653,000**

Property Acquisitions and Dispositions

The operating results of acquired properties are included from the respective date of acquisition and for disposed properties up to the date of disposition.

Transaction Date	Vendor/Purchaser	Properties Acquired (Disposed)	Approximate Square Footage		Initial Acquisition (Disposition) Price
January 9, 2020	Third Party	—	**—**	**$**	**280**
February 4, 2020	Third Party	—	**—**		**(1,000)**
			—	**$**	**(720)**

The initial (disposition) prices stated above exclude closing and transaction costs.

(In thousands of CAD dollars)

	Three months ended March 31,	
Investment property disposed	**2020**	2019
Gross proceeds	**$ 1,000**	$ 107,215
Selling costs	**(99)**	(1,161)
	901	106,054
Carrying values derecognized		
Land	**(1,730)**	(21,458)
Buildings	**—**	(54,942)
Intangibles	**—**	(1,184)
Deferred leasing costs	**—**	(16)
Tenant Incentives	**—**	(504)
Accrued straight-line rent	**—**	(1,199)
Provisions	**—**	(122)
Gain (loss) on disposal	**$ (829)**	$ 26,629

	Three months ended March 31,	
	2020	2019
Proceeds	**$ 901**	$ 106,054
Mortgages assumed by buyer	**—**	(32,273)
Cash proceeds	**$ 901**	$ 73,781

4) INVESTMENT IN JOINT VENTURES

The following represents Crombie's interest in its equity accounted investments:

	March 31, 2020	December 31, 2019
1600 Davie Limited Partnership	**50.0%**	50.0%
Bronte Village Limited Partnership	**50.0%**	50.0%
The Duke Limited Partnership	**50.0%**	50.0%
140 CPN Limited	**50.0%**	50.0%

The following table represents 100% of the financial position and financial results of the equity accounted entities:

	March 31, 2020	December 31, 2019
Non-current assets	**$ 336,617**	$ 297,598
Current assets	**27,596**	31,287
Non-current liabilities	**(117,708)**	(111,845)
Current liabilities	**(156,713)**	(127,444)
Net assets	**$ 89,792**	$ 89,596
Crombie's investment in joint ventures	**$ 45,221**	$ 45,123

(In thousands of CAD dollars)

	Three months ended March 31, 2020	2019
Revenue	$ 430	$ 343
Property operating expenses	(126)	(100)
General and administrative expenses	—	(2)
Depreciation of investment properties	(48)	(41)
Finance costs - operations	(26)	(12)
Net income	$ 230	$ 188
Crombie's income from equity accounted investments	$ 115	$ 94

The following table shows the changes in the total carrying value of Crombie's investment in joint ventures for the year ended:

	March 31, 2020	December 31, 2019
Opening Balance	$ 45,123	$ 39,485
Contributions	—	28,111
Distributions	(17)	(15,366)
Deferred gain	—	(7,441)
Share of income	115	334
Closing Balance	$ 45,221	$ 45,123

5) OTHER ASSETS

	March 31, 2020			December 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
Net trade receivables	$ 19,585	$ —	$ 19,585	$ 14,636	$ 6,041	$ 20,677
Prepaid expenses and deposits	13,122	—	13,122	15,533	—	15,533
Other fixed assets [1] [2]	—	9,886	9,886	—	10,000	10,000
Finance lease receivable	379	8,029	8,408	363	8,125	8,488
Accrued straight-line rent receivable	—	82,199	82,199	—	80,268	80,268
Tenant incentives	—	169,512	169,512	—	158,486	158,486
Capital expenditure program	—	105	105	—	105	105
Interest rate subsidy	92	88	180	93	110	203
Amounts receivable from related parties	15,533	8,353	23,886	—	23,812	23,812
	$ 48,711	$ 278,172	$ 326,883	$ 30,625	$ 286,947	$ 317,572

[1] For the three months ended March 31, 2020 depreciation of other fixed assets was $312 (March 31, 2019 - $275).
[2] Other fixed assets include right of use assets of $1,377 (December 31, 2019 - $1,493) net of accumulated depreciation of $724 (December 31, 2019 - $574) relating to office and vehicle leases.

Tenant Incentives	Cost	Accumulated Amortization	Net Carrying Value
Balance, January 1, 2020	$ 236,071	$ 77,585	$ 158,486
Additions	14,845	—	14,845
Amortization	—	3,819	(3,819)
Balance, March 31, 2020	$ 250,916	$ 81,404	$ 169,512

(In thousands of CAD dollars)

6) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	March 31, 2020	December 31, 2019
Fixed rate mortgages	2.35-6.80%	4.06%	4.2 years	$ 1,143,537	$ 1,309,077
Short term credit facility			1.0 years	120,000	—
Floating rate revolving credit facility			3.3 years	117,000	15,339
Joint operation credit facility I			4.0 years	7,030	6,978
Joint operation credit facility II			4.5 years	2,081	1,991
Unsecured bilateral credit facility			1.1 years	40,000	30,000
Deferred financing charges on fixed rate mortgages				(6,099)	(6,567)
				$ 1,423,549	$ 1,356,818
Mortgages					
Non-current				$ 1,028,793	$ 1,045,015
Current				108,645	257,495
Credit facilities					
Non-current				166,111	54,308
Current				120,000	—
				$ 1,423,549	$ 1,356,818

Specific investment properties with a carrying value of $2,494,348 as at March 31, 2020 (December 31, 2019 - $2,705,625) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, as well as accrued straight-line rent receivable and tenant incentives which are included in other assets.

Mortgage Activity

			Weighted Average			
For the three months ended:	Type	Number of Mortgages	Rates	Terms in Years	Amortization Period in Years	Proceeds (Repayments)
March 31, 2020	Addition [(1)]	—	3.22%	—	—	$ 2,987
	Repaid	6	5.61%			(157,630)
						$ (154,643)

[(1)] During the quarter, Crombie recognized an addition to a mortgage payable of $2,987 in settlement of an amount payable to 1600 Davie Limited Partnership. This mortgage relates to the commercial component of the Davie Street development, 100% of which is included in Crombie's financial statements.

Unsecured Short-Term Credit Facility

The unsecured short-term credit facility is a floating rate non-revolving credit facility with a maximum principal amount of $120,000 and matures March 31, 2021. The facility strengthens short-term liquidity. Borrowings under the credit facility are by way of Bankers Acceptance and the floating interest rate is contingent on the applicable spread or margin.

(In thousands of CAD dollars)

7) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	March 31, 2020	December 31, 2019
Series B	June 1, 2021	3.962%	$ 250,000	$ 250,000
Series D	November 21, 2022	4.066%	150,000	150,000
Series E	January 31, 2025	4.800%	175,000	175,000
Series F	August 26, 2026	3.677%	200,000	200,000
Series G	June 21, 2027	3.917%	150,000	150,000
Unamortized Series B issue premium			517	627
Deferred financing charges			(3,022)	(3,148)
			$ 922,495	$ 922,479

8) TRADE AND OTHER PAYABLES

	March 31, 2020			December 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
Tenant incentives and capital expenditures	$ 41,311	$ —	$ 41,311	$ 51,751	$ —	$ 51,751
Property operating costs	23,759	—	23,759	29,932	—	29,932
Prepaid rents	8,455	—	8,455	9,665	—	9,665
Finance costs on investment property debt, notes and debentures	12,445	—	12,445	11,913	—	11,913
Fair value of interest rate swap agreements	5,173	—	5,173	(947)	—	(947)
Distributions payable	11,723	—	11,723	26,429	—	26,429
Unit-based compensation plans	3,131	7,210	10,341	4,671	9,793	14,464
Deferred revenue	198	4,692	4,890	70	4,820	5,003
	$ 106,195	$ 11,902	$ 118,097	$ 133,484	$ 14,613	$ 148,210

9) PROPERTY REVENUE

	Three months ended March 31,	
	2020	2019
Operating lease revenue		
Rental revenue contractually due from tenants [(1)]	$ 86,790	$ 89,317
Contingent rental revenue	362	456
Straight-line rent recognition	1,931	2,533
Tenant incentive amortization	(3,819)	(3,615)
Lease termination income	91	665
Revenue from contracts with customers		
Common area cost recoveries	15,499	14,529
Parking revenue	1,398	1,355
	$ 102,252	$ 105,240

[(1)] Includes reimbursement of Crombie's property tax expense.

(In thousands of CAD dollars)

The following table sets out tenants that contributed in excess of 10% of total property revenue:

	Three months ended March 31,					
	2020			2019		
Empire Company Limited[1]	**$**	**49,370**	**48.3%**	$	52,230	49.6%

[1] Includes Sobeys and other subsidiaries of Empire Company Limited

10) OPERATING LEASES

Crombie as a Lessor

Crombie's operations include leasing commercial real estate. Future minimum rental income under non-cancellable tenant leases as at March 31, 2020, is as follows:

	Remaining 2020	Year Ending December 31, 2021	2022	2023	2024	Thereafter	Total
Future minimum rental income	$ 204,166	$ 261,907	$ 250,747	$ 237,527	$ 225,721	$ 1,641,397	$ 2,821,465

Crombie manages its residual risk in its investment properties through an active capital expenditure program and actively leasing any vacant spaces. The residual risk throughout Crombie's portfolio is not considered significant.

11) CORPORATE EXPENSES AND CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) General and administrative expenses

	Three months ended March 31,	
	2020	2019
Salaries and benefits	**$ 1,379**	$ 4,073
Professional and public company costs	**809**	850
Occupancy and other	**831**	861
	$ 3,019	$ 5,784

(b) Decrease (increase) in fair value of financial instruments

	Three months ended March 31,	
	2020	2019
Deferred Unit ("DU") Plan	**$ 1,929**	$ (671)

(In thousands of CAD dollars)

12) FINANCE COSTS - OPERATIONS

	Three months ended March 31,	
	2020	2019
Fixed rate mortgages	**$ 12,847**	$ 17,925
Floating rate term, revolving and demand facilities	**1,259**	1,345
Capitalized interest	**(1,249)**	(1,017)
Senior unsecured notes	**9,420**	6,950
Interest income on finance lease receivable	**(98)**	—
Interest on lease liability	**461**	464
Finance costs - operations, expense	**22,640**	25,667
Amortization of fair value debt adjustment and accretion income	**112**	160
Change in accrued finance costs	**(532)**	(2,827)
Amortization of effective swap agreements	**(510)**	(551)
Capitalized interest [1]	**1,249**	1,017
Amortization of issue premium on senior unsecured notes	**110**	109
Amortization of deferred financing charges	**(751)**	(912)
Finance costs - operations, paid	**$ 22,318**	$ 22,663

[1] For the three months ended March 31, 2020, interest was capitalized to qualifying development projects based on a weighted average interest rate of 3.67% (March 31, 2019 - 3.63%).

13) UNITS OUTSTANDING

	Crombie REIT Units		**Class B LP Units and attached Special Voting Units**		**Total**	
	Number of Units	**Amount**	**Number of Units**	**Amount**	**Number of Units**	**Amount**
Balance, January 1, 2020	**89,697,623**	**$ 1,042,696**	**62,045,732**	**$ 716,628**	**151,743,355**	**$ 1,759,324**
Net change in EUPP loans receivable	**—**	**12**	**—**	**—**	**—**	**12**
Units issued under DRIP	**37,711**	**573**	**26,738**	**406**	**64,449**	**979**
Units issued (proceeds are net of issue costs)	**3,657,000**	**55,997**	**2,593,750**	**41,425**	**6,250,750**	**97,422**
Balance, March 31, 2020	**93,392,334**	**$ 1,099,278**	**64,666,220**	**$ 758,459**	**158,058,554**	**$ 1,857,737**

Crombie REIT Units

On February 11, 2020, Crombie closed a public offering, on a bought deal basis, of 3,657,000 Units, at a price of $16.00 per Unit for proceeds of $55,997 net of issue costs.

Crombie REIT Special Voting Units ("SVU") and Class B LP Units

On February 11, 2020, concurrently with the issue of the REIT Units, in satisfaction of its pre-emptive right, ECL Developments purchased 2,593,750 Class B LP Units and the attached SVUs at a price of $16.00 per Class B LP Unit for proceeds of $41,425 net of issue costs, on a private placement basis.

	Crombie REIT Units		Class B LP Units and attached Special Voting Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Balance, January 1, 2019	89,597,604	$ 1,040,804	61,980,011	$ 715,654	151,577,615	$ 1,756,458
Net change in EUPP loans receivable	—	183	—	—	—	183
Units issued under DRIP	32,274	435	22,886	312	55,160	747
Balance, March 31, 2019	89,629,878	$ 1,041,422	62,002,897	$ 715,966	151,632,775	$ 1,757,388

(In thousands of CAD dollars)

14) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended March 31, 2020	2019
Items not affecting operating cash:		
Straight-line rent recognition	$ (1,931)	$ (2,533)
Amortization of tenant incentives	3,819	3,615
Gain (loss) on disposal of investment properties	829	(26,629)
Depreciation and amortization	19,318	19,918
Unit-based compensation	—	5
Amortization of effective swap agreements, financing charges and other	1,151	1,354
Income from equity accounted investments	(115)	(94)
Non-cash distributions to Unitholders in the form of DRIP Units	979	747
Non-cash lease termination income	(91)	(665)
Change in fair value of financial instruments	(1,929)	671
	$ 22,030	$ (3,611)

b) Change in other non-cash operating items

	Three months ended March 31, 2020	2019
Cash provided by (used in):		
Trade receivables	$ 1,092	$ 1,109
Prepaid expenses and deposits and other assets	2,411	2,584
Payables and other liabilities	(8,565)	7,147
	$ (5,062)	$ 10,840

(In thousands of CAD dollars)

15) RELATED PARTY TRANSACTIONS

As at March 31, 2020 Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% indirect interest in Crombie. Related party transactions primarily include transactions with entities associated with Crombie through Empire's indirect interest. Related party transactions also include transactions with joint venture entities in which Crombie has a 50% interest, as well as transactions with key management personnel and post-employment benefit plans.

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Crombie's revenue (expense) transactions with related parties are as follows:

	Three months ended March 31,	
	2020	2019
Property revenue		
Property revenue	**$ 49,370**	$ 52,230
Head lease income	**$ 368**	$ 162
Lease termination income	**$ 34**	$ 420
Property operating expenses	**$ (7)**	$ (4)
General and administrative expenses		
Property management services recovered	**$ 39**	$ 119
Other general and administrative expenses	**$ (59)**	$ (53)
Finance costs - operations		
Interest rate subsidy	**$ 66**	$ 72
Finance costs - distributions to Unitholders	**$ (14,397)**	$ (13,997)

Crombie provides property management, leasing services and environmental management to specific properties owned by certain subsidiaries of Empire on a fee for service basis pursuant to a Management Agreement. Revenue generated from the Management Agreement is being recognized as a reduction of general and administrative expenses.

During the three months ended March 31, 2020, Crombie issued 26,738 (March 31, 2019 - 22,886) Class B LP Units to ECLD under the DRIP (Note 13).

During the three months ended March 31, 2020, Crombie invested $11,728 in the modernizations and conversions of two existing properties anchored by subsidiaries of Empire. The amounts are included in tenant incentive additions and are being amortized over the amended lease terms.

Amounts due from related parties include $15,533 (December 31, 2019 - $15,533) in 6% subordinated notes receivable due from Bronte Village Limited Partnership and The Duke Limited Partnership.

16) FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that Crombie would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

- 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 or indirectly.

(In thousands of CAD dollars)

- Level 3 - unobservable inputs for the asset or liability.

There were no transfers between levels of the fair value hierarchy during the period ended March 31, 2020.

The fair value of other financial instruments is based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The following table summarizes the estimated fair value of other financial instruments which have a fair value different from their carrying value:

	March 31, 2020		December 31, 2019	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Long-term receivables[1]	$ 24,195	$ 24,171	$ 23,911	$ 24,120
Financial liabilities				
Investment property debt	$ 1,440,906	$ 1,429,648	$ 1,400,821	$ 1,363,385
Senior unsecured notes	932,600	925,000	946,700	925,000
Total other financial liabilities	$ 2,373,506	$ 2,354,648	$ 2,347,521	$ 2,288,385

[1]Long-term receivables include amounts in other assets for the capital expenditure program, interest rate subsidy and receivable from related parties.

The fair value of the long-term receivables, investment property debt and senior unsecured notes are Level 2.

Due to their short-term nature, the carrying value of the following financial instruments approximates their fair value at the balance sheet date:

- Cash and cash equivalents
- Trade receivables
- Trade and other payables (excluding any embedded derivatives).

b) Risk Management

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. More information on the significant risks, and the actions taken to manage them, are discussed in our annual report.

Markets have been negatively impacted by COVID-19, which was declared a pandemic by the World Health Organization ("WHO") on March 11, 2020. The continued spread of COVID-19 and the actions being taken by governments, businesses and individuals to limit this pandemic, including business closures and physical distancing, and the effects of resulting layoffs and other job losses on the available income of retail customers may adversely impact our operations and development activities including, among others, increasing the credit risk associated with our receivables, limiting our ability to quickly respond to changes in credit risk, extending the time to completion and occupancy of major developments and limiting our ability to serve our tenants. This has resulted in significant economic uncertainty, of which the potential impact on our future financial results is difficult to reliably measure.

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. A provision for doubtful accounts is taken for all anticipated collectability risks.

Crombie mitigates credit risk by geographical diversification, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants.

Receivables are substantially comprised of current balances due from tenants. The balance of accounts receivable past due is not significant. Generally, rents are due the first of each month and other tenant billings are due 30 days after invoiced, and in general, balances over 30 days are considered past due. The total provision for doubtful accounts is reviewed at each balance sheet date and current and long-term accounts receivable are reviewed on a regular basis.

Crombie continues to assess the impact of COVID-19 and has recorded increases in expected credit losses for certain tenants.

(In thousands of CAD dollars)

Liquidity Risk

The real estate industry is highly capital intensive. Liquidity risk is the risk that Crombie may not have access to sufficient debt and equity capital to fund its growth program, refinance debt obligations as they mature or meet its ongoing obligations as they arise. Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest in the portfolio through capital expenditures, as well as fund tenant incentive costs and make distributions to Unitholders. Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations. Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets and recycling capital from property dispositions.

There is a risk that the debt capital markets may not refinance maturing fixed rate and floating rate debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering its debt maturity dates. There is also a risk that the equity capital markets may not be receptive to a REIT unit offering issue from Crombie with financial terms acceptable to Crombie. Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management (see Note 17). Access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit, and cannot exceed the borrowing base security provided by Crombie.

The estimated payments, including principal and interest, on non-derivative financial liabilities to maturity date are as follows:

		Twelve months ending March 31,					
	Contractual Cash Flows[1]	2021	2022	2023	2024	2025	Thereafter
Fixed rate mortgages[2]	$ 1,315,404	$ 152,844	$ 230,508	$ 198,819	$ 389,553	$ 109,082	$ 234,598
Senior unsecured notes	1,082,774	37,634	279,380	175,528	21,630	195,230	373,372
Lease Liabilities	148,613	2,550	2,386	2,282	2,161	2,059	137,175
	2,546,791	193,028	512,274	376,629	413,344	306,371	745,145
Credit facilities	302,457	128,073	43,627	3,480	118,111	9,166	—
Total	$ 2,849,248	$ 321,101	$ 555,901	$ 380,109	$ 531,455	$ 315,537	$ 745,145

[1] Contractual cash flows include principal and interest and ignore extension options.
[2] Reduced by the interest rate subsidy payments to be received from Empire.

17) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, at reasonable levels, utilize staggered debt maturities, minimize long-term exposure to excessive levels of floating rate debt and maintain conservative payout ratios.

Crombie's capital structure consists of the following:

	March 31, 2020	December 31, 2019
Fixed rate mortgages	**$ 1,137,438**	$ 1,302,510
Credit facilities	**286,111**	54,308
Senior unsecured notes	**922,495**	922,479
Crombie REIT Unitholders	**915,609**	870,792
SVU and Class B LP Unitholders	**620,788**	584,251
Lease liabilities	**29,276**	29,419
	$ 3,911,717	$ 3,763,759

At a minimum, Crombie's capital structure is managed to ensure that it complies with the limitations pursuant to Crombie's Declaration of Trust, the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT and existing debt covenants. Some of the restrictions pursuant to Crombie's Declaration of Trust would include, among other items:

- A restriction that Crombie shall not incur indebtedness (other than by the assumption of existing indebtedness) where the indebtedness would exceed 75% of the market value of an individual property; and,

- A restriction that Crombie shall not incur indebtedness of more than 60% of gross book value.

(In thousands of CAD dollars)

For debt to gross book value calculation, Crombie does not include in total debt the financial liabilities to REIT Unitholders and to holders of Class B LP Units, as shown on the balance sheet as Net assets attributable to Unitholders. Crombie's debt to gross book value as defined in Crombie's Declaration of Trust is as follows:

		March 31, 2020		December 31, 2019
Fixed rate mortgages	$	1,143,537	$	1,309,077
Senior unsecured notes		925,000		925,000
Revolving credit facility		117,000		15,339
Joint operation credit facilities		9,111		8,969
Bilateral credit facility		40,000		30,000
Short-term credit facility		120,000		—
Lease liabilities		29,276		29,419
Total debt outstanding		2,383,924		2,317,804
Less: Applicable fair value debt adjustment		(473)		(539)
Debt	$	2,383,451	$	2,317,265
Income properties, cost		4,051,020		4,061,957
Properties under development, cost		102,193		96,213
Below-market lease component, cost (1)		64,754		64,754
Investment in joint ventures		45,221		45,123
Other assets, cost		409,814		396,374
Cash and cash equivalents		112,657		—
Deferred financing charges		9,121		9,715
Interest rate subsidy		(473)		(539)
Gross book value	$	4,794,307	$	4,673,597
Debt to gross book value - cost basis		49.7%		49.6%

(1) Below-market lease component is included in the carrying value of investment properties.

Under the amended terms governing the revolving credit facility, Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the excess fair market value over first mortgage financing of assets subject to a second security position or a negative pledge. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

- annualized net operating income for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized net operating income on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements;
- access to the revolving credit facility is limited by the amount utilized under the facility and the amount of any outstanding letters of credit not to exceed the borrowing base security provided by Crombie; and,
- distributions to Unitholders are limited to 100% of distributable income as defined in the revolving credit facility.

As at March 31, 2020, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

(In thousands of CAD dollars)

18) LEASE LIABILITIES

Crombie's future minimum lease payments as a lessee are as follows:

	Twelve months ending March 31,						
	Total	2021	2022	2023	2024	2025	Thereafter
Future minimum lease payments	$ 148,613	$ 2,550	$ 2,386	$ 2,282	$ 2,161	$ 2,059	$ 137,175
Finance charges	(119,337)	(1,832)	(1,813)	(1,800)	(1,794)	(1,790)	(110,308)
Present value of lease payments	$ 29,276	$ 718	$ 573	$ 482	$ 367	$ 269	$ 26,867

Lease liabilities are presented in the consolidated balance sheet as follows:

Current	$ 718
Non-Current	28,558
Total	$ 29,276

Some of Crombie's lease agreements contain contingent rent clauses. Contingent rental payments are recognized in the consolidated statements of comprehensive income as required when contingent criteria are met. The lease agreements contain renewal options and purchase options. For the three months ended March 31, 2020, minimum lease payments of $639 were paid by Crombie.

19) COMMITMENTS, CONTINGENCIES, and GUARANTEES

There are various claims and litigation which Crombie is involved with arising out of the ordinary course of business operations. In the opinion of management, any liability that would arise from such contingencies in excess of existing accruals would not have a significant adverse effect on these financial statements.

Crombie has agreed to indemnify its trustees and officers, and particular employees, in accordance with Crombie's policies. Crombie maintains insurance policies that may provide coverage against certain claims.

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at March 31, 2020, Crombie has a total of $5,759 in outstanding letters of credit related to:

	March 31, 2020	December 31, 2019
Construction work being performed on investment properties	$ 3,919	$ 3,805
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	1,840	1,840
Total outstanding letters of credit	$ 5,759	$ 5,645

As at March 31, 2020, Crombie had signed construction contracts totalling $315,694 of which $203,308 has been paid, this includes contracts signed within joint ventures at Crombie's ownership percentage.

Crombie has 100% guarantees on mortgages related to properties in which it has less than a 100% interest. The mortgages payable related to these guarantees are secured by specific charges against the properties. As at March 31, 2020, Crombie has provided guarantees of approximately $144,450 (December 31, 2019 - $145,713) on mortgages in excess of their ownership interest in the properties. Responsibility for ongoing payments of principal and interest on these mortgages remains with the joint owners of the properties. The mortgages have a weighted average term to maturity of 4.6 years.

Under the terms of head leases with certain of Crombie's joint operation partners, Crombie guarantees its joint operation partners their portion of any uncollected rent receivable from the sub-tenant.

20) SUBSEQUENT EVENTS

(a) On April 17, 2020, Crombie declared distributions of 7.417 cents per Unit for the period from April 1, 2020 to and including April 30, 2020. The distributions will be paid on May 15, 2020, to Unitholders of record as of April 30, 2020.

(In thousands of CAD dollars)

(b) On April 30, 2020, Crombie closed on a 3.878% mortgage loan of $118,000 for a retail-related industrial property, maturing on June 1, 2036. Installments of principal and interest are to be paid on the first day of each month. Upon receipt of proceeds, Crombie repaid $45,000 on the non-revolving short-term credit facility, maturing March 31, 2021, resulting in $75,000 remaining on the credit facility.

(c) Near the end of the March 31, 2020 quarter end, the outbreak of the novel strain of coronavirus, COVID-19, was declared a world-wide pandemic. States of emergency were declared across Canada with varying degrees of mandatory business closures and operating restrictions, resulting in a complete economic slowdown. The duration and impact of the resulting emergency measures taken to prevent the spread of the virus and its impact on Crombie's financial results into the future are not known.

Due to the shutdown of nonessential construction in Quebec, Le Duke and the Montreal CFC developments are currently on hold with potential reopening scheduled for May 11th. British Columbia and Ontario have deemed construction essential, therefore our active developments at Davie Street in Vancouver, and Bronte Village in the GTA continue, however at a slower pace. Belmont Market in British Columbia is experiencing minimal delays. As a result of project delays and on-site work disruption there is increased risk around date and cost of completion as well as future lease-up schedules. The full impact of this business interruption is not clear at this time, however, work on planning and rezoning initiatives is expected to continue.

Since a majority of Canada's annual minimum rent is derived from businesses deemed essential and allowed to open in all jurisdictions in which Crombie operates, as of March 31, 2020, Crombie has estimated a minor increase in its collections risk. However, that risk increases with the prolongation of non-essential business being shut down. The majority of businesses within Crombie's high-quality grocery and pharmacy-anchored properties remain open, and many have been deemed essential services, including our strategic partner, Empire. To date, Crombie has collected 87% of its contractual rents for the month of April. As a response to the increased pressure on small business, Crombie instituted the Crombie Values Small Businesses ("CVSB") initiative to extend credit to small businesses facing increased liquidity challenges during this time. The program allows for the deferral of two months rent upon approval. Crombie continues to work through deferral arrangements with both small business and national tenants. Deferral arrangements have been finalized on 2% of April gross rents. It is too early to determine how much rent will be withheld by tenants in the coming months or how many tenants will be eligible to participate in Crombie's CVSB program.

Rent collection by segments is as follows:

	% of April 2020 Gross Rent Collected	% of Gross Rent, Total Portfolio
Retail and Commercial	86%	91%
Office	94%	6%
Retail-Related Industrial	100%	3%
Total	87%	100%

In late April, the federal government, in cooperation with all 10 provinces, unveiled the Canada Emergency Commercial Rent Assistance ("CECRA"), a program to subsidize 75% of small and medium sized business rent for three months for qualifying business. Crombie is evaluating the application of CECRA to its tenants.

There is also increased risk as to the extent of the impact of COVID-19 on leasing, occupancy, tenant inducements, land use intensifications, market rents and capital expenditures if the current economic slowdown continues long-term, potentially impacting future operational expectations and valuation of assets.

21) SEGMENT DISCLOSURE

Crombie owns and operates primarily retail and office real estate assets located in Canada. Management, in measuring Crombie's performance or making operating decisions, does not distinguish or group its operations on a geographical or other basis. Accordingly, Crombie has a single reportable segment.