Crombie
REIT

2015 FIRST QUARTER REPORT

THREE MONTHS ENDED MARCH 31

Contents

President and CEO's Message

We are pleased to report steady and stable results for the quarter ended March 31, 2015. We continue to grow and improve our portfolio of great real estate and made progress in the quarter on our 2015 acquisition and capital recycling priorities, As well, we took tangible actions to optimize our financial position and leverage our dedicated team of strong and professional leaders.

Crombie's go-forward strategy consists of three fundamental elements. First, we continue to improve the size, geographic diversification, productivity and intensification of one of Canada's best real estate portfolios with a focus on high-quality food and drug store anchored properties in Canada's top 36 markets. We are both driven and disciplined in acquiring excellent new locations with value creation opportunities as well as sites adjacent to existing properties in these growing markets.

Second, we are committed to maintaining a strong financial position with reasonable debt levels, ample liquidity and multiple sources of capital. We seek to optimize our capital structure to run our business irrespective of economic environment uncertainties and will access capital markets when it makes sense to do so.

And third, we continue to build a best-in-class operating platform and a high-quality team of real estate professionals in all regions of the country. Our team is committed to making real estate and financial decisions that support the long term interests of our company and unitholders.

Great real estate

Our focus remains on high quality grocery and drug store anchored retail properties that meet the everyday shopping needs of their local communities. At the same time, Crombie's growth is focused on the top 36 markets in Canada because they are growing faster than the Canadian average and, generally, are home to younger populations with higher income growth and greater consumer spending. We believe we can successfully invest in these markets on a risk-adjusted basis primarily by working closely with our strategic partner, Sobeys.

We also have significant development opportunities at 11 urban sites in the heart of western Canada's largest cities that came to us in the 2013 $991 million acquisition of 70 Safeway retail and potential mixed use properties. We are pleased to report that the opportunities under assessment for these urban mixed use developments are consistent with our expectations at the time of the Safeway purchase 18 short months ago. During the first quarter, we continued the scoping, partner negotiation and financial evaluation of the initial four property projects.

In addition to our continuous acquisition and capital recycling activity and increasing efforts in development, we are also very focused on operations; maintaining or improving occupancy and growing rents in a portfolio that has delivered consistently in these areas over the last nine years. Despite small exposures to tenants like Target and Best Buy, we are focused on improving operational metrics in the face of these headwinds.

Pursuit of accretive acquisitions and more aggressive recycling of capital to support the growth of our core food and drug store anchored property portfolio are key priorities. For acquisitions, we continue to compete for desirable properties in the third party market and leverage our strategic relationship with Sobeys in targeting approximately $100 million of annual acquisition growth. During 2014, we completed the sale of five properties in secondary markets for proceeds of $68.1 million and a net gain of $6.1 million. We continue to target additional disposition opportunities with the intention to utilize the cash to fund future acquisition and development growth.

Strong financial condition

Our second strategic driver is our commitment to maintaining a strong financial foundation with a disciplined approach to managing our capital structure. We are taking advantage of improved access to capital via our investment grade credit rating and the current low interest rate environment to further strengthen our capital structure. Such strength gives us the flexibility to withstand unexpected economic shocks in global markets and to prudently operate and grow our portfolio irrespective of market conditions. So far in 2015, we issued $125 million of 2.775% 5-year unsecured notes, redeemed $45 million of 5.75% convertible debentures and repaid $26.7 million in maturing mortgages with an average interest rate of 5.25% using our revolving credit facility at an approximate borrowing cost of 2.6%. These are tangible examples of taking advantage of an attractive credit market. We also instituted a DRIP in December 2014 to enable unitholders with longer term ownership horizons to reinvest their distributions.

A winning platform

The third element on which Crombie's growth will depend is a best-in-class national platform, including a great team of talented people. Following nine years of rapid growth, we now have a substantial presence in every region of the country. We have been building a national platform with outstanding regional operating talent and a deeper management bench to optimize the performance of our national portfolio and to take advantage of our growing development pipeline. The additions to and growth of our team in the past three years have provided us a winning formula to execute on our strategy. This year Crombie REIT has been recognized as an employer of choice through several national employer awards including *Canada's Top Small & Medium Employers*, Atlantic Canada's and Nova Scotia's Top Employers, and as a finalist for Atlantic Canada's Passion Capitalists.

In closing, I want to thank those who have helped shape Crombie into the organization we are today, including our team, Board of Trustees, tenants, other partners and our Unitholders.

Sincerely

Donald E. Clow
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS FOR THE QUARTER ENDED MARCH 31, 2015

INTRODUCTION

(In thousands of CAD dollars, except per unit amounts)

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the three months ended March 31, 2015, with a comparison to the financial condition and results of operations for the comparable periods in 2014.

This MD&A should be read in conjunction with Crombie's interim condensed consolidated financial statements and accompanying notes for the period ended March 31, 2015, prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. This MD&A should also be read in conjunction with Crombie's audited consolidated financial statements and accompanying notes for the year ended December 31, 2014, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Information about Crombie can be found on SEDAR at www.sedar.com.

Date of MD&A

The information contained in the MD&A, including forward-looking statements, is based on information available to management as of May 13, 2015, except as otherwise noted.

Forward-Looking Information

This MD&A contains forward-looking statements about expected future events and the financial and operating performance of Crombie. These statements include, but are not limited to statements concerning management's beliefs, plans, estimates, intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical fact. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. All forward-looking information in this MD&A is qualified by the following cautionary statements as well as all cautionary statements included in Crombie's December 31, 2014 MD&A which can be found on SEDAR:

(i) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions and supply of competitive locations in proximity to Crombie locations;

(ii) overall indebtedness levels and terms and expectations relating to refinancing, which could be impacted by the level of acquisition activity that Crombie is able to achieve, future financing opportunities, future interest rates and market conditions;

(iii) asset growth and reinvesting to develop or otherwise make improvements to existing properties, which could be impacted by the availability of labour, capital resource allocation decisions and actual development costs;

(iv) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities; and,

(v) anticipated distributions, distribution growth and payout ratios, which could be impacted by results of operations and capital resource allocation decisions.

These forward looking-statements are presented for the purpose of assisting Crombie's Unitholders and financial analysts in understanding Crombie's operating environment, and may or may not be appropriate for other purposes. These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Crombie's current estimates and assumptions. Crombie can give no assurance that actual results will be consistent with these forward-looking statements. A number of factors, including those discussed under "Risk Management" could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward-looking statements.

These forward looking statements are made as at the date of the MD&A and Crombie assumes no obligation to update or revise them to reflect new or current events or circumstances unless otherwise required by applicable securities legislation.

Non-GAAP Financial Measures

There are financial measures included in this MD&A that do not have a standardized meaning under IFRS as prescribed by the IASB. These measures are property net operating income ("NOI"), same-asset property cash NOI, operating income attributable to Unitholders, funds from operations ("FFO"), adjusted funds from operations ("AFFO"), debt to gross book value, earnings before interest, taxes, depreciation and amortization ("EBITDA"), interest service coverage and debt service coverage. Management includes these measures because it believes certain investors use these measures as a means of assessing relative financial performance.

Financial Highlights

Financial Highlights for the three months ended March 31, 2015 and 2014 are as follows:

AT MARCH 31		**2015**		**2014**
Number of properties		255		249
Gross leaseable area (square feet)		17,442,000		17,541,000
Debt to gross book value - fair value basis		52.2%		53.1%
THREE MONTHS ENDED MARCH 31				
(In thousands of CAD dollars, except per unit amounts and as otherwise noted)				
Property revenue	$	92,501	$	90,913
Property net operating income	$	62,318	$	61,359
Operating income attributable to Unitholders	$	16,702	$	15,900
Operating income attributable to Unitholders per unit - basic	$	0.13	$	0.13
Operating income attributable to Unitholders per unit - diluted	$	0.13	$	0.13
FFO – basic	$	35,772	$	34,494
FFO – diluted	$	37,824	$	36,841
FFO per unit – basic	$	0.27	$	0.28
FFO per unit – diluted	$	0.27	$	0.28
FFO payout ratio (%)		81.3%		79.3%
AFFO – basic	$	29,917	$	28,769
AFFO – diluted	$	31,225	$	30,372
AFFO per unit – basic	$	0.23	$	0.23
AFFO per unit – diluted	$	0.23	$	0.23
Distributions per unit	$	0.22	$	0.22
AFFO payout ratio (%)		97.2%		95.1%
Interest service coverage		2.62x		2.53x
Debt service coverage		1.75x		1.69x

(1) AFFO payout ratio is calculated using a per square foot charge of $0.87 for maintenance expenditures (see “AFFO” section).

Weighted average number of Units outstanding for per unit measures calculations:

	Three months ended March 31,	
	2015	2014
Basic number of Units for all measures	130,489,073	122,722,607
Diluted for operating income attributable to Unitholders purposes	130,655,183	122,905,974
Diluted for FFO purposes	139,544,547	133,205,403
Diluted for AFFO purposes	136,559,471	130,220,328

The diluted weighted average number of Units outstanding does not include the impact of any series of convertible debentures that would be anti-dilutive for that calculation.

Highlights

- FFO for the three months ended March 31, 2015 increased 3.7% to $35,772; or $0.27 per unit Diluted, a decrease of $0.01 per unit from the three months ended March 31, 2014. The variance was impacted by the write off of the deferred finance charges on the early redemption of the $45,000 Series C convertible debentures.
- AFFO for the three months ended March 31, 2015 increased 4.0% to $29,917; or $0.23 per unit Diluted, unchanged from the three months ended March 31, 2014.
- FFO payout ratio of 81.3% for the three months ended March 31, 2015 compared to 79.3% for the same period in 2014. AFFO payout ratio of 97.2% for the three months ended March 31, 2015 compared to 95.1% for the same period in 2014.
- 1.7% growth of property revenue for the three months ended March 31, 2015 ($92,501 versus $90,913 for the three months ended March 31, 2014).

- Same-asset property cash NOI for the three months ended March 31, 2015 increased by $157 ($58,598 compared to $58,441 for the three months ended March 31, 2014).
- Committed occupancy was 94.1% at March 31, 2015 compared with 94.0% at December 31, 2014 and 93.1% at March 31, 2014.
- Crombie's renewal activity during the three months ended March 31, 2015, included;
    - Renewals on 80,000 square feet of 2015 expiring leases at an average rate of $17.24 per square foot, an increase of 8.0% over the expiring lease rate; and
    - Renewals on 15,000 square feet of 2016 and later expiring leases at an average rate of $21.12 per square foot, an increase of 6.8% over the expiring lease rate.
- New leasing activity affecting 2015 includes replacing 122,000 square feet of vacant or maturing space at an average rate of $13.65 per square foot and 32,000 square feet of new square footage on existing properties at an average rate of $13.61 per square foot.
- Debt to gross book value (fair value basis) was 52.2% at March 31, 2015, compared to 53.1% at March 31, 2014.
- Crombie's interest service coverage for the three months ended March 31, 2015 was 2.62 times EBITDA and debt service coverage was 1.75 times EBITDA, compared to 2.53 times EBITDA and 1.69 times EBITDA, respectively, for the same period in 2014.
- Closed $125,000 principal amount Series C Five Year Senior Unsecured Notes offering with an effective yield of 2.775% on February 10, 2015.
- Redeemed the $45,000 Series C Convertible Debentures on February 18, 2015.
- Completed acquisition of an addition to an existing retail property totalling 51,000 square feet for a total purchase price of $12,650 before closing and transaction costs.

Business Overview

Crombie is an unincorporated, "open-ended" real estate investment trust established pursuant to the Declaration of Trust dated January 1, 2006, as amended and restated (the "Declaration of Trust") under, and governed by, the laws of the Province of Ontario. The REIT Units of Crombie trade on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

Crombie invests in income-producing retail, office and mixed use properties in Canada, with a growth strategy focused primarily on the acquisition of grocery and drug store anchored retail properties in Canada's top 36 markets. At March 31, 2015, Crombie owned a portfolio of 255 investment properties in ten provinces, comprising approximately 17.4 million square feet of gross leaseable area ("GLA"). Empire Company Limited ("Empire" or "ECL"), through a subsidiary, holds a 41.5% (fully diluted 40.2%) economic and voting interest in Crombie at March 31, 2015.

Business Objectives and Outlook

Crombie describes its business objectives and outlook in the MD&A for the year ended December 31, 2014. Crombie is continuing work on advancing potential opportunities for urban mixed use developments on several sites acquired in November 2013. Progress to date includes scoping, partner negotiations and financial evaluation.

Business Environment

Crombie describes its business environment in the MD&A for the year ended December 31, 2014.

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Portfolio

At March 31, 2015, Crombie's property portfolio consisted of 255 investment properties that contain approximately 17.4 million square feet of GLA in all ten provinces.

As at March 31, 2015, the portfolio distribution of the GLA by province was as follows:

	GLA (sq. ft.)						
Province	January 1, 2015	Acquisitions (Dispositions)	Other	March 31, 2015	Number of Properties	% of GLA	% of Annual Minimum Rent
AB	2,197,000	51,000	(3,000)	2,245,000	43	12.9%	18.1%
BC	1,373,000	—	—	1,373,000	32	7.9%	9.0%
MB	609,000	—	—	609,000	15	3.5%	4.5%
NB	1,650,000	—	—	1,650,000	21	9.5%	6.4%
NL	1,438,000	—	(8,000)	1,430,000	13	8.2%	10.5%
NS	5,348,000	—	8,000	5,356,000	45	30.7%	23.2%
ON	3,007,000	—	15,000	3,022,000	54	17.3%	18.2%
PE	78,000	—	—	78,000	2	0.4%	0.3%
QC	1,225,000	—	—	1,225,000	22	7.0%	7.1%
SK	454,000	—	—	454,000	8	2.6%	2.7%
Total	17,379,000	51,000	12,000	17,442,000	255	100.0%	100.0%

During the three months ended March 31, 2015, Crombie has a net increase of 51,000 square feet of GLA from acquisition and disposition activity consisting of:

- acquisition of a 51,000 square feet addition to an existing property in Alberta.

Crombie continues to diversify its geographic concentration from its Atlantic Canadian roots through growth and divestiture opportunities. As at March 31, 2015, our % of Annual Minimum Rent consists of: Atlantic Canada 40.4%, Central Canada 25.3%; and Western Canada 34.3%. Crombie believes this diversification adds stability to the portfolio while reducing vulnerability to economic fluctuations that may affect any particular region.

Portfolio Occupancy and Lease Activity

The portfolio occupancy and committed activity for the three months ended March 31, 2015 were as follows:

	Occupied space (sq. ft.)								
Province	January 1, 2015	Acquisitions (Dispositions)	New Leases(1)	Lease Expiries	Other Changes(2)	March 31, 2015	Committed Space (sq. ft.)(3)	Total Leased Space (sq. ft.)	Leased March 31, 2015
AB	2,186,000	51,000	—	(3,000)	(4,000)	2,230,000	2,000	2,232,000	99.4%
BC	1,373,000	—	—	—	—	1,373,000	—	1,373,000	100.0%
MB	609,000	—	—	—	—	609,000	—	609,000	100.0%
NB	1,328,000	—	3,000	—	(2,000)	1,329,000	17,000	1,346,000	81.6%
NL	1,377,000	—	—	(18,000)	—	1,359,000	9,000	1,368,000	95.7%
NS	4,781,000	—	53,000	(4,000)	(3,000)	4,827,000	47,000	4,874,000	91.0%
ON	2,838,000	—	9,000	(1,000)	(4,000)	2,842,000	24,000	2,866,000	94.8%
PE	78,000	—	—	—	—	78,000	—	78,000	100.0%
QC	1,213,000	—	1,000	—	—	1,214,000	—	1,214,000	99.1%
SK	448,000	—	—	—	—	448,000	—	448,000	98.7%
Total	16,231,000	51,000	66,000	(26,000)	(13,000)	16,309,000	99,000	16,408,000	94.1%

(1) New leases include: new leases and expansions to existing properties.
(2) Other changes include: amendments to existing leases; lease terminations and surrenders; bankruptcies; and space certifications.
(3) Committed space represents lease contracts for future occupancy of currently vacant space. Management believes such reporting, along with reported lease maturities, provides more balanced reporting of potential pending overall vacant space. Committed space remained at 99,000 square feet at March 31, 2015, unchanged from December 31, 2014.

Overall leased space (occupied plus committed) increased from 94.0% at December 31, 2014 to 94.1% at March 31, 2015. During the first three months of the year, Crombie had a net increase from acquisitions and dispositions of 51,000 square feet of fully leased space; had new leases exceed expiries by 40,000 square feet; and, had committed space remain unchanged.

During the three months ended March 31, 2015, Crombie renewed 80,000 square feet of 2015 maturities at an average rate of $17.24 per square foot, an increase of 8.0% over the expiring lease rate. The renewal activity compares favourably with the average rent per square foot on full year 2015 lease maturities of $16.61 per square foot. Crombie also renewed 15,000 square feet of 2016 and later expiring leases at an average rate of $21.12 per square foot, an increase of 6.8% over the expiring lease rate.

New leasing activity affecting 2015 includes replacing 122,000 square feet of vacant or maturing space at an average rate of $13.65 per square foot and 32,000 square feet of new square footage on existing properties at an average rate of $13.61 per square foot. Current tenants have also expanded by 33,000 square feet in 2015 at an average rate of $10.60 per square foot.

Subsequent to quarter end Crombie received notice that Target Canada has disclaimed all three leases in our portfolio. Rent payments will cease at Sydney Shopping Centre in Sydney, NS and Uptown Centre in Fredericton, NB on May 31, 2015. The lease at the North Bay, ON location is guaranteed by Target Corporation. Crombie has been actively leasing these spaces since Target entered CCAA in January 2015.

Sector Information

While Crombie does not distinguish or group its operations on a geographical or other basis, the following sector information is provided as supplemental disclosure.

As at March 31, 2015, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased(1)
Retail and Mixed Use	250	16,383,000	93.9%	95.7%	94.8%
Office	5	1,059,000	6.1%	4.3%	82.8%
Total	255	17,442,000	100.0%	100.0%	94.1%

(1) For purposes of calculating leased percentage, Crombie considers GLA covered by head lease agreements as occupied.

As at March 31, 2014, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Leased(1)
Retail and Mixed Use	244	16,483,000	94.0%	95.7%	93.8%
Office	5	1,058,000	6.0%	4.3%	81.6%
Total	249	17,541,000	100.0%	100.0%	93.1%

(1) For purposes of calculating leased percentage, Crombie considers GLA covered by head lease agreements as occupied.

Retail and mixed use properties represent 93.9% of Crombie's GLA and 95.7% of annual minimum rent at March 31, 2015 compared to 94.0% of GLA and 95.7% of annual minimum rent at March 31, 2014 reflecting Crombie's strategy to focus growth primarily on retail properties.

Leased space in retail and mixed use properties of 94.8% at March 31, 2015, increased from 93.8% at March 31, 2014. Leased space in office properties of 82.8% increased from 81.6% at March 31, 2014.

Lease Maturities

The following table sets out as of March 31, 2015, the number of leases maturing during the periods indicated (assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights), the renewal area, the percentage of the total GLA of the properties represented by such maturities and the estimated average rent per square foot at the time of expiry.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Rent per sq. ft. at Expiry
Remainder of 2015	141	448,000	2.6%	$ 15.44
2016	187	947,000	5.4%	13.14
2017	171	856,000	4.9%	18.20
2018	163	651,000	3.7%	19.55
2019	171	853,000	4.9%	17.84
Thereafter	685	12,653,000	72.6%	17.76
Total	1,518	16,408,000	94.1%	$ 17.52

Property Development

On a regular basis, Crombie will complete development work on properties to enhance the economic viability of a location when the environment in which it operates warrants. Properties under development are excluded from same-asset results until the development is complete and the operating results from the development property are available for the current and comparative reporting years.

As at March 31, 2015, Crombie properties currently under development include: Aberdeen Business Centre in New Glasgow, Nova Scotia, Amherst Centre in Amherst, Nova Scotia, County Fair Mall in New Minas, Nova Scotia, Downsview Mall in Halifax, Nova Scotia, and Loch Lomond Place in Saint John, New Brunswick.

Province	Property	Current GLA
NS	Aberdeen Business Centre	395,000
NS	Amherst Centre	228,000

The development of Aberdeen Business Centre and Amherst Centre consists of redemising and redeveloping vacant anchor space in response to leasing. Planning and design work is currently underway and is subject to management review and approval.

Province	Property	Current GLA	Development	Estimated Construction Cost(1)	Incurred To Date(2)	Estimated Completion
NS	County Fair Mall-New Minas	268,000	To be determined	In planning	$ —	To be determined
NS	Downsview Mall	64,000	To be determined	In planning	$ —	To be determined
NB	Loch Lomond Place	192,000	To be determined	In planning	$ —	To be determined

(1) (2) Costs exclude direct tenant amounts.

County Fair Mall - New Minas has been designated for development. Initial planning and design work is currently underway and is subject to management review and approval.

Downsview Mall - has been designated for development consisting of phased demolition and redevelopment. Site density planning is underway and is subject to management review and approval. GLA at this property has been reduced by 78,000 square feet for buildings designated for demolition as part of the long term plan.

Loch Lomond Place - has been designated for development. Initial planning and design work is currently underway and is subject to management review and approval.

In addition to work done on properties under development, Crombie also performs productive capacity enhancement on other properties which totals $6,343 for the first three months of the year. This spending is further discussed in the Maintenance Expenditures section.

Largest Tenants

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum rent as at March 31, 2015.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys (1)	50.1%	15.0 years
Shoppers Drug Mart	6.0%	12.4 years
Cineplex	1.5%	10.4 years
Province of Nova Scotia	1.3%	3.7 years
CIBC	1.2%	15.0 years
Lawtons/Sobeys Pharmacy	1.1%	12.2 years
GoodLife Fitness	1.1%	12.1 years
Bank of Nova Scotia	1.0%	3.6 years
Best Buy Canada Ltd.	1.0%	6.4 years
Dollarama	0.9%	6.1 years
Total	65.2%	

(1) Excludes Lawtons/Sobeys Pharmacy.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys which accounts for 50.1% of annual minimum rent and Shoppers Drug Mart which accounts for 6.0% of annual minimum rent, no other tenant accounts for more than 1.5% of Crombie's annual minimum rent.

The weighted average remaining term of all Crombie leases is approximately 11.7 years. This lengthy remaining lease term is influenced by the average Sobeys and Shoppers Drug Mart remaining lease terms of 15.0 years and 12.4 years, respectively.

FINANCIAL RESULTS

Comparison to Previous Year

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	As At		
	March 31, 2015	December 31, 2014	March 31, 2014
Total assets	$ 3,418,824	$ 3,413,414	$ 3,344,963
Total investment property debt and unsecured debt	$ 2,082,916	$ 2,073,354	$ 2,052,790
Debt to gross book value - fair value basis(1)	52.2%	52.8%	53.1%

(1) See "Debt to Gross Book Value – Fair Value Basis" for detailed calculation.

(In thousands of CAD dollars, except per unit amounts and as otherwise noted)	Three months ended March 31,		
	2015	2014	Variance
Property revenue	$ 92,501	$ 90,913	$ 1,588
Property operating expenses	30,183	29,554	(629)
Property NOI	62,318	61,359	959
NOI margin percentage	67.4%	67.5%	(0.1)%
Other items:			
Gain (loss) on derecognition of investment properties	(2)	(157)	155
Depreciation and amortization	(16,522)	(16,525)	3
General and administrative expenses	(3,474)	(3,756)	282
Operating income before finance costs and taxes	42,320	40,921	1,399
Finance costs – operations	(25,418)	(25,246)	(172)
Operating income before taxes	16,902	15,675	1,227
Taxes – deferred	(200)	225	(425)
Operating income attributable to Unitholders	16,702	15,900	802
Finance costs – distributions to Unitholders	(29,076)	(27,355)	(1,721)
Finance income (costs) – change in fair value of financial instruments	(268)	55	(323)
Decrease in net assets attributable to Unitholders	$ (12,642)	$ (11,400)	$ (1,242)
Operating income attributable to Unitholders per Unit, Basic	$ 0.13	$ 0.13	
Operating income attributable to Unitholders per Unit, Diluted	$ 0.13	$ 0.13	
Basic weighted average Units outstanding (in 000's)	130,489	122,723	
Diluted weighted average Units outstanding (in 000's)	130,655	122,906	
Distributions per Unit to Unitholders	$ 0.22	$ 0.22	

<u>Operating Results</u>

Operating income attributable to Unitholders for the three months ended March 31, 2015 of $16,702 increased by $802 or 5.0% from $15,900 for the three months ended March 31, 2014. The increase was primarily due to:

- additional property revenue from property acquisitions completed during 2014, including the acquisition of 11 properties during the fourth quarter of 2014 and the acquisition of additional space at three existing properties;
- increased average rental rates; and,
- lower finance costs-operations resulting from a decreased weighted average interest rate.

Offset in part by:

- higher property operating expenses due to an increase in non-recoverable costs.

Pursuant to CSA Staff Notice 52-306 "(Revised) Non-GAAP Financial Measures", non-GAAP measures should be reconciled to the most directly comparable GAAP measure, which, in the case of Operating income attributable to Unitholders, is Decrease in net assets attributable to Unitholders from the Statement of Comprehensive Income (Loss). The reconciliation is as follows:

	Three months ended March 31,	
(In thousands of CAD dollars)	2015	2014
Operating income attributable to Unitholders	$ 16,702	$ 15,900
Finance costs – distributions to Unitholders	(29,076)	(27,355)
Finance income (costs) – change in fair value of financial instruments	(268)	55
Decrease in net assets attributable to Unitholders	$ (12,642)	$ (11,400)

Property NOI

Same-asset properties are properties owned and operated by Crombie throughout the current and comparative reporting periods, excluding any property that is classified as held for sale or that was designated for development during either the current or comparative period.

Property NOI on a cash basis is as follows:

	Three months ended March 31,		
(In thousands of CAD dollars)	2015	2014	Variance
Property NOI	$ 62,318	$ 61,359	$ 959
Non-cash straight-line rent	(2,694)	(2,754)	60
Non-cash tenant incentive amortization	2,346	2,137	209
Property cash NOI	61,970	60,742	1,228
Acquisitions, dispositions and development property cash NOI	3,372	2,301	1,071
Same-asset property cash NOI	$ 58,598	$ 58,441	$ 157

Property NOI, on a cash basis, excludes non-cash straight-line rent recognition and amortization of tenant incentive amounts. The $157 or 0.3% increase in same-asset cash NOI for the three months ended March 31, 2015 over the same period in 2014 is primarily the result of increased average rent per square foot from leasing activity and rental rate increases in existing leases as well as improved recovery rates and revenues from land use intensifications at several properties. Acquisitions, dispositions and development property cash NOI increased $1,071 for the three months ended March 31, 2015 over the same period in 2014 primarily due to acquisitions in the fourth quarter of 2014 offset by changes in income from properties undergoing development and property dispositions in the fourth quarter of 2014.

Management emphasizes property NOI on a cash basis as it reflects the cash generated by the properties period-over-period.

Same-asset property cash NOI is as follows:

	Three months ended March 31,			
(In thousands of CAD dollars)	2015	2014	Variance	Percent
Retail and Mixed Use	$ 55,974	$ 55,501	$ 473	0.9 %
Office	2,624	2,940	(316)	(10.7)%
Same-asset property cash NOI	$ 58,598	$ 58,441	$ 157	0.3%

Significant variances in same-asset property cash NOI for the three months ended March 31, 2015 compared to the same period in 2014 include:

- Retail and Mixed Use increased $473 or 0.9% due to increased base rent and related recoveries driven by new and renewal lease activity.
- Office decreased $316 or 10.7% as a result of lower rental rates from specific lease renewals.

Acquisitions, dispositions and development property cash NOI is as follows:

	Three months ended March 31,		
(In thousands of CAD dollars)	2015	2014	Variance
Acquisitions and dispositions property cash NOI	$ 2,539	$ 1,135	$ 1,404
Development property cash NOI	833	1,166	(333)
Total acquisitions, dispositions and development property cash NOI	$ 3,372	$ 2,301	$ 1,071

Growth in acquisitions and dispositions property cash NOI reflects the property acquisition activity throughout 2014, primarily in the fourth quarter.

Change in cash NOI from development properties period-over-period is impacted by the timing of commencement and completion of each development project. The nature and extent of development projects results in operations being impacted minimally in some instances and a significant disruption in others. Consequently, comparison of period-over-period development operating results may not be meaningful.

Crombie undertakes development of properties to position them for long-term sustainability and growth in cash NOI resulting in improvement in value.

Property NOI for the three months ended March 31, 2015 by province was as follows:

	2015	2014	
(In thousands of CAD dollars)	Property NOI	Property NOI	Variance
AB	$ 12,510	$ 11,403	$ 1,107
BC	6,388	6,085	303
MB	3,234	2,391	843
NB	3,033	3,538	(505)
NL	6,859	6,922	(63)
NS	12,549	13,522	(973)
ON	11,228	10,897	331
PE	228	472	(244)
QC	4,494	4,391	103
SK	1,795	1,738	57
Total	$ 62,318	$ 61,359	$ 959

The variances in property NOI for the three months ended March 31, 2015 compared to the same period in 2014 primarily relate to:

- Property acquisitions during 2014 including three in Alberta, three in Ontario, two in British Columbia and two in Manitoba;
- Disposition of two properties in Nova Scotia, one property in New Brunswick, one property in Newfoundland and Labrador, and one property in Prince Edward Island during 2014;
- Ongoing status of various development properties in New Brunswick, Nova Scotia and Prince Edward Island;
- Land use intensification projects; and
- Increased base rent due to lease renewal activity.

FFO AND AFFO

FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. As such, these non-GAAP financial measures should not be considered as an alternative to cash provided by operating activities or any other measure prescribed under IFRS. FFO represents a supplemental non-GAAP industry-wide financial measure of a real estate organization's operating performance. AFFO is presented in this MD&A because management believes this non-GAAP measure is relevant to the ability of Crombie to earn and distribute returns to Unitholders. FFO and AFFO as computed by Crombie may differ from similar computations as reported by other REIT's and, accordingly, may not be comparable to other such issuers.

Funds from Operations (FFO)

Crombie follows the recommendations of the Real Property Association of Canada ("REALpac") in calculating FFO and defines FFO as increase (decrease) in net assets attributable to Unitholders (computed in accordance with IFRS), adjusted for the following applicable amounts:

- Gain or loss on derecognition of investment properties and related tax ;
- Impairment charges and recoveries;
- Depreciation and amortization expense, including amortization of tenant incentives charged against property revenue;
- Deferred taxes;
- Finance costs - distributions on Crombie's REIT and Class B LP Units classified as financial liabilities; and
- Change in fair value of financial instruments.

REALpac provides for other adjustments in determining FFO which are currently not applicable to Crombie, therefore not included in the above list. Crombie's expenditures on tenant incentives are capital in nature. Crombie considers these costs comparable to other capital costs incurred to earn property revenue. Whereas the depreciation and amortization of other capital costs is added back in the calculation of FFO, Crombie also adds back the amortization of tenant incentives. Crombie's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. The calculation of FFO for the three months ended March 31, 2015 and 2014 is as follows:

	Three months ended March 31,		
(In thousands of CAD dollars)	2015	2014	Variance
Decrease in net assets attributable to Unitholders	$ (12,642)	$ (11,400)	$ (1,242)
Add (deduct):			
Amortization of tenant incentives	2,346	2,137	209
Loss on derecognition of investment property	2	157	(155)
Depreciation of investment properties	15,155	14,448	707
Amortization of deferred leasing costs	149	131	18
Amortization of intangible assets	1,218	1,946	(728)
Taxes – deferred	200	(225)	425
Finance costs – distributions to Unitholders	29,076	27,355	1,721
Finance costs (income) – change in fair value of financial instruments	268	(55)	323
FFO	$ 35,772	$ 34,494	$ 1,278

The $1,278 increase in FFO for the three months ended March 31, 2015 was primarily due to acquisitions and completed development activity during 2014, resulting in growth in property NOI.

Adjusted Funds from Operations (AFFO)

Crombie considers AFFO to be a useful measure in evaluating the recurring economic performance of its operating activities which will be used to support future distribution payments. AFFO reflects cash available for distributions after the provision for non-cash adjustments to revenue, amortization of effective swap agreements, maintenance capital expenditures, maintenance tenant incentives ("TI") and leasing costs and any settlement of effective interest rate swap agreements.

Maintenance Capital Expenditures, Maintenance Tenant Incentives and Leasing Costs ("Maintenance Expenditures")

Crombie's policy is to charge AFFO with a normalized rate per square foot for these maintenance expenditures. Crombie uses an annual rate of $0.87 per square foot as a charge against AFFO. The rate is a proxy for actual historic costs, anticipated future costs and any significant changes in the nature and age of the properties in the portfolio as it evolves over time. Crombie continues to track and report actual expenditures and the productive capacity enhancement of those expenditures for comparative purposes. The rate will be reviewed periodically and adjusted if required. This per square foot charge removes volatility in reported AFFO results from quarter to quarter as costs are not generally incurred on a consistent basis during the year, or from year to year.

The calculation of AFFO for the three months ended March 31, 2015 and 2014 is as follows:

	Three months ended March 31,		
(In thousands of CAD dollars)	2015	2014	Variance
FFO	$ 35,772	$ 34,494	$ 1,278
Add (deduct):			
Amortization of effective swap agreements	637	842	(205)
Straight-line rent adjustment	(2,694)	(2,754)	60
Maintenance expenditures on a square footage basis	(3,798)	(3,813)	15
AFFO	$ 29,917	$ 28,769	$ 1,148

AFFO for the three months ended March 31, 2015 was $29,917, an increase of $1,148 or 4.0% over the same period in 2014. The increases were primarily due to the improved FFO results as previously discussed.

Pursuant to CSA Staff Notice 52-306 "(Revised) Non-GAAP Financial Measures", non-GAAP measures such as AFFO should be reconciled to the most directly comparable IFRS measure, which is interpreted to be the cash flow from operating activities. The reconciliation is as follows:

	Three months ended March 31,		
(In thousands of CAD dollars)	2015	2014	Variance
Cash provided by (used in) operating activities	$ 11,219	$ 8,161	$ 3,058
Add back (deduct):			
Finance costs – distributions to Unitholders	29,076	27,355	1,721
Change in other non-cash operating items	(3,507)	(2,163)	(1,344)
Unit-based compensation expense	(10)	(10)	—
Amortization of deferred financing charges	(1,418)	(761)	(657)
Amortization of issue premium on senior unsecured notes	13	—	13
Non-cash distributions to Unitholders in the form of DRIP Units	(1,658)	—	(1,658)
Maintenance expenditures on a square footage basis	(3,798)	(3,813)	15
AFFO	$ 29,917	$ 28,769	$ 1,148

Maintenance Expenditures

There are two types of TI and capital expenditures:

- maintenance TI and leasing costs and maintenance capital expenditures that maintain existing productive capacity; and
- productive capacity enhancement expenditures.

Maintenance TI and leasing costs and maintenance capital expenditures are reinvestments in the portfolio to maintain the productive capacity of the existing assets. These costs are capitalized and depreciated or charged against revenue over their useful lives and deducted when calculating AFFO.

Productive capacity enhancement expenditures are costs incurred that increase the property NOI, or expand the GLA of a property by a minimum threshold, or otherwise enhance the property's overall value. Productive capacity enhancement expenditures are capitalized and depreciated or charged against revenue over their useful lives, but not deducted when calculating AFFO.

Obligations for expenditures for TI's occur when renewing existing tenant leases or for new tenants occupying a space. Typically, leasing costs for existing tenants are lower on a per square foot basis than for new tenants. However, new tenants may provide more overall cash flow to Crombie through higher rents or improved traffic to a property. The timing of such expenditures fluctuates depending on the satisfaction of contractual terms contained in the leases.

	Three months ended March 31,	
(In thousands of CAD dollars)	2015	2014
Total additions to investment properties	$ 7,819	$ 7,727
Less: productive capacity enhancements and recoverable amounts	(5,978)	(5,471)
Maintenance capital expenditures	$ 1,841	$ 2,256

	Three months ended March 31,	
(In thousands of CAD dollars)	2015	2014
Total additions to TI and deferred leasing costs	$ 2,346	$ 3,747
Less: productive capacity enhancements	(365)	(2,865)
Maintenance TI and deferred leasing costs	$ 1,981	$ 882

As maintenance TI and capital expenditures are not incurred or paid for evenly throughout the fiscal year, there can be comparative volatility from period-to-period.

Maintenance capital expenditures for the three months ended March 31, 2015, are primarily payments for costs associated with building interior and exterior maintenance, roof repairs and ongoing parking deck and structural maintenance.

Maintenance TI and deferred leasing costs are the result of both lease renewals and new leases and is reflective of the leasing activity during 2014 and 2015.

Productive capacity enhancements during the three months ended March 31, 2015 consisted primarily of development work and GLA expansions at: Elmsdale Plaza, Elmsdale, NS; Highland Square Mall, New Glasgow, NS; and, Parry Sound Plaza, Parry Sound ON. As well, development work at: Downsview Plaza, Halifax, NS; and, Scotia Square Mall, Halifax, NS.

Depreciation, Amortization and Impairment

	Three months ended March 31,		
(In thousands of CAD dollars)	2015	2014	Variance
Same-asset depreciation and amortization	$ 15,084	$ 15,592	$ 508
Acquisitions, dispositions and development depreciation/amortization	1,438	933	(505)
Depreciation and amortization	$ 16,522	$ 16,525	$ 3

Same-asset depreciation and amortization decreased by $508 compared to the same period in 2014. During the first quarter of 2015, Crombie determined that an investment property previously classified as held for sale no longer met the criteria and the property was reclassified to same-asset. As a result, depreciation and amortization totalling $673 has been recognized in the current quarter, representing the depreciation and amortization that was not recorded while the property was classified as held for sale. This catch up adjustment was more than fully offset by normal decreases in depreciation and amortization as amounts become fully amortized.

Acquisition, disposition and development depreciation and amortization increased as a result of net acquisition activity during 2014, primarily in the fourth quarter.

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $621,097 at March 31, 2015 (March 31, 2014 - $576,554). Crombie uses the cost method for accounting for investment properties, and increases in fair value over carrying value is not recognized until realized through disposition or derecognition of properties, while impairment, if any, is recognized on a property by property basis when circumstances indicate that fair value is less than carrying value.

General and Administrative Expenses

The following table outlines the major categories of general and administrative expenses:

	Three months ended March 31,		
(In thousands of CAD dollars)	2015	2014	Variance
Salaries and benefits	$ 2,084	$ 2,404	$ 320
Professional fees	276	286	10
Public company costs	401	395	(6)
Rent and occupancy	266	316	50
Other	447	355	(92)
General and administrative expenses	$ 3,474	$ 3,756	$ 282
As a percentage of property revenue	3.8%	4.1%	0.3%

For the three months ended March 31, 2015 general and administrative expenses, as a percentage of property revenue, were 3.8%, an improvement of 0.3% from the same period in 2014, with expenses decreasing $282 or 7.5% and property revenue increasing 1.7%. The decrease is primarily due to lower salary and benefit expenses.

Finance Costs - Operations

	Three months ended March 31,		
(In thousands of CAD dollars)	2015	2014	Variance
Same-asset finance costs	$ 19,894	$ 21,195	$ 1,301
Acquisitions, dispositions and development finance costs	3,469	2,448	(1,021)
Amortization of effective swaps and deferred financing charges	2,055	1,603	(452)
Finance costs – operations	$ 25,418	$ 25,246	$ (172)

Same-asset finance costs for the three months ended March 31, 2015 decreased compared to the same periods in 2014 primarily due to lower interest rates on refinancing of higher rate maturing debt.

Acquisitions, dispositions and development finance costs for the three months ended March 31, 2015 increased by $1,021 compared to the same period in 2014 due to acquisition activity particularly in the fourth quarter of 2014.

Finance Costs - Distributions

Pursuant to Crombie's Declaration of Trust, cash distributions are to be determined by the Trustees at their discretion. Crombie intends, subject to approval of the Board of Trustees, to make distributions to Unitholders of not less than the amount equal to the net income and net realized capital gains of Crombie, to ensure that Crombie will not be liable for income taxes. Crombie, subject to the discretion of the Board of Trustees, targets to make annual cash distributions to Unitholders equal to approximately 95% of its AFFO on an annual basis.

Details of distributions to Unitholders are as follows:

	Three months ended March 31,	
(In thousands of CAD dollars, except as otherwise noted)	2015	2014
Distributions to Unitholders	$ 17,214	$ 16,176
Distributions to Special Voting Unitholders	11,862	11,179
Total distributions	$ 29,076	$ 27,355
FFO payout ratio	81.3%	79.3%
AFFO payout ratio (target ratio = 95%)	97.2%	95.1%

Income Taxes

A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its unitholders that would otherwise apply to trusts classified as specified investment flow-through entities ("SIFTs").

Crombie has organized its assets and operations to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. Crombie's management and its advisors have completed an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it met the REIT criteria throughout 2014 and continues to do so. The relevant tests apply throughout the taxation year of Crombie and as such the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

In the ordinary course of business, Crombie is subject to audits by tax authorities. One of Crombie's non-taxable subsidiaries is currently subject to audit by Canada Revenue Agency ("CRA") for fiscal years 2010 and 2011. While Crombie believes that its tax filing positions are appropriate, certain matters are under review by CRA. The audit is ongoing and the outcome is indeterminable at this time.

The deferred tax liability of $78,600 represents the future tax provision relating to the difference in tax and book values offset by non-capital losses for Crombie's wholly-owned corporate subsidiaries which are subject to corporate income taxes.

Taxation of Distributions

Crombie, through its subsidiaries, has a large asset base that is depreciable for Canadian income tax purposes. Consequently, certain of the distributions from Crombie are treated as returns of capital and are not taxable to Canadian resident Unitholders for Canadian income tax purposes. The composition for tax purposes of distributions from Crombie may change from year to year, thus affecting the after-tax return to Unitholders.

The following table summarizes the last five years of the taxation of distributions from Crombie:

Taxation Year	Return of Capital	Investment Income	Capital Gains
2014 per $ of distribution	64.4%	18.1%	17.5%
2013 per $ of distribution	90.2%	9.8%	0.0%
2012 per $ of distribution	67.1%	32.9%	0.0%
2011 per $ of distribution	62.5%	37.5%	0.0%
2010 per $ of distribution	64.7%	35.3%	0.0%

LIQUIDITY AND CAPITAL RESOURCES

The real estate industry is highly capital intensive.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to fund the finance costs on debt, general and administrative expenses, reinvestment in the portfolio through capital expenditures, as well as funding TI costs and distributions to Unitholders.

Crombie expects to refinance debt obligations as they mature.

Crombie has the following sources of financing available to fund future growth:

(i) secured short-term financing through an authorized three year revolving credit facility, maturing June 30, 2018, of up to $300,000, subject to available borrowing base, of which $92,887 ($93,866 including outstanding letters of credit) was drawn at March 31, 2015;

(ii) mortgage and term debt on unencumbered assets;

(iii) senior unsecured notes;

(iv) unsecured convertible debentures; and,

(v) the issue of new units.

Capital Structure

(In thousands of CAD dollars)	March 31, 2015		December 31, 2014		March 31, 2014	
Investment property debt	$ 1,554,114	47.7%	$ 1,624,547	49.7%	$ 1,604,172	50.7%
Senior unsecured notes	397,747	12.2%	273,592	8.4%	273,493	8.6%
Convertible debentures	131,055	4.0%	175,215	5.4%	175,125	5.5%
Crombie REIT Unitholders	710,065	21.9%	716,025	22.1%	675,135	21.3%
Special Voting Units and Class B Limited Partnership Unitholders	463,137	14.2%	467,289	14.4%	439,126	13.9%
	$ 3,256,118	100.0%	$ 3,256,668	100.0%	$ 3,167,051	100.0%

Liquidity and Financing Sources

Revolving credit facility

Crombie has in place an authorized floating rate revolving credit facility of up to $300,000 (the “revolving credit facility”), of which $92,887 ($93,866 including outstanding letters of credit) was drawn as at March 31, 2015. The revolving credit facility is secured by a pool of first and second mortgages on certain properties. The floating interest rate is based on bankers’ acceptance rates plus a spread or specified margin over prime rate. The spread or specified margin changes depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status. Funds available for drawdown pursuant to the revolving credit facility are determined with reference to the value of the Borrowing Base (as defined under “Borrowing Capacity and Debt Covenants”) relative to certain financial covenants of Crombie. As at March 31, 2015, Crombie had sufficient Borrowing Base to permit $300,000 of funds to be drawn pursuant to the revolving credit facility, subject to certain other financial covenants. See “Borrowing Capacity and Debt Covenants”.

Mortgage debt

As of March 31, 2015, Crombie had fixed rate mortgages outstanding of $1,467,574 ($1,471,482 after including the fair value debt adjustment of $3,908), carrying a weighted average interest rate of 4.77% (after giving effect to the interest rate subsidy from ECLD under an omnibus subsidy agreement) and a weighted average term to maturity of 7.3 years.

From time to time, Crombie has entered into interest rate swap agreements to manage the interest rate profile of its current or future debts without an exchange of the underlying principal amount (see “Risk Management”). Crombie currently has no outstanding interest rate swap agreements.

Principal repayments of the debt are scheduled as follows:

(In thousands of CAD dollars)	Maturing Debt Balances						
12 Months Ending	Fixed Rate	Floating Rate	Total	% of Total	Payments of Principal	Total Required Payments	% of Total
March 31, 2016	$ 52,466	$ —	$ 52,466	4.4%	$ 46,954	$ 99,420	6.4%
March 31, 2017	59,978	—	59,978	5.1%	43,367	103,345	6.6%
March 31, 2018	49,099	—	49,099	4.1%	41,539	90,638	5.8%
March 31, 2019	31,268	92,887	124,155	10.5%	40,160	164,315	10.5%
March 31, 2020	183,306	—	183,306	15.5%	40,623	223,929	14.4%
Thereafter	715,055	—	715,055	60.4%	163,759	878,814	56.3%
Total [1]	$ 1,091,172	$ 92,887	$ 1,184,059	100.0%	$ 376,402	$ 1,560,461	100.0%

[1] Excludes fair value debt adjustment of $3,908 and deferred financing charges of $10,255.

Of the maturing debt balances, only 14.8% of fixed rate debt, and 13.6% of total maturing debt balances mature over the next three years.

Senior unsecured notes

	Maturity Date	Effective Interest Rate	March 31, 2015	December 31, 2014	March 31, 2014
Series A senior unsecured notes	October 31, 2018	3.986%	$ 175,000	$ 175,000	$ 175,000
Series B senior unsecured notes	June 1, 2021	3.900%	100,000	100,000	100,000
Series C senior unsecured notes	February 10, 2020	2.775%	125,000	—	—
Unamortized Series B issue premium			335	348	389
Deferred financing charges			(2,588)	(1,756)	(1,896)
			$ 397,747	$ 273,592	$ 273,493

On February 10, 2015 Crombie issued, on a private placement basis, $125,000 Series C Notes (senior unsecured) with a five year term and an annual interest rate of 2.775%. Interest is payable in equal semi-annual installments in arrears on February 10 and August 10. The first semi-annual interest payment date is August 10, 2015.

There are no required periodic principal payments with the full face value of the Notes due on their respective maturity dates.

Convertible debentures

(In thousands of CAD dollars, except per unit amounts)	Series D	Series E
Issue value	$ 60,000	$ 75,000
Outstanding amount as at March 31, 2015	$ 60,000	$ 74,400
Annual interest rate (payable semi-annually)	5.00%	5.25%
Conversion price per Unit	$ 20.10	$ 17.15
REIT Units issuable per one thousand dollars principal	49.7512	58.3090
Maximum REIT Units issuable at March 31, 2015	2,985,074	4,338,192
Issue date	July 3, 2012	August 14, 2013
Maturity date	September 30, 2019	March 31, 2021
Trading symbol	CRR.DB.D	CRR.DB.E

On January 15, 2015, Crombie exercised its right to redeem the remaining outstanding principal amount of its Series C Unsecured Subordinated Debentures ("Series C Debentures") maturing June 30, 2017, in accordance with the terms of the Trust Indenture. Holders of the Series C Debentures were entitled to convert their Series C Debentures to Units based on the conversion price of $15.30 per Unit until February 17, 2015. The redemption of the then outstanding Series C Debentures was completed on February 18, 2015, for a principal payment of $44,795 plus interest, while $205 of principal was converted to 13,398 REIT Units.

The Series D Debentures and the Series E Debentures pay interest semi-annually on March 31 and September 30 of each year and Crombie has the option to pay interest on any interest payment date by issuing REIT Units and applying the proceeds to satisfy its interest obligation.

For the first three years from the date of issue, there is no ability to redeem the convertible debentures, after which, each series of convertible debentures has a period, lasting two years during which the convertible debentures may be redeemed, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the REIT Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice of redemption is given exceeds 125% of the conversion price. After the end of the five year period from the date of issue, and to the maturity date, the convertible debentures may be redeemed, in whole or in part, at any time at the redemption price equal to the principal amount thereof plus accrued and unpaid interest.

REIT Units and Class B LP Units and the attached Special Voting Units

For the three months ended March 31, 2015 Crombie issued 75,283 REIT Units and 53,393 Class B LP Units under the distribution reinvestment plan ("DRIP") at a three percent (3%) discount to market prices as determined under the DRIP. In addition, 13,398 REIT Units were issued on conversion of $205 Series C Debentures.

Total units outstanding at April 30, 2015, including DRIP issuances and debenture conversions since March 31, 2015, were as follows:

Units	77,421,020
Special Voting Units (1)	53,348,699

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 53,348,699 Class B LP Units. These Class B LP Units accompany the Special Voting Units, are the economic equivalent of a Unit, and are convertible into Units on a one-for-one basis.

In addition to the total units outstanding at April 30, 2015, Crombie has convertible debentures which could result in a total of 7,323,266 REIT Units being issued should all outstanding debentures be converted.

Sources and Uses of Funds

	Three months ended March 31,		
(In thousands of CAD dollars)	2015	2014	Variance
Cash provided by (used in):			
Operating activities	$ 11,219	$ 8,161	$ 3,058
Financing activities	3,070	(2,552)	5,622
Investing activities	$ (14,900)	$ (11,657)	$ (3,243)

Operating Activities

	Three months ended March 31,		
(In thousands of CAD dollars)	2015	2014	Variance
Cash provided by (used in):			
Net assets attributable to Unitholders and non-cash items	$ 7,712	$ 5,998	$ 1,714
Non-cash operating items	3,507	2,163	1,344
Cash provided by (used in) operating activities	$ 11,219	$ 8,161	$ 3,058

The increase in non-cash operating items was primarily influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments.

Financing Activities

	Three months ended March 31,		
(In thousands of CAD dollars)	2015	2014	Variance
Cash provided by (used in):			
Net issue (repayment) of mortgage loans and borrowings	$ (76,160)	$ (90,517)	$ 14,357
Net issue of senior unsecured notes	124,061	99,484	24,577
Net issue (redemption) of convertible debentures	(44,795)	—	(44,795)
Other items (net)	(36)	(11,519)	11,483
Cash provided by (used in) financing activities	$ 3,070	$ (2,552)	$ 5,622

Cash from financing activities increased by $5,622 for the three months ended March 31, 2015 compared to the same period in 2014. During the three months ended March 31, 2015 Crombie raised funds through the issuance of 2.775% Series C Notes (senior unsecured). Funds raised from the issuance were used to repay maturing mortgages and the outstanding 5.75% Series C Convertible Unsecured Subordinated Debentures. During the three months ended March 31, 2014, Crombie raised funds through the issuance of 3.962% Series B Notes (senior unsecured). The funds raised were used to reduce the floating rate revolving credit facility.

Investing Activities

	Three months ended March 31,		
(In thousands of CAD dollars)	2015	2014	Variance
Cash provided by (used in):			
Acquisition of investment properties and intangible assets	$ (7,505)	$ (1,505)	$ (6,000)
Additions to investment properties	(7,819)	(7,727)	(92)
Proceeds on disposal of investment properties	2,770	1,200	1,570
Additions to tenant incentives	(2,315)	(3,678)	1,363
Additions to deferred leasing costs	(31)	(69)	38
Other items (net)	—	122	(122)
Cash provided by (used in) investing activities	$ (14,900)	$ (11,657)	$ (3,243)

Cash used in investing activities was $14,900 for the three months ended March 31, 2015. The decrease of $3,243 compared to the same periods in 2014 is reflective of an increase in cash required to fund the investment property acquisition in the first quarter of 2015.

Borrowing Capacity and Debt Covenants

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 of fair market value over first mortgage financing of assets subject to a second security position or a negative pledge (the “Borrowing Base”). The revolving credit facility provides Crombie with flexibility to add or remove properties from the Borrowing Base, subject to compliance with certain conditions. The terms of the revolving credit facility also require that Crombie must maintain certain covenants:

- annualized NOI for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements;
- annualized NOI on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements; and
- distributions to Unitholders are limited to 100% of distributable income as defined in the revolving credit facility.

The revolving credit facility also contains a covenant limiting the amount which may be utilized under the revolving credit facility at any time. This covenant provides that the aggregate of amounts drawn under the revolving credit facility plus any outstanding letters of credit, may not exceed the “Aggregate Coverage Amount”, which is based on a modified calculation of the Borrowing Base, as defined in the revolving credit facility.

At March 31, 2015, the remaining amount available under the revolving credit facility was $207,113 (prior to reduction for standby letters of credit outstanding of $979) and was not limited by the Aggregate Coverage Amount.

At March 31, 2015, Crombie remained in compliance with all debt covenants.

Debt to Gross Book Value - Fair Value Basis

When calculating debt to gross book value, debt is defined under the terms of the Declaration of Trust as obligations for borrowed money including obligations incurred in connection with acquisitions, excluding specific deferred taxes payable, trade payables and accruals in the ordinary course of business and distributions payable. Gross book value means, at any time, the book value of the assets of Crombie and its consolidated subsidiaries plus deferred financing charges, accumulated depreciation and amortization in respect of Crombie's properties (and related intangible assets) and cost of any below-market component of properties less (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by Crombie and (ii) the amount of deferred tax liability arising out of the fair value adjustment in respect of the indirect acquisitions of certain properties. If approved by a majority of the independent trustees, the appraised value of the assets of Crombie and its consolidated subsidiaries may be used instead of book value.

Debt to gross book value on a fair value basis includes investment properties measured at fair value with all other components of gross book value measured at cost.

The debt to gross book value on a fair value basis was 52.2% and 53.1% at March 31, 2015 and March 31, 2014, respectively. These leverage ratios are below the maximum 60%, or 65% including convertible debentures, as permitted by Crombie’s Declaration of Trust. On a long-term basis, Crombie intends to maintain overall indebtedness, including convertible debentures, in the range of 50% to 55% of gross book value - fair value basis, depending upon Crombie’s future acquisitions and financing opportunities.

(In thousands of CAD dollars, except as otherwise noted)	As at				
	Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014
Fixed rate mortgages	$ 1,471,482	$ 1,490,187	$ 1,507,127	$ 1,527,904	$ 1,565,873
Senior unsecured notes	400,000	275,000	275,000	275,000	275,000
Convertible debentures	134,400	179,400	179,400	180,000	180,000
Revolving credit facility payable	92,887	145,000	39,270	28,785	50,000
Total debt outstanding	2,098,769	2,089,587	2,000,797	2,011,689	2,070,873
Less: Applicable fair value debt adjustment	(2,061)	(2,203)	(2,357)	(2,526)	(2,709)
Debt	$ 2,096,708	$ 2,087,384	$ 1,998,440	$ 2,009,163	$ 2,068,164
Investment properties, at fair value	$ 4,002,000	$ 3,939,000	$ 3,854,000	$ 3,864,000	$ 3,877,000
Long term receivables	13,687	13,631	13,583	13,547	13,532
Other assets, cost (1)	24,234	23,232	30,241	35,883	24,158
Cash and cash equivalents	—	611	—	—	1,119
Deferred financing costs	16,188	16,581	17,331	17,847	18,472
Interest rate subsidy	(2,061)	(2,203)	(2,357)	(2,526)	(2,709)
FV adjustment to deferred taxes	(34,645)	(34,645)	(38,545)	(38,545)	(38,545)
Gross book value - fair value basis	$ 4,019,403	$ 3,956,207	$ 3,874,253	$ 3,890,206	$ 3,893,027
Debt to gross book value - fair value basis	52.2%	52.8%	51.6%	51.6%	53.1%

(1) Other assets exclude Tenant incentives, Accrued straight-line rent receivable and Assets related to derecognized property.

Crombie, through the issuance of Notes, convertible debentures, mortgage financings, refinancings and bank debt continues to maintain leverage at an appropriate level while staying conservatively within its maximum borrowing capacity.

Debt and Interest Service Coverage Ratios

Crombie's interest and debt service coverage ratios for the three months ended March 31, 2015 were 2.62 times EBITDA and 1.75 times EBITDA. This compares to 2.53 times EBITDA and 1.69 times EBITDA respectively for the three months ended March 31, 2014. EBITDA should not be considered an alternative to operating income attributable to Unitholders, cash provided by operating activities or any other measure of operations as prescribed by IFRS. EBITDA is not an IFRS financial measure; however, Crombie believes it is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties. Crombie's measurement of EBITDA may not be comparable to that used by other entities.

(In thousands of CAD dollars, except as otherwise noted)	Three months ended March 31,	
	2015	2014
Property revenue	$ 92,501	$ 90,913
Amortization of tenant incentives	2,346	2,137
Adjusted property revenue	94,847	93,050
Property operating expenses	(30,183)	(29,554)
General and administrative expenses	(3,474)	(3,756)
EBITDA (1)	$ 61,190	$ 59,740
Finance costs – operations	$ 25,418	$ 25,246
Amortization of deferred financing charges	(1,418)	(761)
Amortization of effective swap agreements	(637)	(842)
Adjusted interest expense (2)	$ 23,363	$ 23,643
Debt repayments	$ 81,558	$ 130,703
Amortization of fair value debt premium	(248)	(344)
Payments relating to interest rate subsidy	(141)	(194)
Payments relating to credit facilities	(52,113)	(70,000)
Lump sum payments on mortgages	(17,409)	(48,495)
Adjusted debt repayments (3)	$ 11,647	$ 11,670
Interest service coverage ratio {(1)/(2)}	2.62	2.53
Debt service coverage ratio {(1)/((2)+(3))}	1.75	1.69

ACCOUNTING

Related Party Transactions

Related party transactions are transactions with associates, post employment benefit plans, and key management personnel. Transactions between Crombie and its subsidiaries have been eliminated on consolidation, and as such, are not disclosed in this communication. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2015, Empire, through its wholly-owned subsidiary ECLD, holds a 41.5% (fully diluted 40.2%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

	Three months ended March 31,	
(In thousands of CAD dollars, except as otherwise noted)	2015	2014
Property revenue	$ 35,964	$ 36,269
Head lease income	$ 289	$ 228
Management support services provided	$ 96	$ 106
Property management services	$ 200	$ 135
Rental expense	$ 47	$ 47
Property operating expenses	$ 34	$ 23
Interest rate subsidy	$ 141	$ 194
Interest income	$ 175	$ 8
Finance costs – operations	$ 296	$ 296
Finance costs – distributions to Unitholders	$ 12,064	$ 11,381

Related party transactions are detailed in Note 19 of Crombie's March 31, 2015 interim condensed consolidated financial statements.

Critical Accounting Estimates

Critical accounting estimates are discussed under the section "Critical Accounting Estimates" in the 2014 Annual MD&A.

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

The following table provides information on financial assets and liabilities measured at fair value as at March 31, 2015:

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Marketable securities	$ —	$ —	$ 2,168	$ 2,168
Total financial assets measured at fair value	$ —	$ —	$ 2,168	$ 2,168
Financial liabilities				
Embedded derivatives in convertible debentures	$ —	$ 371	$ —	$ 371
Total financial liabilities measured at fair value	$ —	$ 371	$ —	$ 371

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2015.

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
- Restricted cash
- Trade and other payables (excluding interest rate swaps, embedded derivatives and liabilities related to derecognized property)

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, 2015		December 31, 2014		March 31, 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Assets related to derecognized property	$ —	$ —	$ —	$ —	$ 5,611	$ 5,708
Long term receivables	13,729	13,687	13,663	13,631	13,537	13,532
Total other financial assets	$ 13,729	$ 13,687	$ 13,663	$ 13,631	$ 19,148	$ 19,240
Financial liabilities						
Investment property debt	$ 1,725,963	$ 1,564,369	$ 1,757,910	$ 1,635,187	$ 1,689,614	$ 1,615,873
Senior unsecured notes	413,807	400,000	284,778	275,000	279,907	275,000
Convertible debentures	139,709	134,400	183,698	179,400	186,375	180,000
Liabilities related to derecognized property	—	—	—	—	5,591	5,578
Total other financial liabilities	$ 2,279,479	$ 2,098,769	$ 2,226,386	$ 2,089,587	$ 2,161,487	$ 2,076,451

Commitments and Contingencies

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 would not have a significant adverse effect on these operating results.

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 has entered into a management cost sharing agreement with a subsidiary of Empire.

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties, defeasing investment property debt and satisfying mortgage financing requirements. As at March 31, 2015, Crombie has a total of $979 in outstanding letters of credit related to:

	Three months ended March 31,	
	2015	2014
Construction work being performed on investment properties	$ 979	$ 720
Mortgage lender primarily to satisfy defeasance of derecognized property	—	1,715
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties	—	1,700
Total outstanding letters of credit	$ 979	$ 4,135

Crombie does not believe that any of these standby letters of credit are likely to be drawn upon.

Land leases have varying terms ranging from 10 to 75 years including renewal options. For the three months ended March 31, 2015, Crombie paid $360 in land lease payments to third party landlords (three months ended March 31, 2014 – $309).

As at March 31, 2015, Crombie had signed construction contracts totalling $11,084 of which $7,608 has been paid.

RISK MANAGEMENT

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. These risks are discussed more fully under the section “Risk Management” in the 2014 Annual MD&A. There has been no significant change in Crombie’s risk management since that time. Crombie is providing the following specific risk updates for March 31, 2015 for dollar amount changes during the current quarter:

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Crombie’s credit risk is limited to the recorded amount of tenant receivables. A provision for doubtful accounts is taken for all anticipated collectability risks.

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities, diversifying both its tenant mix and asset mix and conducting credit assessments for new and renewing tenants. As at March 31, 2015:

- Excluding Sobeys and Shoppers Drug Mart (which accounts for 50.1% and 6.0%, respectively of Crombie’s minimum rent), no other tenant accounts for more than 1.5% of Crombie’s minimum rent; and
- Over the next five years, leases on no more than 5.0% of the GLA area of Crombie will expire in any one year.

Crombie earned property revenue for the three months ended March 31, 2015 of $35,964 (three months ended March 31, 2014 - $36,269) from subsidiaries of Empire.

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. None of the receivable balances are considered impaired.

The provision for doubtful accounts is reviewed at each balance sheet date. A provision is taken on accounts receivable from independent accounts and is recorded as a reduction to its respective receivable account on the balance sheet. Crombie updates its estimate of provision for doubtful accounts based on past due balances on accounts receivable. Current and long-term accounts receivable are reviewed on a regular basis and are provided for when collection is considered uncertain.

There have been no significant changes to Crombie’s credit risk since December 31, 2014.

Interest Rate Risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates interest rate risk by utilizing staggered debt maturities and limiting the use of permanent floating rate debt. As at March 31, 2015:

- Crombie’s weighted average term to maturity of its fixed rate mortgages was 7.3 years;
- Crombie had a floating rate revolving credit facility available to a maximum of $300,000, subject to available borrowing base of $300,000, with a balance drawn of $92,887.

Crombie estimates that $1,883 of accumulated other comprehensive income (loss) will be reclassified to finance costs during the remaining three quarters of 2015, based on all settled swap agreements to March 31, 2015.

A fluctuation in interest rates would have had an impact on Crombie’s operating income related to the use of floating rate debt. Based on the previous year’s rate changes, a 0.5% interest rate change would reasonably be considered possible. The changes would have had the following impact:

(In thousands of CAD dollars)	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate credit facilities	Decrease in rate	Increase in rate
Three months ended March 31, 2015	**$ 133**	**$ (133)**
Three months ended March 31, 2014	$ 113	$ (113)

Crombie does not enter into interest rate swap transactions on a speculative basis. Crombie currently has no outstanding interest rate swap agreements. Crombie is prohibited by its Declaration of Trust in purchasing, selling or trading in interest rate future contracts other than for hedging purposes.

There have been no significant changes to Crombie’s interest rate risk since December 31, 2014.

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 the 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.

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.

Access to the revolving credit facility is limited to the amount utilized under the facility plus 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,					
(In thousands of CAD dollars)	Contractual Cash Flows[1]	2016	2017	2018	2019	2020	Thereafter
Fixed rate mortgages[2]	$ 1,891,329	$ 166,216	$ 165,462	$ 148,499	$ 124,650	$ 272,275	$ 1,014,227
Senior unsecured notes	466,485	14,407	14,407	14,407	186,500	132,142	104,622
Convertible debentures	171,336	6,906	6,906	6,906	6,906	65,406	78,306
	2,529,150	187,529	186,775	169,812	318,056	469,823	1,197,155
Floating rate revolving credit facility	100,736	2,415	2,415	2,415	93,491	—	—
Total	$ 2,629,886	$ 189,944	$ 189,190	$ 172,227	$ 411,547	$ 469,823	$ 1,197,155

(1) Contractual cash flows include principal and interest and ignore extension options.
(2) Reduced by the interest rate subsidy payments to be received from ECLD.

There have been no significant changes to Crombie's liquidity risk since December 31, 2014.

SUBSEQUENT EVENTS

(a) On April 1, 2015, Crombie purchased a retail property adjacent to an existing retail property from a subsidiary of Empire. The property, totalling 7,500 square feet, was acquired for $2,333, excluding closing and transaction costs.

(b) On April 20, 2015, Crombie declared distributions of 7.417 cents per unit for the period from April 1, 2015 to and including, April 30, 2015. The distribution will be paid on May 15, 2015, to Unitholders of record as of April 30, 2015.

CONTROLS AND PROCEDURES

Crombie maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by Crombie in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by Crombie is accumulated and communicated to Crombie's management, including its President and Chief Executive Officer ("CEO") and Executive Vice President, Chief Financial Officer and Secretary ("CFO"), as appropriate, to allow timely decisions regarding disclosure. Our CEO and CFO have evaluated the design and effectiveness of our disclosure controls and procedures as of March 31, 2015. They have concluded that our current disclosure controls and procedures are effective.

In addition, our CEO and CFO have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes as defined in National Instrument 52-109. The control framework management used to design and assess the effectiveness of ICFR is *Internal Control-Integrated Framework (2013)* issued by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Further, our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the design and operation of ICFR at the fiscal quarter end, and have concluded that our current ICFR was effective based on that evaluation. There have been no material changes to Crombie's internal controls during the quarter.

QUARTERLY INFORMATION

The following table shows information for revenues, expenses, increase (decrease) in net assets attributable to Unitholders, AFFO, FFO, distributions and per unit amounts for the eight most recently completed quarters.

(In thousands of CAD dollars, except per unit amounts)	Three Months Ended Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013
Property revenue	$ 92,501	$ 90,602	$ 87,796	$ 89,008	$ 90,913	$ 84,030	$ 71,161	$ 71,270
Property operating expenses	30,183	27,324	25,333	27,409	29,554	28,563	25,596	25,696
Property net operating income	62,318	63,278	62,463	61,599	61,359	55,467	45,565	45,574
Gain (loss) on derecognition	(2)	9,502	11	(3)	(157)	2,422	—	6
Expenses:								
General and administrative	(3,474)	(3,380)	(3,529)	(4,083)	(3,756)	(4,243)	(2,851)	(3,366)
Finance costs - operations	(25,418)	(24,449)	(24,701)	(25,070)	(25,246)	(29,098)	(18,834)	(17,648)
Depreciation and amortization	(16,522)	(16,024)	(15,632)	(15,943)	(16,525)	(15,045)	(11,876)	(11,985)
Impairment	—	(7,500)	(3,250)	—	—	(12,270)	—	—
Operating income before taxes	16,902	21,427	15,362	16,500	15,675	(2,767)	12,004	12,581
Taxes - deferred	(200)	800	900	500	225	2,275	(500)	—
Operating income	16,702	22,227	16,262	17,000	15,900	(492)	11,504	12,581
Finance costs - distributions to Unitholders	(29,076)	(29,052)	(29,050)	(28,480)	(27,355)	(25,157)	(20,545)	(20,480)
Finance income (costs) - change in fair value of financial instruments	(268)	3,446	(3,342)	130	55	422	(151)	1,585
Decrease in net assets attributable to Unitholders	$ (12,642)	$ (3,379)	$ (16,130)	$ (11,350)	$ (11,400)	$ (25,227)	$ (9,192)	$ (6,314)
Operating income per unit - Basic	$ 0.13	$ 0.17	$ 0.12	$ 0.14	$ 0.13	$ 0.00	$ 0.13	$ 0.14
Operating income per unit - Diluted	$ 0.13	$ 0.17	$ 0.12	$ 0.14	$ 0.13	$ 0.00	$ 0.12	$ 0.14

(In thousands of CAD dollars, except per unit amounts)	Three Months Ended Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013 (as adjusted)(2)	Sep. 30, 2013	Jun. 30, 2013
AFFO	$ 29,917	$ 30,211	$ 30,224	$ 28,972	$ 28,769	$ 25,493	$ 21,993	$ 22,433
FFO	$ 35,772	$ 36,363	$ 36,359	$ 34,836	$ 34,494	$ 30,324	$ 25,841	$ 26,490
Distributions	$ 29,076	$ 29,052	$ 29,050	$ 28,480	$ 27,355	$ 25,157	$ 20,545	$ 20,480
AFFO per unit - basic	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.24	$ 0.24
AFFO per unit - diluted(1)	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.24	$ 0.24
FFO per unit - basic	$ 0.27	$ 0.28	$ 0.28	$ 0.28	$ 0.28	$ 0.27	$ 0.28	$ 0.28
FFO per unit - diluted(1)	$ 0.27	$ 0.28	$ 0.28	$ 0.27	$ 0.28	$ 0.27	$ 0.28	$ 0.28
Distributions per unit	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22	$ 0.22

(1) FFO and AFFO per unit are calculated on a diluted basis. The diluted weighted average number of total Units and Special Voting Units included the conversion of all series of convertible debentures outstanding during the period, excluding any series that is anti-dilutive. Distributions per unit for each period are based on the total distributions per unit declared during the specific period.
(2) FFO and AFFO results for the three months ended December 31, 2013 were as adjusted to add back $6,033 of finance costs related to the arranging of financing for the 70 property acquisition.

Variations in quarterly results over the past eight quarters have been influenced by the following specific transactions and ongoing events:

- Property acquisitions and dispositions (excluding closing and transaction costs) for each of the above three month periods were:
    - March 31, 2015 - acquisition of an addition to an existing retail property for a total purchase price of $12,984;
    - December 31, 2014 - 11 retail properties and one development addition to an existing retail property for a total purchase price of $142,447 and five retail property dispositions for proceeds of $65,000;
    - June 30, 2014 - one retail property for a total purchase price of $10,176;
    - December 31, 2013 - 70 retail properties for a total purchase price of $991,300;
    - September 30, 2013 - four retail properties for a total purchase price of $44,370; and,
    - June 30, 2013 - one retail property for a total purchase price of $20,875.

- Property revenue and property operating expenses - Crombie's business is not subject to significant seasonal fluctuations. However, property operating expenses during winter months include particular expenses such as snow removal, which is a recoverable expense, thus increasing property revenue during these same periods. Property operating expenses during the summer and fall periods include particular expenses such as paving and roof repairs.

- Per unit amounts for FFO and AFFO are influenced by operating results as detailed above and by the timing of the issuance of REIT Units and Class B LP Units. Crombie had issuances, net of issue costs of: $97,147 in the quarter ended June 30, 2014; and of $365,621 in the quarter ended December 31, 2013.

Additional information relating to Crombie, including its latest Annual Information Form, can be found on the SEDAR web site for Canadian regulatory filings at www.sedar.com.

Dated: May 13, 2015
Stellarton, Nova Scotia, Canada

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2015

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

	Note	March 31, 2015	December 31, 2014	March 31, 2014
Assets				
Non-current assets				
Investment properties	3	**$ 3,228,504**	$ 3,196,097	$ 3,127,285
Intangible assets	4	**47,595**	48,106	47,364
Other assets	5	**94,807**	93,489	83,525
Long term receivables	6	**12,502**	12,572	12,985
		3,383,408	3,350,264	3,271,159
Current assets				
Cash and cash equivalents		**—**	611	1,119
Other assets	5	**34,231**	27,902	38,671
Long term receivables	6	**1,185**	1,059	547
Investment properties held for sale	7	**—**	33,578	33,467
		35,416	63,150	73,804
Total Assets		**3,418,824**	3,413,414	3,344,963
Liabilities				
Non-current liabilities				
Investment property debt	8	**1,453,594**	1,496,925	1,483,083
Senior unsecured notes	9	**397,747**	273,592	273,493
Convertible debentures	10	**131,055**	175,215	175,125
Deferred taxes	11	**78,600**	78,400	80,600
Employee future benefits obligation		**7,871**	7,803	7,013
Trade and other payables	12	**6,199**	4,781	—
		2,075,066	2,036,716	2,019,314
Current liabilities				
Investment property debt	8	**100,520**	127,622	121,089
Employee future benefits obligation		**239**	239	233
Trade and other payables	12	**69,797**	65,523	90,066
		170,556	193,384	211,388
Total liabilities excluding net assets attributable to Unitholders		**2,245,622**	2,230,100	2,230,702
Net assets attributable to Unitholders		**$ 1,173,202**	$ 1,183,314	$ 1,114,261
Net assets attributable to Unitholders represented by:				
Crombie REIT Unitholders		**$ 710,065**	$ 716,025	$ 675,135
Special Voting Units and Class B Limited Partnership Unitholders		**463,137**	467,289	439,126
		$ 1,173,202	$ 1,183,314	$ 1,114,261
Commitments and contingencies	22			
Subsequent events	23			

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands of CAD dollars)
(Unaudited)

	Note	Three months ended March 31, 2015	2014
Property revenue	13	**$ 92,501**	$ 90,913
Property operating expenses		**30,183**	29,554
Net property income		**62,318**	61,359
Gain (loss) on derecognition of investment properties		**(2)**	(157)
Depreciation of investment properties	3	**(15,155)**	(14,448)
Amortization of deferred leasing costs	3	**(149)**	(131)
Amortization of intangible assets	4	**(1,218)**	(1,946)
General and administrative expenses		**(3,474)**	(3,756)
Operating income before finance costs and taxes		**42,320**	40,921
Finance costs - operations	16	**(25,418)**	(25,246)
Operating income before taxes		**16,902**	15,675
Taxes - deferred	11	**(200)**	225
Operating income attributable to Unitholders		**16,702**	15,900
Finance costs - other			
Distributions to Unitholders		**(29,076)**	(27,355)
Change in fair value of financial instruments	12	**(268)**	55
		(29,344)	(27,300)
Decrease in net assets attributable to Unitholders		**(12,642)**	(11,400)
Other comprehensive income			
Items that will be subsequently reclassified to Decrease in net assets attributable to Unitholders:			
Costs incurred on derivatives designated as cash flow hedges transferred to finance costs - operations		**637**	842
Net change in derivatives designated as cash flow hedges		**—**	6
Other comprehensive income		**637**	848
Comprehensive income (loss)		**$ (12,005)**	$ (10,552)

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST

Interim Condensed Consolidated Statements of Changes in Net Assets Attributable to Unitholders

(In thousands of CAD dollars)

(Unaudited)

	Note	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
		(Note 17)					
Balance, January 1, 2015	17	**$ 1,462,101**	**$ (265,010)**	**$ (13,777)**	**$ 1,183,314**	**$ 716,025**	**$ 467,289**
Adjustments related to EUPP		**20**	**10**	**—**	**30**	**30**	**—**
Conversion of debentures		**205**	**—**	**—**	**205**	**205**	**—**
Statements of comprehensive income (loss)		**—**	**(12,642)**	**637**	**(12,005)**	**(7,165)**	**(4,840)**
Units issued under DRIP		**1,658**	**—**	**—**	**1,658**	**970**	**688**
Balance, March 31, 2015		**$ 1,463,984**	**$ (277,642)**	**$ (13,140)**	**$ 1,173,202**	**$ 710,065**	**$ 463,137**

	Note	REIT Units, Special Voting Units and Class B LP Units	Net Assets Attributable to Unitholders	Accumulated Other Comprehensive Income (Loss)	Total	Attributable to REIT Units	Attributable to Class B LP Units
		(Note 17)					
Balance, January 1, 2014		$ 1,363,025	$ (222,728)	$ (15,999)	$ 1,124,298	$ 680,935	$ 443,363
Adjustments related to EUPP		569	(54)	—	515	515	—
Statements of comprehensive income (loss)		—	(11,400)	848	(10,552)	(6,315)	(4,237)
Balance, March 31, 2014		$ 1,363,594	$ (234,182)	$ (15,151)	$ 1,114,261	$ 675,135	$ 439,126

See accompanying notes to the interim condensed consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
Interim Condensed Consolidated Statements of Cash Flows
(In thousands of CAD dollars)
(Unaudited)

		Three months ended March 31,	
Cash flows provided by (used in)	**Note**	**2015**	2014
Operating Activities			
Decrease in net assets attributable to Unitholders		**$ (12,642)**	$ (11,400)
Items not affecting operating cash	18	**20,354**	17,398
Change in other non-cash operating items	18	**3,507**	2,163
Cash provided by (used in) operating activities		**11,219**	8,161
Financing Activities			
Issue of investment property debt		**5,484**	40,616
Deferred financing charges - investment property debt		**(86)**	(430)
Repayment of investment property debt		**(81,558)**	(130,703)
Issue of senior unsecured notes		**125,000**	100,393
Deferred financing charges - senior unsecured notes		**(939)**	(909)
Redemption of convertible debentures		**(44,795)**	—
Repayment of EUPP loans receivable		**20**	234
Decrease in liabilities related to derecognized property		**—**	(49)
Issue of long term receivables		**—**	(11,866)
Collection of (increase in) long term receivables		**(56)**	162
Cash provided by (used in) financing activities		**3,070**	(2,552)
Investing Activities			
Acquisition of investment properties and intangible assets		**(7,505)**	(1,505)
Additions to investment properties		**(7,819)**	(7,727)
Proceeds on derecognition of investment properties		**2,770**	1,200
Additions to tenant incentives		**(2,315)**	(3,678)
Additions to deferred leasing costs		**(31)**	(69)
Decrease in assets related to derecognized property		**—**	122
Cash provided by (used in) investing activities		**(14,900)**	(11,657)
Net change in cash and cash equivalents		**(611)**	(6,048)
Cash and cash equivalents, beginning of period		**611**	7,167
Cash and cash equivalents, end of period		**$ —**	$ 1,119

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 the acquisition of retail and office properties for purposes of leasing. 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 three months ended March 31, 2015 and March 31, 2014 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 interim condensed consolidated financial statements were authorized for issue by the Board of Trustees on May 13, 2015.

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, 2014.

(b) Basis of presentation

The 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 recognized in Decrease in net assets attributable to Unitholders ("FVTPL" classification) or designated as available for sale ("AFS") that have been measured at fair value.

(c) Presentation of financial statements

When Crombie: (i) applies an accounting policy retrospectively; (ii) makes a retrospective restatement of items in its financial statements; or (iii) reclassifies items on the balance sheet; it will present an additional balance sheet as at the beginning of the earliest comparative period.

(d) Basis of consolidation

Crombie's financial statements consolidate those of Crombie and all of its subsidiary entities as at March 31, 2015. Subsidiaries are all entities over which Crombie has control. All subsidiaries have a reporting date of March 31, 2015.

All intercompany transactions, balances, income and expenses are eliminated in preparing the interim condensed consolidated financial statements. Where unrealized losses on intercompany asset sales are reversed on consolidation, the underlying asset is also tested for impairment from an entity perspective.

Operating income (loss) and other comprehensive income (loss) of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

(e) Significant accounting policies

The Company describes its significant accounting policies in its audited consolidated financial statements for the year ended December 31, 2014.

New standards adopted

There has been no change in the Company's significant accounting policies since December 31, 2014 except for the application of the following policy:

i. Long-term employee benefits

   Crombie initiated a Restricted Unit Plan ("RUP"), which is being accounted for under IAS 19, Employee Benefits, see Note 17. The RUP entitles certain employees to receive Restricted Units which have a specified vesting period. The amount payable to employees is recognized as a liability over the service period that the employees become entitled to payment. The change in the liability is recognized in general and administrative expenses in the consolidated statements of comprehensive income (loss).

(In thousands of CAD dollars)

Future changes in accounting standards

The International Accounting Standards Board ("IASB") has issued a number of standards and interpretations with an effective date after the date of these financial statements. Set out below are only those standards that may have a material impact on the interim condensed consolidated financial statements in future periods. Management is currently evaluating the impact of these future policies on its interim condensed consolidated financial statements.

(i) IFRS 9 - Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments which replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 has three main phases: classification and measurement, impairment and general hedging.

The new standard requires assets to be classified based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets will be measured at FVTPL unless certain conditions are met which permit measurement at amortized cost or fair value through other comprehensive income. The classification and measurement of financial liabilities remain generally unchanged, with the exception of financial liabilities recorded at FVTPL. For financial liabilities designated at FVTPL, IFRS 9 requires the presentation of the effects of changes in our own credit risk in other comprehensive income instead of decrease in net assets attributable to Unitholders. IFRS 9 also introduces an impairment model for financial instruments not measured at FVTPL that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. A new model for hedge accounting expands the scope of eligible hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the impact the adoption of this standard will have on Crombie's consolidated financial statements.

(ii) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, with early adoption permitted and is to be applied retrospectively. Management is currently assessing the impact the adoption of this standard will have on Crombie's consolidated financial statements.

3) INVESTMENT PROPERTIES

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2015	$ 977,895	$ 2,479,018	$ 5,540	$ 3,462,453
Acquisitions	4,465	7,513	—	11,978
Additions	2,700	3,804	—	6,504
Derecognition	(1,160)	(706)	—	(1,866)
Transfer from investment properties held for sale (Note 7)	7,139	28,319	454	35,912
Balance, March 31, 2015	991,039	2,517,948	5,994	3,514,981
Accumulated depreciation and amortization and impairment				
Opening balance, January 1, 2015	—	263,391	2,965	266,356
Depreciation and amortization	—	15,155	149	15,304
Derecognition	—	(23)	—	(23)
Transfer from investment properties held for sale (Note 7)	—	4,608	232	4,840
Balance, March 31, 2015	—	283,131	3,346	286,477
Net carrying value, March 31, 2015	$ 991,039	$ 2,234,817	$ 2,648	$ 3,228,504

(In thousands of CAD dollars)

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2014	$ 956,672	$ 2,417,780	$ 5,621	$ 3,380,073
Acquisitions	46,425	118,271	—	164,696
Additions	3,798	24,828	581	29,207
Dispositions	(14,875)	(33,478)	(103)	(48,456)
Transfer to investment properties held for sale	(14,125)	(48,383)	(559)	(63,067)
Balance, December 31, 2014	977,895	2,479,018	5,540	3,462,453
Accumulated depreciation and amortization and impairment				
Opening balance, January 1, 2014	—	209,218	2,758	211,976
Depreciation and amortization	—	57,983	535	58,518
Dispositions	—	(5,750)	(29)	(5,779)
Impairment	—	10,750	—	10,750
Transfer to investment properties held for sale	—	(8,810)	(299)	(9,109)
Balance, December 31, 2014	—	263,391	2,965	266,356
Net carrying value, December 31, 2014	$ 977,895	$ 2,215,627	$ 2,575	$ 3,196,097

	Land	Buildings	Deferred Leasing Costs	Total
Cost				
Opening balance, January 1, 2014	$ 956,672	$ 2,417,780	$ 5,621	$ 3,380,073
Acquisitions	4,294	8,992	—	13,286
Additions	79	4,397	112	4,588
Dispositions	(5,406)	(8,873)	—	(14,279)
Transfer to investment properties held for sale	(7,139)	(28,294)	(446)	(35,879)
Balance, March 31, 2014	948,500	2,394,002	5,287	3,347,789
Accumulated depreciation, amortization and impairment				
Opening balance, January 1, 2014	—	209,218	2,758	211,976
Depreciation and amortization	—	14,448	131	14,579
Dispositions	—	(1,247)	—	(1,247)
Transfer to investment properties held for sale	—	(4,572)	(232)	(4,804)
Balance, March 31, 2014	—	217,847	2,657	220,504
Net carrying value, March 31, 2014	$ 948,500	$ 2,176,155	$ 2,630	$ 3,127,285

Impairment

Crombie's total fair value of investment properties, including properties held for sale, exceeds carrying value by $621,097 at March 31, 2015 (December 31, 2014 - $563,060; March 31, 2014 - $576,554). 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.

(In thousands of CAD dollars)

During the fourth quarter of 2014, Crombie disposed of five retail properties. Two of the properties were sold for less than their carrying value, and as such, Crombie recorded an impairment of $3,250 during the third quarter. In addition, Crombie recorded an impairment charge of $7,500 during the fourth quarter of 2014 on two mixed use properties. Both properties experienced lower occupancy rates; renewals at reduced square footage; and indications of non-renewals when leases were to mature. Impairment was measured on a per property basis and was determined as the amount by which carrying value, using the cost method, exceeded the recoverable amount for that property. The recoverable amount was determined to be the properties' fair value, based on selling price or a recent external appraisal report, less costs to sell.

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

		Fair Value		Carrying Value
March 31, 2015	**$**	**4,002,000**	**$**	**3,380,903**
December 31, 2014	$	3,939,000	$	3,375,940
March 31, 2014	$	3,877,000	$	3,300,446

Carrying value consists of the net carrying value of:

	Note		March 31, 2015		December 31, 2014		March 31, 2014
Investment properties	3	**$**	**3,228,504**	$	3,196,097	$	3,127,285
Intangible assets	4		**47,595**		48,106		47,364
Accrued straight-line rent receivable	5		**41,602**		38,908		30,806
Tenant incentives	5		**63,202**		59,251		61,524
Investment properties held for sale	7		**—**		33,578		33,467
Total carrying value		**$**	**3,380,903**	$	3,375,940	$	3,300,446

The fair value of investment properties is a Level 3 fair value measurement. The fair value represents the estimated 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.

Crombie has utilized the following weighted average capitalization rates and has determined that an increase (decrease) in this applied capitalization rate of 0.25% would result in an increase (decrease) in the fair value of the investment properties as follows:

		Impact of a 0.25% Change in Capitalization Rate			
	Weighted Average Capitalization Rate		Increase in Rate		Decrease in Rate
March 31, 2015	**6.18%**	**$**	**(157,000)**	**$**	**170,000**
December 31, 2014	6.22%	$	(154,000)	$	167,000
March 31, 2014	6.18%	$	(152,000)	$	165,000

Investment 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.

2015

Transaction Date	Properties Acquired (Disposed)	Approximate Square Footage		Initial Acquisition (Disposition) Price		Assumed Mortgages
February 2, 2015	—	51,000	$	12,650	$	5,479
		51,000	**$**	**12,650**	**$**	**5,479**

The acquisition of an addition to an existing retail property on February 2, 2015 was transacted with a third party. The initial purchase price stated above excludes closing and transaction costs.

(In thousands of CAD dollars)

During the first quarter of 2015, Crombie disposed of a portion of one property's land and building through a partial expropriation. The carrying value of the portion disposed has been derecognized in the quarter.

2014

Transaction Date	Properties Acquired (Disposed)	Approximate Square Footage		Initial Acquisition (Disposition) Price		Assumed Mortgages
January 31, 2014 (1)	—	6,700	$	1,490	$	—
March 31, 2014 (3)	1	53,000		12,127		—
		59,700		13,617		—
January 16, 2014 (2)	—	(25,000)		(1,200)		—
March 31, 2014 (3)	(1)	(53,000)		(12,127)		—
		(18,300)	$	290	$	—

(1) Relates to an acquisition of additional development on a pre-existing retail property.
(2) Relates to the partial disposition of a property.
(3) Relates to an exchange of properties in Canmore, Alberta.

All of the properties acquired in January and March and the property disposed in March were transacted with Empire Company Limited ("Empire"), a related party or its subsidiaries. The partial disposition in January was transacted with a third party. The initial purchase price stated above excludes closing and transaction costs.

On March 31, 2014, Crombie exchanged properties in Canmore, Alberta with Empire. The acquired property is measured at the carrying value of the disposed property, resulting in no gain or loss on exchange.

The allocation of the total cost of the acquisitions (including closing and transaction costs) is as follows:

		Three months ended March 31,				Year Ended
Investment property acquired, net:		**2015**		2014		December 31, 2014
Land	**$**	**4,465**	$	4,294	$	46,425
Buildings		**7,513**		8,992		118,271
Intangible assets		**707**		347		4,977
Fair value debt adjustment on assumed mortgages		**299**		—		—
Net purchase price		**12,984**		13,633		169,673
Assumed mortgages		**(5,479)**		—		—
	$	**7,505**	$	13,633	$	169,673

(In thousands of CAD dollars)

4) INTANGIBLE ASSETS

Tenant Relationships	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2015	**$ 99,019**	**$ 50,913**	**$ 48,106**
Acquisitions	**707**	**—**	**707**
Amortization	**—**	**1,218**	**(1,218)**
Transfer from investment properties held for sale (Note 7)	**92**	**92**	**—**
Balance, March 31, 2015	**$ 99,818**	**$ 52,223**	**$ 47,595**
Balance, January 1, 2014	$ 96,397	$ 47,160	$ 49,237
Acquisitions	347	—	347
Dispositions	(404)	(130)	(274)
Amortization	—	1,946	(1,946)
Transfer to investment properties held for sale (Note 7)	(92)	(92)	—
Balance, March 31, 2014	$ 96,248	$ 48,884	$ 47,364

5) OTHER ASSETS

	March 31, 2015	December 31, 2014	March 31, 2014
Trade receivables	**$ 5,700**	$ 7,415	$ 8,863
Provision for doubtful accounts	**(51)**	(59)	(93)
Net trade receivables	**5,649**	7,356	8,770
Assets related to derecognized property	**—**	—	5,708
Marketable securities	**2,168**	2,123	1,009
Prepaid expenses and deposits	**9,932**	10,144	8,732
Restricted cash	**6,485**	3,609	5,647
Accrued straight-line rent receivable	**41,602**	38,908	30,806
Tenant incentives	**63,202**	59,251	61,524
	$ 129,038	$ 121,391	$ 122,196

Tenant Incentives	**Cost**	**Accumulated Amortization**	**Net Carrying Value**
Balance, January 1, 2015	**$ 94,825**	**$ 35,574**	**$ 59,251**
Additions	**3,770**	**—**	**3,770**
Amortization	**—**	**2,346**	**(2,346)**
Derecognition	**—**	**(21)**	**21**
Transfer from investment properties held for sale (Note 7)	**4,413**	**1,907**	**2,506**
Balance, March 31, 2015	**$ 103,008**	**$ 39,806**	**$ 63,202**
Balance, January 1, 2014	$ 96,213	$ 32,579	$ 63,634
Additions	2,419	—	2,419
Amortization	—	2,137	(2,137)
Transfer to investment properties held for sale (Note 7)	(4,299)	(1,907)	(2,392)
Balance, March 31, 2014	$ 94,333	$ 32,809	$ 61,524

See Note 20(a) for fair value information.

(In thousands of CAD dollars)

6) LONG TERM RECEIVABLES

	March 31, 2015	December 31, 2014	March 31, 2014
Capital expenditure program	**$ 105**	$ 105	$ 105
Interest rate subsidy	**1,007**	1,127	1,554
Amount receivable from related party	**12,575**	12,399	11,873
	$ 13,687	$ 13,631	$ 13,532

During March 2014, Crombie advanced $11,856 to a subsidiary of Empire to partially finance their acquisition of development lands. The loan is repayable October 1, 2016 and bears interest at a rate of 6% per annum.

See Note 20(a) for fair value information.

7) INVESTMENT PROPERTIES HELD FOR SALE

	Land	**Buildings**	**Deferred Leasing Costs**	**Tenant Relationships**	**Tenant Incentives**	**Total**
Opening balance, January 1, 2015	**$ 7,139**	**$ 23,711**	**$ 222**	**$ —**	**$ 2,506**	**$ 33,578**
Assets transferred from held for sale	**(7,139)**	**(23,711)**	**(222)**	**—**	**(2,506)**	**(33,578)**
Net carrying value, March 31, 2015	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

	Land	Buildings	Deferred Leasing Costs	Tenant Relationships	Tenant Incentives	Total
Opening balance, January 1, 2014	$ —	$ —	$ —	$ —	$ —	$ —
Assets transferred to held for sale	14,125	39,573	260	228	4,184	58,370
Dispositions	(6,986)	(15,862)	(38)	(228)	(1,678)	(24,792)
Net carrying value, December 31, 2014	$ 7,139	$ 23,711	$ 222	$ —	$ 2,506	$ 33,578

	Land	Buildings	Deferred Leasing Costs	Tenant Relationships	Tenant Incentives	Total
Opening balance, January 1, 2014	$ —	$ —	$ —	$ —	$ —	$ —
Assets transferred to held for sale	7,139	23,722	214	—	2,392	33,467
Net carrying value, March 31, 2014	$ 7,139	$ 23,722	$ 214	$ —	$ 2,392	$ 33,467

During the three months ended March 31, 2015, Crombie determined that an investment property previously classified as held for sale no longer met the criteria and was reclassified to in use. The determination was based on the opportunity to defer the sale to maximize Crombie's return on the property. As a result, depreciation and amortization totalling $673 has been recognized in the current period. This represents the depreciation and amortization not recorded during the period the property was classified as held for sale.

(In thousands of CAD dollars)

8) INVESTMENT PROPERTY DEBT

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	March 31, 2015
Fixed rate mortgages	**3.12 - 6.90%**	**4.77%**	**7.3 years**	**$ 1,471,482**
Floating rate revolving credit facility		**2.60%**	**3.3 years**	**92,887**
Deferred financing charges				**(10,255)**
				$ 1,554,114

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	December 31, 2014
Fixed rate mortgages	3.12 - 6.90%	4.77%	7.4 years	$ 1,490,187
Floating rate revolving credit facility		3.00%	2.5 years	145,000
Deferred financing charges				(10,640)
				$ 1,624,547

	Range	Weighted Average Interest Rate	Weighted Average Term to Maturity	March 31, 2014
Fixed rate mortgages	3.12 - 6.90%	4.79%	7.9 years	$ 1,565,873
Floating rate revolving credit facility		2.98%	2.2 years	50,000
Deferred financing charges				(11,701)
				$ 1,604,172

As at March 31, 2015, debt retirements for the next five years are:

12 Months Ending	Fixed Rate Principal Payments	Fixed Rate Maturities	Floating Rate Maturities	Total
March 31, 2016	$ 46,954	$ 52,466	$ —	$ 99,420
March 31, 2017	43,367	59,978	—	103,345
March 31, 2018	41,539	49,099	—	90,638
March 31, 2019	40,160	31,268	92,887	164,315
March 31, 2020	40,623	183,306	—	223,929
Thereafter	163,759	715,055	—	878,814
	$ 376,402	$ 1,091,172	$ 92,887	1,560,461
Deferred financing charges				(10,255)
Unamortized fair value debt adjustment				3,908
				$ 1,554,114

Specific investment properties with a carrying value of $2,646,386 as at March 31, 2015 (December 31, 2014 - $2,675,267; March 31, 2014 - $2,788,278) are currently pledged as security for mortgages or provided as security for the floating rate revolving credit facility. Carrying value includes investment properties, investment properties held for sale, intangible assets, as well as accrued straight-line rent and tenant incentives which are included in other assets.

(In thousands of CAD dollars)

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, 2015	New	1	3.23%	7.3	25.0	$ 5,484
	Assumed	1	5.70%	1.3	25.0	5,555
	Repayment	4	5.16%	—	—	(17,372)
						$ (6,333)

			Weighted Average			
For the three months ended:	**Type**	**Number of Mortgages**	**Rates**	**Terms in Years**	**Amortization Period in Years**	**Proceeds (Repayments)**
March 31, 2014	New	4	4.23%	8.8	25.0	$ 40,616
	Renewal	1	3.97%	1.0	10.0	—
	Repayment	11	5.09%	—	—	(48,495)
						$ (7,879)

Floating Rate Revolving Credit Facility

The floating rate revolving credit facility has a maximum principal amount of $300,000 (December 31, 2014 - $300,000; March 31, 2014 - $285,000) and matures June 30, 2018. The facility is used by Crombie for working capital purposes and to provide temporary financing for acquisitions and development activity. It is secured by a pool of first and second mortgages on certain properties and the maximum principal amount is subject to available borrowing base (March 31, 2015 – borrowing base of $300,000). The floating interest rate is based on bankers' acceptance rates plus a spread or specific margin over prime rate. The specified spread or margin changes depending on Crombie's unsecured bond rating with DBRS and whether the facility remains secured or migrates to an unsecured status.

See Note 20(a) for fair value information.

9) SENIOR UNSECURED NOTES

	Maturity Date	Interest Rate	**March 31, 2015**	December 31, 2014	March 31, 2014
Series A senior unsecured notes	October 31, 2018	3.986%	**$ 175,000**	$ 175,000	$ 175,000
Series B senior unsecured notes	June 1, 2021	3.962%	**100,000**	100,000	100,000
Series C senior unsecured notes	February 10, 2020	2.775%	**125,000**	—	—
Unamortized Series B issue premium			**335**	348	389
Deferred financing charges			**(2,588)**	(1,756)	(1,896)
			$ 397,747	$ 273,592	$ 273,493

On February 10, 2015 Crombie issued, on a private placement basis, $125,000 Series C Notes (senior unsecured) with a five year term and an annual interest rate of 2.775%. There are no principal repayments until maturity and interest is payable in equal semi-annual installments in arrears on February 10 and August 10. The first semi-annual interest payment date is August 10, 2015.

(In thousands of CAD dollars)

As at March 31, 2015, senior unsecured note retirements for the next five years are:

12 Months Ending	Series A	Series B	Series C	Total
March 31, 2016	$ —	$ —	$ —	$ —
March 31, 2017	—	—	—	—
March 31, 2018	—	—	—	—
March 31, 2019	175,000	—	—	175,000
March 31, 2020	—	—	125,000	125,000
Thereafter	—	100,000	—	100,000
	$ 175,000	$ 100,000	$ 125,000	400,000
Unamortized Series B issue premium				335
Deferred financing charges				(2,588)
				$ 397,747

See Note 20(a) for fair value information.

10) CONVERTIBLE DEBENTURES

	Conversion Price	Maturity Date	Interest Rate	March 31, 2015	December 31, 2014	March 31, 2014
Series C (CRR.DB.C)	$ 15.30	February 18, 2015	5.75%	**$ —**	$ 45,000	$ 45,000
Series D (CRR.DB.D)	$ 20.10	September 30, 2019	5.00%	**60,000**	60,000	60,000
Series E (CRR.DB.E)	$ 17.15	March 31, 2021	5.25%	**74,400**	74,400	75,000
Deferred financing charges				**(3,345)**	(4,185)	(4,875)
				$ 131,055	$ 175,215	$ 175,125

Debenture Conversions	Conversion Price	Three months ended March 31, 2015	Year Ended December 31, 2014	Three months ended March 31, 2014
Series C	$ 15.30	**$ 205**	$ —	$ —
Series E	$ 17.15	**—**	600	—
		$ 205	$ 600	$ —
REIT Units Issued		**13,398**	34,984	—

As at March 31, 2015, debenture retirements for the next five years are:

12 Months Ending	Series D	Series E	Total
March 31, 2016	$ —	$ —	$ —
March 31, 2017	—	—	—
March 31, 2018	—	—	—
March 31, 2019	—	—	—
March 31, 2020	60,000	—	60,000
Thereafter	—	74,400	74,400
	$ 60,000	$ 74,400	134,400
Deferred financing charges			(3,345)
			$ 131,055

(In thousands of CAD dollars)

On January 15, 2015, Crombie exercised its right to redeem the remaining outstanding principal amount of its Series C Unsecured Subordinated Debentures ("Series C Debentures") maturing June 30, 2017, in accordance with the terms of the Trust Indenture. Holders of the Series C Debentures were entitled to convert their Series C Debentures to Units based on the conversion price of $15.30 per Unit until February 17, 2015. The redemption of the then outstanding Series C Debentures was completed on February 18, 2015, for a principal payment of $44,795 plus interest, while $205 of principal was converted to 13,398 REIT Units.

See Note 20(a) for fair value information.

11) INCOME TAXES

The deferred tax liability of the wholly-owned corporate subsidiaries which are subject to income taxes consist of the following:

	March 31, 2015	December 31, 2014	March 31, 2014
Tax liabilities relating to difference in tax and book value	**$ 88,102**	$ 87,853	$ 91,650
Tax asset relating to non-capital loss carry-forward	**(9,502)**	(9,453)	(11,050)
Deferred tax liability	**$ 78,600**	$ 78,400	$ 80,600

The tax recovery (expense) consists of the following:

	Three months ended March 31,	
	2015	2014
Provision for income taxes at the expected rate	**$ (5,066)**	$ (4,847)
Tax effect of income attribution to Crombie's Unitholders	**4,866**	5,072
Taxes - deferred	**$ (200)**	$ 225

In the ordinary course of business, Crombie is subject to audits by tax authorities. One of Crombie's non-taxable subsidiaries is currently subject to audit by Canada Revenue Agency ("CRA") for fiscal years 2010 and 2011. While Crombie believes that its tax filing positions are appropriate, certain matters are under review by CRA. The audit is ongoing and the outcome is indeterminable at this time.

There are no corporate tax implications to Crombie from any of the components of accumulated other comprehensive income.

12) TRADE AND OTHER PAYABLES

	March 31, 2015	December 31, 2014	March 31, 2014
Tenant incentives and capital expenditures	**$ 15,990**	$ 15,999	$ 25,789
Property operating costs	**30,757**	26,143	31,044
Prepaid rents	**4,009**	4,726	8,679
Finance costs on investment property debt, notes and debentures	**10,289**	8,891	9,841
Distributions payable	**9,696**	9,685	9,120
Fair value of interest rate swap agreements	**—**	—	15
Fair value of embedded derivatives in convertible debentures	**371**	—	—
Deferred revenue	**4,884**	4,860	—
Liabilities related to derecognized property	**—**	—	5,578
	$ 75,996	$ 70,304	$ 90,066

(In thousands of CAD dollars)

Fair value of embedded derivatives in convertible debentures:

	March 31, 2015	December 31, 2014	March 31, 2014
Balance, beginning of period	**$ —**	$ —	$ —
Change in fair value of financial instruments	**371**	—	—
Impact of debentures converted	**—**	—	—
Balance, end of period	**$ 371**	$ —	$ —

Change in fair value of financial instruments:

	Note	**Three months ended March 31, 2015**	Year ended December 31, 2014	Three months ended March 31, 2014
Change in fair value of embedded derivatives in convertible debentures	12	**$ (371)**	$ —	$ —
Change in fair value of marketable securities		**103**	289	55
Change in fair value of financial instruments		**$ (268)**	$ 289	$ 55

13) PROPERTY REVENUE

	Three months ended March 31,	
	2015	2014
Rental revenue contractually due from tenants	**$ 91,373**	$ 89,596
Contingent rental revenue	**608**	648
Straight-line rent recognition	**2,694**	2,754
Tenant incentive amortization	**(2,346)**	(2,137)
Lease terminations	**172**	52
	$ 92,501	$ 90,913

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

	Three months ended March 31,			
	2015		2014	
	Revenue	**Percentage**	Revenue	Percentage
Sobeys Inc.	**$ 35,090**	**37.9%**	$ 35,097	38.6%

14) 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, 2015, is as follows:

	Remaining	**Year Ending December 31,**					
	2015	**2016**	**2017**	**2018**	**2019**	**Thereafter**	**Total**
Future minimum rental income	$ 188,564	$ 242,559	$ 231,441	$ 220,937	$ 210,511	$ 2,014,006	$ 3,108,018

(In thousands of CAD dollars)

Crombie as a Lessee

Operating lease payments primarily represent rentals payable by Crombie for all of its land leases. These land leases have varying terms ranging from 10 to 75 years including renewal options:

	Remaining	Year Ending December 31,				
	2015	**2016**	**2017**	**2018**	**2019**	**Thereafter**	**Total**
Future minimum lease payments	$ 1,101	$ 1,469	$ 1,523	$ 1,550	$ 1,551	$ 65,727	$ 72,921

15) EMPLOYEE BENEFIT EXPENSE

Crombie's payroll expenses are included in property operating expenses and in general and administrative expenses.

	Three months ended March 31,	
	2015	2014
Wages and salaries	**$ 7,864**	$ 8,898
Post-employment benefits	**156**	173
	$ 8,020	$ 9,071

16) FINANCE COSTS – OPERATIONS

	Three months ended March 31,	
	2015	2014
Fixed rate mortgages	**$ 18,290**	$ 19,805
Floating rate term, revolving and demand facilities	**979**	844
Senior unsecured notes	**3,256**	2,051
Convertible debentures	**2,893**	2,546
Finance costs - operations	**25,418**	25,246
Amortization of fair value debt adjustment and accretion income	**411**	570
Change in accrued finance costs	**(1,398)**	(1,182)
Amortization of effective swap agreements	**(637)**	(842)
Amortization of issue premium on senior unsecured notes	**13**	—
Amortization of deferred financing charges	**(1,418)**	(761)
Finance costs - operations, paid	**$ 22,389**	$ 23,031

17) 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, 2015	**77,304,079**	**$ 870,578**	**53,275,266**	**$ 591,523**	**130,579,345**	**$ 1,462,101**
Net change in EUPP loans receivable	**—**	**20**	**—**	**—**	**—**	**20**
Units issued under DRIP	**75,283**	**970**	**53,393**	**688**	**128,676**	**1,658**
Conversion of debentures	**13,398**	**205**	**—**	**—**	**13,398**	**205**
Balance, March 31, 2015	**77,392,760**	**$ 871,773**	**53,328,659**	**$ 592,211**	**130,721,419**	**$ 1,463,984**

(In thousands of CAD dollars)

	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, 2014	72,662,264	$ 811,514	50,241,245	$ 551,511	122,903,509	$ 1,363,025
Units issued under EUPP	55,467	738	—	—	55,467	738
Units released under EUPP	—	64	—	—	—	64
Net change in EUPP loans receivable	—	(233)	—	—	—	(233)
Balance, March 31, 2014	72,717,731	$ 812,083	50,241,245	$ 551,511	122,958,976	$ 1,363,594

Crombie REIT Units

During the three months ended March 31, 2015, $205 of Series C Convertible Debentures were converted for a total of 13,398 REIT Units at the conversion price of $15.30 per unit.

Restricted Unit Plan ("RUP")

The RUP is designed to: promote a greater alignment of interests between the executives and employees of Crombie and its subsidiaries and the holders of REIT Units; and assist Crombie in attracting, retaining and rewarding key executives and employees. Eligible employees currently elect each calendar year to participate in the RUP and receive all, or if permitted by the Human Resources Committee ("HRC"), a portion, of their eligible remuneration in the form of an allocation of Restricted Units ("RUs").

Units granted under the RUP are subject to vesting conditions in order to provide long-term compensation incentive. The RUs are subject to forfeiture until the participant has held his or her position with Crombie for a specified period of time. Full vesting of the RUs does not occur until the final day of the third quarter of the third calendar year of the RUs term. The number of RUs which vest for each participant shall be determined by adding the number of RUs awarded to that participant to the number of RUs or fractions thereof that would be credited to such participant upon the payment of distributions by Crombie on the REIT Units, based on the number of additional REIT Units a participant would have received had the vested RUs been treated as REIT Units under a distribution reinvestment plan ("DRIP") during the term. On the vesting date, each participant shall be entitled to receive an amount equal to the number of vested RUs held by the participant multiplied by the market value on the vesting date. Unless otherwise provided in the RUP, the payout amount shall be paid to each participant within 90 days of the vesting date and after the approval of the HRC, but, in any event, not later than December 31st of the year in which the vesting date occurs. Unless otherwise provided in this RUP, the payout amount payable to each participant shall be paid, subject to applicable withholding taxes as required by applicable legislation, by Crombie in cash in the currency of Canada. Crombie shall not issue any REIT Units or other securities of Crombie from treasury for the purpose of the RUP.

(In thousands of CAD dollars)

18) SUPPLEMENTARY CASH FLOW INFORMATION

a) Items not affecting operating cash

	Three months ended March 31,	
	2015	2014
Items not affecting operating cash:		
Accrued straight-line rent	**$ (2,694)**	$ (2,754)
Amortization of tenant incentives	**2,346**	2,137
Loss (gain) on derecognition of investment properties	**2**	157
Depreciation of investment properties	**15,155**	14,448
Amortization of deferred leasing costs	**149**	131
Amortization of intangible assets	**1,218**	1,946
Unit based compensation	**10**	10
Amortization of effective swap agreements	**637**	842
Amortization of deferred financing charges	**1,418**	761
Amortization of issue premium on senior unsecured notes	**(13)**	—
Non-cash distributions to Unitholders in the form of DRIP Units	**1,658**	—
Taxes - deferred	**200**	(225)
Change in fair value of financial instruments	**268**	(55)
	$ 20,354	$ 17,398

b) Change in other non-cash operating items

	Three months ended March 31,	
	2015	2014
Cash provided by (used in):		
Trade receivables	**$ 1,707**	$ (2,428)
Prepaid expenses and deposits and other assets	**(2,664)**	(387)
Payables and other liabilities	**4,464**	4,978
	$ 3,507	$ 2,163

(In thousands of CAD dollars)

19) RELATED PARTY TRANSACTIONS

Related party transactions are transactions with associates, post-employment benefit plans, and key management personnel. Transactions between Crombie and its subsidiaries have been eliminated on consolidation, and as such, are not disclosed in this note. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2015, Empire, through its wholly-owned subsidiary ECL Developments Limited, holds a 41.5% (fully diluted 40.2%) indirect interest in Crombie.

Crombie's transactions with related parties are as follows:

	Three months ended March 31,	
	2015	2014
Property revenue	**$ 35,964**	$ 36,269
Head lease income	**$ 289**	$ 228
Management support services provided	**$ 96**	$ 106
Property management services	**$ 200**	$ 135
Rental expense	**$ 47**	$ 47
Property operating expenses	**$ 34**	$ 23
Interest rate subsidy	**$ 141**	$ 194
Interest income	**$ 175**	$ 8
Finance costs - operations	**$ 296**	$ 296
Finance costs - distributions to Unitholders	**$ 12,064**	$ 11,381

In addition to the above:

- During the first quarter of 2015, Crombie issued 53,393 Class B LP Units to ECL Developments Limited under the DRIP (Note 17).
- During the first quarter of 2015, Crombie acquired development lands in British Columbia with Sobeys Developments Limited Partnership ("SDLP"). Crombie's 50% portion of the acquisition cost was $2,676, including closing and transaction costs.
- During the first quarter of 2014 Crombie exchanged properties with a subsidiary of Empire by acquiring 1200 Railway Avenue in Canmore, Alberta in exchange for disposing of 555 Main Street in Canmore, Alberta. Crombie also acquired additional development space from Empire on a pre-existing retail property for $1,490 excluding closing and transaction costs.
- During the first quarter of 2014, Crombie entered into a loan agreement with SDLP to partially finance SDLP's acquisition of development lands in British Columbia. The $11,856 loan bears interest at a rate of 6% per annum and has no principal repayments until maturity on October 1, 2016.

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Crombie. The following are considered to be Crombie's key management personnel: the Chief Executive Officer, Chief Financial Officer and the three other highest compensated executives.

The remuneration of members of key management during the period was approximately as follows:

	Three months ended March 31,	
	2015	2014
Salary, bonus and other short-term employee benefits	**$ 647**	$ 1,031
Other long-term benefits	**28**	26
	$ 675	$ 1,057

(In thousands of CAD dollars)

20) 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.

Level 3 - unobservable inputs for the asset or liability.

The following table provides information on financial assets and liabilities measured at fair value as at March 31, 2015:

	Level 1	Level 2	Level 3	Total
Financial assets				
Marketable securities	$ —	$ —	$ 2,168	$ 2,168
Total financial assets measured at fair value	$ —	$ —	$ 2,168	$ 2,168
Financial liabilities				
Embedded derivatives in convertible debentures	$ —	$ 371	$ —	$ 371
Total financial liabilities measured at fair value	$ —	$ 371	$ —	$ 371

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2015.

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, 2015		December 31, 2014		March 31, 2014	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets						
Assets related to derecognized property	**$ —**	**$ —**	$ —	$ —	$ 5,611	$ 5,708
Long term receivables	**13,729**	**13,687**	13,663	13,631	13,537	13,532
Total other financial assets	**$ 13,729**	**$ 13,687**	$ 13,663	$ 13,631	$ 19,148	$ 19,240
Financial liabilities						
Investment property debt	**$ 1,725,963**	**$ 1,564,369**	$ 1,757,910	$ 1,635,187	$ 1,689,614	$ 1,615,873
Senior unsecured notes	**413,807**	**400,000**	284,778	275,000	279,907	275,000
Convertible debentures	**139,709**	**134,400**	183,698	179,400	186,375	180,000
Liabilities related to derecognized property	**—**	**—**	—	—	5,591	5,578
Total other financial liabilities	**$ 2,279,479**	**$ 2,098,769**	$ 2,226,386	$ 2,089,587	$ 2,161,487	$ 2,076,451

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
- Restricted cash
- Trade and other payables (excluding interest rate swaps, embedded derivatives and liabilities related to derecognized property)

(In thousands of CAD dollars)

b) Risk Management

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. These risks, and the action taken to manage them, are as follows:

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 (Note 5).

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

There have been no significant changes to Crombie's credit risk since December 31, 2014.

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. Crombie mitigates this risk by utilizing staggered debt maturities and limiting the use of permanent floating rate debt and, on occasion, utilizing interest rate swap agreements.

A fluctuation in interest rates would have had an impact on Crombie's operating income related to the use of floating rate debt. Based on the previous year's rate changes, a 0.5% interest rate change would reasonably be considered possible. The changes would have had the following impact:

	Impact of a 0.5% interest rate change	
Impact on operating income attributable to Unitholders of interest rate changes on the floating rate revolving credit facility	**Decrease in rate**	**Increase in rate**
Three months ended March 31, 2015	**$ 133**	**$ (133)**
Three months ended March 31, 2014	$ 113	$ (113)

There have been no significant changes to Crombie's interest rate risk since December 31, 2014.

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.

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]	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**
Fixed rate mortgages[2]	$ 1,891,329	$ 166,216	$ 165,462	$ 148,499	$ 124,650	$ 272,275	$ 1,014,227
Senior unsecured notes	466,485	14,407	14,407	14,407	186,500	132,142	104,622
Convertible debentures	171,336	6,906	6,906	6,906	6,906	65,406	78,306
	2,529,150	187,529	186,775	169,812	318,056	469,823	1,197,155
Floating rate revolving credit facility	100,736	2,415	2,415	2,415	93,491	—	—
Total	$ 2,629,886	$ 189,944	$ 189,190	$ 172,227	$ 411,547	$ 469,823	$ 1,197,155

(1) Contractual cash flows include principal and interest and ignore extension options.
(2) Reduced by the interest rate subsidy payments to be received from ECL Developments Limited.

There have been no significant changes to Crombie's liquidity risk since December 31, 2014.

(In thousands of CAD dollars)

21) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness, including convertible debentures, in the range of 50% to 55% of gross book value, 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, 2015		December 31, 2014		March 31, 2014
Investment property debt	$	**1,554,114**	$	1,624,547	$	1,604,172
Senior unsecured notes		**397,747**		273,592		273,493
Convertible debentures		**131,055**		175,215		175,125
Crombie REIT Unitholders		**710,065**		716,025		675,135
SVU and Class B LP Unitholders		**463,137**		467,289		439,126
	$	**3,256,118**	$	3,256,668	$	3,167,051

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 (65% including any convertible debentures).

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, 2015		December 31, 2014		March 31, 2014
Fixed rate mortgages	$	**1,471,482**	$	1,490,187	$	1,565,873
Senior unsecured notes		**400,000**		275,000		275,000
Convertible debentures		**134,400**		179,400		180,000
Revolving credit facility		**92,887**		145,000		50,000
Total debt outstanding		**2,098,769**		2,089,587		2,070,873
Less: Applicable fair value debt adjustment		**(2,061)**		(2,203)		(2,709)
Debt	$	**2,096,708**	$	2,087,384	$	2,068,164
Investment properties, cost	$	**3,514,981**	$	3,462,453	$	3,347,789
Below-market lease component, cost (1)		**71,379**		71,368		71,469
Intangible assets, cost		**99,818**		99,019		96,248
Long term receivables		**13,687**		13,631		13,532
Other assets, cost (see below)		**168,844**		156,965		149,297
Cash and cash equivalents		**—**		611		1,119
Deferred financing charges		**16,188**		16,581		18,472
Investment properties held for sale, cost		**—**		40,417		33,467
Interest rate subsidy		**(2,061)**		(2,203)		(2,709)
Fair value adjustment to deferred taxes		**(34,645)**		(34,645)		(38,545)
Gross book value	$	**3,848,191**	$	3,824,197	$	3,690,139
Debt to gross book value		**54.5%**		54.6%		56.0%

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

(In thousands of CAD dollars)

Other assets are calculated as follows:

		March 31, 2015		December 31, 2014		March 31, 2014
Other assets per Note 5	**$**	**129,038**	$	121,391	$	122,196
Add back (deduct):						
Tenant incentive accumulated amortization		**39,806**		35,574		32,809
Assets related to derecognized property		**—**		—		(5,708)
Other assets, cost	**$**	**168,844**	$	156,965	$	149,297

As at March 31, 2015, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

22) COMMITMENTS AND CONTINGENCIES

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 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 has entered into a management cost sharing agreement with a subsidiary of Empire.

Crombie obtains letters of credit to support its obligations with respect to construction work on its investment properties, defeasing investment property debt and satisfying mortgage financing requirements. As at March 31, 2015, Crombie has a total of $979 in outstanding letters of credit related to:

		Three months ended March 31,		
		2015		2014
Construction work being performed on investment properties	**$**	**979**	$	720
Mortgage lender primarily to satisfy defeasance of derecognized property		**—**		1,715
Mortgage lenders primarily to satisfy mortgage financings on redevelopment properties		**—**		1,700
Total outstanding letters of credit	**$**	**979**	$	4,135

Crombie does not believe that any of these standby letters of credit are likely to be drawn upon.

Land leases have varying terms ranging from 10 to 75 years including renewal options. For the three months ended March 31, 2015, Crombie paid $360 in land lease payments to third party landlords (three months ended March 31, 2014 - $309). Crombie's commitments under the land leases are disclosed in Note 14.

As at March 31, 2015, Crombie had signed construction contracts totalling $11,084 of which $7,608 has been paid.

23) SUBSEQUENT EVENTS

(a) On April 1, 2015, Crombie purchased a retail property adjacent to an existing retail property from a subsidiary of Empire. The property, totalling 7,500 square feet, was acquired for $2,333, excluding closing and transaction costs.

(b) On April 20, 2015, Crombie declared distributions of 7.417 cents per unit for the period from April 1, 2015 to and including, April 30, 2015. The distribution will be paid on May 15, 2015, to Unitholders of record as of April 30, 2015.

24) 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 for disclosure purposes.

UNITHOLDERS' INFORMATION

OFFICERS

Frank C. Sobey
Chairman

Donald E. Clow
President and Chief Executive Officer

Glenn R. Hynes
Executive Vice President, Chief Financial Officer and Secretary

Patrick G. Martin
Executive Vice President, Operations

Trevor Lee
Regional Vice President, Western Canada

Fred Santini
Regional Vice President, Central Canada

Scott R. MacLean
Regional Vice President, Atlantic Canada

CROMBIE REIT

Head Office:

115 King Street
Stellarton, Nova Scotia, B0K 1S0
Telephone: (902) 755-8100
Fax (902) 755-6477
Internet: www.crombiereit.com

UNIT SYMBOL

REIT Trust Units – CRR.UN

STOCK EXCHANGE LISTING

Toronto Stock Exchange

DISTRIBUTION RECORD AND PAYMENT DATES FOR FISCAL 2014

Record Date	Payment Date
January 31, 2015	February 13, 2015
February 28, 2015	March 13, 2015
March 31, 2015	April 15, 2015
April 30, 2015	May 15, 2015

COUNSEL

Stewart McKelvey
Halifax, Nova Scotia

AUDITORS

Grant Thornton, LLP
New Glasgow, Nova Scotia

INVESTOR RELATIONS AND INQUIRIES

Unitholders, analysts, and investors should direct their financial inquiries or request to:
Glenn R. Hynes, F.C.A.
Executive Vice President, Chief Financial Officer and Secretary
Email: investing@crombie.ca

Communication regarding investor records, including changes of address or ownership, lost certificates or tax forms, should be directed to the company's transfer agent and registrar, CST Trust Company.

TRANSFER AGENT

CST Trust Company
1660 Hollis Street
Central Building, 4th Floor
Halifax, Nova Scotia, B3J 1V7
Telephone: (800) 387-0825
Email: inquiries@canstock.com

Website: www.canstockta.com

MULTIPLE MAILINGS

If you have more than one account, you may receive a separate mailing for each.

If this occurs, please contact CST Trust Company at (800) 387-0825 or (416) 682-3860 to eliminate multiple mailings.

WHY CROMBIE?

Diversified, low-risk and defensive portfolio

Attractive yield

High-quality cash flow

Proven growth record and
significant development potential

Strong capital structure, moderate leverage
and ample liquidity

www.crombiereit.ca