Slate Grocery REIT

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2024

(Unaudited)

Slate Grocery REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	September 30, 2024	December 31, 2023
ASSETS			
Non-current assets			
Properties	5	$ 2,052,522	$ 2,062,599
Joint venture investments	6	111,191	107,101
Interest rate swaps	8	—	7,652
Other assets		361	718
		$ 2,164,074	**$ 2,178,070**
Current assets			
Cash		19,648	23,587
Accounts receivable	7	22,396	22,172
Other assets		6,342	6,985
Prepaids		7,632	4,984
Interest rate swaps	8	3,106	—
		$ 59,124	**$ 57,728**
Total assets		**$ 2,223,198**	**$ 2,235,798**
LIABILITIES			
Non-current liabilities			
Debt	9	$ 554,938	$ 859,637
Interest rate swaps	8	2,349	—
Deferred income taxes		150,039	146,651
Other liabilities		3,924	4,346
		$ 711,250	**$ 1,010,634**
Current liabilities			
Debt	9	602,154	302,119
Accounts payable and accrued liabilities	11	46,096	43,217
Exchangeable units of subsidiaries	12	9,433	8,269
Distributions payable	13	4,323	4,323
		$ 662,006	**$ 357,928**
Total liabilities		**$ 1,373,256**	**$ 1,368,562**
EQUITY			
Unitholders' equity		$ 671,820	$ 687,443
Non-controlling interest	14	178,122	179,793
Total equity		**$ 849,942**	**$ 867,236**
Total liabilities and equity		**$ 2,223,198**	**$ 2,235,798**

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

Slate Grocery REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Rental revenue	15	$ 52,325	$ 50,629	$ 156,058	$ 151,742
Property operating expenses		(8,742)	(8,830)	(55,476)	(54,582)
General and administrative expenses	16	(3,988)	(3,935)	(11,882)	(11,567)
Interest and finance costs	17	(13,926)	(12,854)	(41,939)	(38,634)
Share of income (loss) in joint venture investments	6	1,440	(1,358)	6,147	3,891
Disposition costs		(8)	—	(298)	—
Change in fair value of financial instruments		(3,606)	(782)	(1,148)	730
Change in fair value of properties	5	(11,395)	(9,621)	(9,419)	(37,914)
Net income before income taxes and unit (expense) income		**$ 12,100**	**$ 13,249**	**$ 42,043**	**$ 13,666**
Deferred income tax (expense) recovery	10	(1,845)	(1,583)	(5,006)	2,544
Current income tax recovery (expense)		70	(981)	(34)	(2,442)
Unit (expense) income	18	(3,077)	1,685	(2,140)	2,719
Net income		**$ 7,248**	**$ 12,370**	**$ 34,863**	**$ 16,487**
Net income attributable to					
Unitholders		$ 4,603	$ 9,131	$ 26,237	$ 11,653
Non-controlling interest	14	2,645	3,239	8,626	4,834

Slate Grocery REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Net income		$ 7,248	$ 12,370	$ 34,863	$ 16,487
Items to be subsequently reclassified to profit or loss					
(Loss) gain on effective hedges of interest rate risk, net of tax	8	(5,180)	5,034	2,286	10,112
Reclassification of other comprehensive income reserve to profit or loss		(143)	(143)	(429)	(918)
Reclassification of effective hedges of interest rate risk to profit or loss	8	(2,185)	(2,284)	(6,562)	(6,728)
Other comprehensive (loss) income		(7,508)	2,607	(4,705)	2,466
Comprehensive (loss) income		**$ (260)**	**$ 14,977**	**$ 30,158**	**$ 18,953**
Comprehensive (loss) income attributed to					
Unitholders		$ (1,052)	$ 11,036	$ 22,693	$ 13,452
Non-controlling interest	14	792	3,941	7,465	5,501

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

Slate Grocery REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	REIT units	Retained earnings	Accumulated comprehensive income (loss)	Capital reserve	Non-controlling interest	**Total**
December 31, 2023		$ 584,769	$ 96,835	$ 7,263	$ (1,424)	$ 179,793	**$ 867,236**
Net income and other comprehensive (loss) income		—	26,237	(3,544)	—	7,465	**30,158**
Distributions	13	—	(38,316)	—	—	(9,136)	**(47,452)**
September 30, 2024		**$ 584,769**	**$ 84,756**	**$ 3,719**	**$ (1,424)**	**$ 178,122**	**$ 849,942**

	Note	REIT units	Retained earnings	Accumulated comprehensive income	Capital reserve	Non-controlling interest	**Total**
December 31, 2022		$ 596,701	$ 133,314	$ 11,919	$ (1,424)	$ 190,592	**$ 931,102**
Net income and other comprehensive income		—	11,653	1,799	—	5,501	**18,953**
Distributions	13	—	(38,731)	—	—	(12,093)	**(50,824)**
Repurchases, net of costs	13	(11,932)	—	—	—	—	**(11,932)**
September 30, 2023		**$ 584,769**	**$ 106,236**	**$ 13,718**	**$ (1,424)**	**$ 184,000**	**$ 887,299**

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

Slate Grocery REIT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	Nine months ended September 30, 2024	2023
OPERATING ACTIVITIES			
Net income		$ 34,863	$ 16,487
Items not affecting cash			
Straight-line rent	5	(254)	(665)
Change in fair value of financial instruments		1,148	(730)
Change in fair value of properties	5	9,419	37,914
IFRIC 21 property tax adjustment	5	7,671	7,360
Deferred income tax expense (recovery)		5,006	(2,544)
Unit expense (income)	18	2,140	(2,719)
Share of income in joint venture investments	6	(6,147)	(3,891)
Interest and finance costs	17	41,939	38,634
Cash interest paid, net	17	(40,740)	(37,170)
Changes in working capital items		(203)	12,202
		$ 54,842	**$ 64,878**
INVESTING ACTIVITIES			
Acquisitions		—	(201)
Dispositions	4	11,881	—
Contributions to joint venture investments	6	(880)	—
Distributions from joint venture investments	6	2,937	5,435
Funds held in escrow		1,065	(787)
Capital expenditures	5	(3,594)	(4,116)
Leasing costs	5	(2,097)	(2,131)
Tenant improvements	5	(3,678)	(2,301)
Development and expansion capital	5	(9,717)	(7,372)
		$ (4,083)	**$ (11,473)**
FINANCING ACTIVITIES			
Revolver advances, net of financing costs	23	13,445	50,516
Term loan advances, net of financing costs	23	—	55,071
Revolver, term loan and mortgage repayments	23	(20,103)	(94,215)
Repurchases of REIT units, net	13	—	(11,932)
REIT unit distributions	13	(38,316)	(38,820)
Exchangeable units of subsidiaries distributions	18	(588)	(588)
Distributions to non-controlling interest		(9,136)	(12,093)
		$ (54,698)	**$ (52,061)**
(Decrease) increase in cash		**(3,939)**	**1,344**
Cash, beginning of the period		**23,587**	**20,392**
Cash, end of the period		**$ 19,648**	**$ 21,736**

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

1. DESCRIPTION OF THE REIT AND OPERATIONS

Slate Grocery REIT (the "REIT") is an unincorporated, open-ended mutual fund trust under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning, and leasing a portfolio of grocery-anchored real estate properties (the "properties") in the United States of America (the "U.S.").

The class U units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbols SGR.U and SGR.UN. The principal, registered, and head office of the REIT is 121 King Street West, Suite 200, Toronto, Ontario, M5H 3T9.

The objectives of the REIT are to:

- provide unitholders with stable cash distributions from a portfolio of grocery-anchored real estate properties in the U.S.;
- enhance the value of the REIT's assets in order to maximize long-term unitholder value through active management; and
- expand the asset base of the REIT and increase the REIT's earnings on a per unit basis, including through accretive acquisitions.

2. BASIS OF PREPARATION

i. Statement of compliance

These condensed consolidated interim financial statements (the "consolidated financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB").

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on November 5, 2024.

iii. Basis of measurement

These consolidated financial statements have been prepared on a going concern basis and measured at historical cost, except for properties and certain financial instruments, which are measured at fair value.

The application of the going concern basis of preparation assumes that the REIT will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The REIT expects to continue as a going concern for the foreseeable future.

iv. Functional and presentation currency

These consolidated financial statements are presented in U.S. dollars, which is the REIT's functional currency and the functional currency of all its subsidiaries.

v. Comparative information

Certain comparative balances have been reclassified in the consolidated financial statements to provide consistency with the current period classification. The aforementioned changes are not material to the consolidated financial statements as a whole.

3. MATERIAL ACCOUNTING POLICY INFORMATION

A summary of material accounting policy information is included in note 3 of the audited comparative consolidated financial statements of the REIT as at and for the year ended December 31, 2023. These consolidated financial statements follow the same accounting policies and methods of computation as used in the REIT's most recent annual consolidated financial statements, except as described below.

These consolidated financial statements do not include all the information and disclosures required in the annual financial statements prepared under International Financial Reporting Standards ("IFRS") and should be read in conjunction with the REIT's audited comparative consolidated financial statements as at and for the year ended December 31, 2023.

Application of new and revised IFRS

Amendments to IAS 1

In January 2020 and October 2022, the IASB issued amendments to IAS 1, *Classification of Liabilities as Current or Non-Current,* to specify the requirements for the classification of liabilities as either current or non-current. The amendments clarified the following:

i. Right to defer settlement – that if an entity's right to defer settlement is subject to compliance with future covenants, the entity has a right to defer settlement of the liability regardless of compliance with such covenants at the end of the reporting period.

ii. Expected deferrals – that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer the settlement of the liability for at least twelve months following the reporting period even if settlement occurs prior to the authorization of the issuance of the financial statements.

(unaudited – in thousands of United States dollars, unless otherwise stated)

iii. Settlement by way of own instruments – that settlement by way of an entity's own equity instruments is considered settlement for classification purposes with the exception of a conversion option that itself is classified as an equity instrument.

The amendment also provided for additional disclosures surrounding non-current liabilities for which a right to defer settlement is subject to compliance with future covenants within twelve months.

The REIT adopted the amendments, on a retrospective basis, effective for the annual period beginning on January 1, 2024. As a result of the amendments, the REIT reclassified the following liabilities from non-current to current in the consolidated statements of financial position:

		December 31, 2023
Exchangeable units of subsidiaries	$	8,269
Other liabilities		736
Total	**$**	**9,005**

Other liabilities transferred to current were reclassified to the accounts payable and accrued liabilities line item in the condensed consolidated interim statements of financial position. There were no further material changes as a result of the adoption of the amendments.

Future accounting policies

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, IFRS 18, Presentation and Disclosure in Financial Statements, was issued to replace IAS 1, Presentation of Financial Statements with the aim to provide users with more transparent and comparable information. It requires the usage of new categories of income and expense in the consolidated statements of income and comprehensive income including operating, investing, financing, income taxes and discontinued operations sections, as well as new subtotals aligning with these categories. The standard further requires management-defined performance measures to be disclosed in the consolidated financial statements, along with disclosures related to how such measures are calculated and reconciled to the most comparable subtotals specified by IFRS.

IFRS 18 is effective for reporting periods beginning on or after January 1, 2027, with early adoption permitted, and is to be applied retrospectively. The REIT is currently in the process of assessing the impact of adopting the new standard on its consolidated financial statements.

4. DISPOSITION

Disposition

The REIT disposed of one property during the nine month period ended September 30, 2024, as follows:

Property	Disposition date	Location		Sales price
Stonefield Square	June 27, 2024	Louisville, Kentucky	$	12,750

Sales price	$	12,750
Capital adjustments		(423)
Properties	**$**	**12,327**
Working capital and other adjustments		(446)
Total	**$**	**11,881**

The REIT did not dispose of any properties during the nine month period ended September 30, 2023.

(unaudited – in thousands of United States dollars, unless otherwise stated)

5. PROPERTIES

As at September 30, 2024, the REIT owned 116 properties (December 31, 2023 - 117 properties), of which 101 are in entities consolidated by the REIT. The remaining 15 properties are accounted as joint venture investments (note 6) and not included in the table below.

The change in properties is as follows:

	Note	September 30, 2024	December 31, 2023
Beginning of the period		$ 2,062,599	$ 2,087,432
Acquisitions		—	201
Capital expenditures		3,594	4,521
Leasing costs		2,097	3,083
Tenant improvements		3,678	3,891
Development and expansion capital		9,717	13,100
Straight-line rent		254	760
Disposition	4	(12,327)	—
IFRIC 21 property tax adjustment		(7,671)	—
Change in fair value of properties		(9,419)	(50,389)
End of the period		**$ 2,052,522**	**$ 2,062,599**

Valuation assumptions used to estimate the fair value of all the REIT's properties are as follows:

	September 30, 2024 [1]	December 31, 2023 [1]
Capitalization rate range	5.9% – 9.0%	6.0% – 9.2%
Weighted average capitalization rate	7.2 %	7.2 %

[1] Includes the REIT's share of joint venture investments.

The following table presents the estimated change to the fair value of the REIT's properties when there is an increase or decrease to the capitalization rates as at September 30, 2024:

(Decrease) Increase in capitalization rate	Change in fair value of properties [1]
(1.00%)	$ 393,704
(0.75%)	283,660
(0.50%)	181,952
(0.25%)	87,661
0.25%	(81,712)
0.50%	(158,063)
0.75%	(229,567)
1.00%	(296,675)

[1] Includes the REIT's share of joint venture investments.

The following table presents the estimated change to the fair value of the REIT's properties when there is an increase or decrease to the REIT's stabilized net operating income as at September 30, 2024:

(Decrease) Increase in stabilized net operating income	Change in fair value of properties [1]
$(100)	$ (1,387)
$100	1,387

[1] Includes the REIT's share of joint venture investments.

(unaudited – in thousands of United States dollars, unless otherwise stated)

6. JOINT VENTURE INVESTMENTS

The REIT accounts for its joint venture investments using the equity method. The table below summarizes the REIT's investment in joint ventures:

			September 30, 2024		December 31, 2023	
Portfolio	Anchors	State	Number of properties	Ownership interest	Number of properties	Ownership interest
Tom Thumb Portfolio	Tom Thumb, Walmart, and Raley's	Texas, Florida, and California	10	90% – 95%	10	90% – 95%
Other Grocery Portfolio	Stop & Shop, Price Chopper, Acme Markets, and Strack & Van Til	New York and Indiana	4	85%	4	85%
Other	Kroger	Michigan	1	50%	1	50%

The change in the REIT's joint venture investments are as follows:

				September 30, 2024	December 31, 2023
	Tom Thumb Portfolio	Other Grocery Portfolio	Other	Total	Total
Beginning of the period	$ 58,388	$ 45,193	$ 3,520	$ 107,101	$ 109,456
Contributions	—	—	880	880	—
Distributions	(2,435)	(502)	—	(2,937)	(6,063)
Share of income (loss) in joint venture investments	1,188	5,552	(593)	6,147	3,708
End of the period	**$ 57,141**	**$ 50,243**	**$ 3,807**	**$ 111,191**	**$ 107,101**

7. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	September 30, 2024	December 31, 2023
Rent receivable	$ 7,744	$ 7,501
Allowance	(1,893)	(1,171)
Accrued recovery income	10,152	8,949
Other receivables	6,393	6,893
Total	**$ 22,396**	**$ 22,172**

Rent receivable consists of base rent and operating expense recoveries billed to tenants. Accrued recovery income represents amounts that have not been billed to the tenants and are generally billed and paid subsequent to the period in which they were incurred.

The change in the allowance is as follows:

	September 30, 2024	December 31, 2023
Beginning of the period	$ (1,171)	$ (1,096)
Allowance	(912)	(854)
Bad debt write-off	37	415
Bad debt recovery	153	364
End of the period	**$ (1,893)**	**$ (1,171)**

The REIT measures the allowance at an amount equal to lifetime expected losses by taking into account past default experience and considering both current and potential bankruptcy, abandonment by tenants and certain tenant disputes.

(unaudited – in thousands of United States dollars, unless otherwise stated)

The aging analysis of rent receivable balances, net of allowance, is as follows:

	September 30, 2024	December 31, 2023
Current to 30 days	$ 1,934	$ 3,332
31 to 60 days	802	446
61 to 90 days	49	125
Greater than 90 days	3,066	2,427
Total	**$ 5,851**	**$ 6,330**

8. INTEREST RATE SWAPS

The REIT has entered into certain pay-fixed receive-float interest rate swap contracts to hedge the cash flow risk associated with monthly SOFR based interest payments on the REIT's floating rate debt.

The terms of the interest rate swaps are as follows:

					Total/ Weighted average
Pay-fixed rate	2.822 %	2.400 %	3.615 %	3.465 %	**3.084%**
Notional amount	$ 175,000	$ 137,500	$ 137,500	$ 175,000	**$ 625,000**
Receive-floating rate	One-month SOFR	One-month SOFR	One-month SOFR	One-month SOFR	
Maturity date	August 22, 2025	July 22, 2027[1]	July 22, 2027	August 22, 2028	
Remaining term (years)	0.9	2.8	2.8	3.9	**2.6**

[1] The $137.5 million interest rate swap, featuring a pay-fixed rate of 2.400%, includes a one-time cancellation option exercisable by the counterparty on July 24, 2025 and therefore has been classified as a current asset in the condensed consolidated interim statements of financial position.

On May 18, 2023, the REIT amended the $137.5 million interest rate swap with a pay-fixed rate of 1.691% and maturity date of July 22, 2027 by adding a one-time cancellation option by the REIT's counterparty on July 24, 2024. As a result of this amendment, the cash flow hedge was deemed no longer to be an effective hedge and hedge accounting was discontinued. On the day of the amendment, $0.9 million was reclassified from the cash flow hedge reserve to profit or loss as the underlying cash flow was no longer expected to occur. The remaining $3.3 million cash flow hedge reserve is amortized on a straight-line basis over the remaining expected terms of the hedged cash flows. Subsequent to the amendment, the swap is carried at fair value through profit or loss.

On May 18, 2023, the REIT entered into a forward pay-fixed, receive-float swap contract to hedge the cash flow risk associated with monthly SOFR based interest payments, effective August 22, 2023, for $175.0 million. The swap is for a 5-year term maturing on August 22, 2028 with a pay-fixed rate of 3.465%.

On November 15, 2023, the REIT amended the $137.5 million interest rate swap with a pay-fixed rate of 3.615% and maturity date of July 22, 2027. The one-time cancellation option that was in place prior to the amendment was removed and this swap is carried at fair value through profit or loss.

A reconciliation of the change in the fair value of the interest rate swaps and related deferred tax impact is as follows:

	Note	Fair value of interest rate swaps	Deferred income tax (expense) recovery	Net impact after tax
Balance, June 30, 2024		$ 14,261	$ (3,650)	$ 10,611
Change in fair value of effective hedges of interest rate risk		(6,961)	1,781	(5,180)
Change in fair value of financial instrument through profit or loss		(3,009)	770	(2,239)
Net payments received on effective hedges of interest rate risk	17	(2,937)	752	(2,185)
Net payments received on financial instruments through profit or loss		(597)	153	(444)
Balance, September 30, 2024		**$ 757**	**$ (194)**	**$ 563**

(unaudited – in thousands of United States dollars, unless otherwise stated)

	Note	Fair value of interest rate swaps	Deferred income tax (expense) recovery	Net impact after tax
Balance, December 31, 2023		$ 7,652	$ (1,959)	$ 5,693
Change in fair value of effective hedges of interest rate risk		3,072	(786)	2,286
Change in fair value of financial instrument through profit or loss		661	(169)	492
Net payments received on effective hedges of interest rate risk	17	(8,819)	2,257	(6,562)
Net payments received on financial instruments through profit or loss		(1,809)	463	(1,346)
Balance, September 30, 2024		**$ 757**	**$ (194)**	**$ 563**

	Note	Fair value of interest rate swaps	Deferred income tax (expense) recovery	Net impact after tax
Balance, June 30, 2023		$ 20,180	$ (5,163)	$ 15,017
Change in fair value of effective hedges of interest rate risk		6,765	(1,731)	5,034
Change in fair value of financial instrument through profit or loss		460	(118)	342
Net payments received on effective hedges of interest rate risk	17	(3,069)	785	(2,284)
Net payments received on financial instrument through profit or loss		(1,242)	318	(924)
Balance, September 30, 2023		**$ 23,094**	**$ (5,909)**	**$ 17,185**

	Note	Fair value of interest rate swaps	Deferred income tax (expense) recovery	Net impact after tax
Balance, December 31, 2022		$ 18,731	$ (4,793)	$ 13,938
Change in fair value of effective hedges of interest rate risk		13,589	(3,477)	10,112
Change in fair value of financial instrument through profit or loss		1,809	(463)	1,346
Net payments received on effective hedges of interest rate risk	17	(9,042)	2,314	(6,728)
Net payments received on financial instrument through profit or loss		(1,993)	510	(1,483)
Balance, September 30, 2023		**$ 23,094**	**$ (5,909)**	**$ 17,185**

(unaudited – in thousands of United States dollars, unless otherwise stated)

9. DEBT

Debt held by the REIT at September 30, 2024 is as follows:

	Maturity	Remaining extension options	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn [1]
Revolver [1 2]	March 21, 2025	None	S+170 bps [3 4]	N/A [5]	N/A [5]	$ 300,000	$ 189,280	$ 110,720
Term loan	March 21, 2025	None	S+160 bps [3 4]	N/A [5]	N/A [5]	225,000	225,000	—
Term loan 3	July 15, 2027	None	S+160 bps [3 4]	N/A [5]	N/A [5]	275,000	275,000	—
Mortgage	December 6, 2024	None	4.03%	11	154,889	103,950	103,950	—
Mortgage	January 1, 2025	None	3.80%	3	90,600	38,010	38,010	—
Mortgage	July 1, 2025	None	4.14%	5	80,900	31,546	31,546	—
Mortgage	August 1, 2025	None	4.43%	1	13,333	7,700	7,700	—
Mortgage	March 18, 2030	None	3.48%	8	153,300	75,730	75,730	—
Mortgage	January 1, 2031	None	5.50%	1	23,400	4,847	4,847	—
Mortgage	May 1, 2031	None	3.75%	19	319,400	157,273	157,273	—
Mortgage	February 1, 2033	None	5.50%	5	102,300	55,565	55,565	—
Total						**$ 1,274,621**	**$ 1,163,901**	**$ 110,720**

Debt held by the REIT at December 31, 2023 is as follows:

	Maturity	Remaining extension options	Coupon	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn [1]
Revolver [1 2]	March 21, 2024	Two six-month	S+170 bps [3 4]	N/A [5]	N/A [5]	$ 300,000	$ 188,360	$ 111,640
Term loan	March 21, 2025	None	S+160 bps [3 4]	N/A [5]	N/A [5]	225,000	225,000	—
Term loan 3	July 15, 2027	None	S+160 bps [3 4]	N/A [5]	N/A [5]	275,000	275,000	—
Mortgage	December 6, 2024	None	4.03%	11	156,333	103,950	103,950	—
Mortgage	January 1, 2025	None	3.80%	3	92,000	38,927	38,927	—
Mortgage	July 1, 2025	None	4.14%	5	80,500	33,139	33,139	—
Mortgage	August 1, 2025	None	4.43%	1	13,667	7,700	7,700	—
Mortgage	March 18, 2030	None	3.48%	8	154,000	77,089	77,089	—
Mortgage	January 1, 2031	None	5.50%	1	23,400	5,317	5,317	—
Mortgage	May 1, 2031	None	3.75%	19	314,200	159,852	159,852	—
Mortgage	February 1, 2033	None	5.50%	5	100,900	56,000	56,000	—
Total						**$ 1,281,974**	**$ 1,170,334**	**$ 111,640**

[1] Debt available to be drawn is subject to certain covenants as provided in the REIT's lending agreements, including generally, a maximum of 65% consolidated total indebtedness to gross asset value (the "consolidated leverage ratio"). The calculation of the consolidated leverage ratio is provided in note 20.

[2] The revolver requires a stand-by fee to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.

[3] "S" means one-month SOFR, and "bps" means basis points.

[4] The applicable spread for the revolver where the consolidated leverage ratio is; (i) less than or equal to 45% is 145 bps; (ii) greater than 45% but less than or equal to 50% is 155 bps; (iii) greater than 50% but less than or equal to 55% is 170 bps (iv) greater than 55% but less than or equal to 60% is 195 bps; and (iv) greater than 60% is 215 bps, and includes a 10 bps SOFR index adjustment. The applicable spread for the term loan and term loan 3 where the consolidated leverage ratio is; (i) less than or equal to 45% is 135 bps; (ii) greater than 45% but less than or equal to 50% is 150 bps; (iii) greater than 50% but less than or equal to 55% is 160 bps (iv) greater than 55% but less than or equal to 60% is 185 bps; and (iv) greater than 60% is 205 bps, and includes a 10 bps SOFR index adjustment.

[5] Debt is secured by a general pledge of equity of certain subsidiaries of the REIT. Collectively, those subsidiaries hold an interest in 49 of the REIT's properties at September 30, 2024 (December 31, 2023 – 50).

(unaudited – in thousands of United States dollars, unless otherwise stated)

The carrying value of debt held by the REIT at September 30, 2024 is as follows:

	Effective rate[1]	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments and costs	Carrying amount	Current	Non-current
Revolver	7.00%	$ 189,280	$ (2,297)	$ 2,297	$ 189,280	$ 189,280	$ —
Term loan	6.90%	225,000	(1,377)	1,241	224,864	224,864	—
Term loan 3	6.90%	275,000	(5,381)	2,271	271,890	—	271,890
Mortgage	4.03%	103,950	570	(538)	103,982	103,982	—
Mortgage	3.80%	38,010	(1,549)	1,510	37,971	37,971	—
Mortgage	4.14%	31,546	(1,079)	1,013	31,480	31,480	—
Mortgage	4.43%	7,700	78	(60)	7,718	7,718	—
Mortgage	3.48%	75,730	(1,562)	691	74,859	1,869	72,990
Mortgage	5.50%	4,847	127	(45)	4,929	658	4,271
Mortgage	3.75%	157,273	(3,133)	1,186	155,326	3,553	151,773
Mortgage	5.50%	55,565	(929)	157	54,793	779	54,014
Total		**$ 1,163,901**	**$ (16,532)**	**$ 9,723**	**$ 1,157,092**	**$ 602,154**	**$ 554,938**

The carrying value of debt held by the REIT at December 31, 2023 is as follows:

	Effective rate[1]	Principal	MTM adjustments and costs	Accumulated amortization of MTM adjustments and costs[2]	Carrying amount	Current	Non-current
Revolver	7.04%	$ 188,360	$ (2,072)	$ 1,820	$ 188,108	$ 188,108	$ —
Term loan	6.94%	225,000	(1,377)	1,024	224,647	—	224,647
Term loan 3	6.94%	275,000	(5,381)	1,446	271,065	—	271,065
Mortgage	4.03%	103,950	570	(405)	104,115	104,115	—
Mortgage	3.80%	38,927	(1,549)	1,382	38,760	1,228	37,532
Mortgage	4.14%	33,139	(1,079)	953	33,013	2,135	30,878
Mortgage	4.43%	7,700	78	(44)	7,734	—	7,734
Mortgage	3.48%	77,089	(1,562)	564	76,091	1,821	74,270
Mortgage	5.50%	5,317	127	(36)	5,408	631	4,777
Mortgage	3.75%	159,852	(3,133)	943	157,662	3,455	154,207
Mortgage	5.50%	56,000	(929)	82	55,153	626	54,527
Total		**$ 1,170,334**	**$ (16,307)**	**$ 7,729**	**$ 1,161,756**	**$ 302,119**	**$ 859,637**

[1] The revolver, term loan and term loan 3 effective rates are based on the applicable one-month SOFR rate under borrowings as at September 30, 2024 and December 31, 2023.
[2] Excludes the impact of any available extension options not yet exercised.

On September 20, 2024, the REIT exercised a six-month extension option on its $300.0 million revolver, extending maturity to March 21, 2025.

On February 1, 2023, the REIT entered into a $56.0 million mortgage, with a 10-year term bearing interest at 5.50%. The net proceeds from the mortgage were used to paydown the REIT's term loan 2.

(unaudited – in thousands of United States dollars, unless otherwise stated)

10. INCOME TAXES

Subsidiaries of the REIT, Slate Grocery Investment L.P. ("Investment L.P."), and GAR (1B) Limited Partnership ("GAR B"), made an election to be classified as corporations for U.S. federal tax purposes. Investment L.P. and GAR B are subject to U.S. federal and state income taxation on their allocable shares in Slate Grocery One L.P. ("LP1"), a subsidiary of the REIT, and any subsidiary limited partnership thereof.

Slate Grocery Investment Inc. ("Investment Inc.") is a U.S. corporation formed in the state of Delaware. It is subject to federal and state income taxation on its allocable share in Slate Grocery Investment US L.P. ("SGIUSLP"), a subsidiary of the REIT, and any subsidiaries thereof.

The REIT is therefore subject to U.S. federal income taxation on its allocable share of rental income derived directly or indirectly through such subsidiary limited partnerships and corporations, on a net basis taking into account allowable deductions. Investment L.P. and GAR B are each subject to a combined federal and state income tax rate of 25.59% (December 31, 2023 – 25.59%). Investment Inc. is subject to a combined federal and state income tax rate of 25.12% (December 31, 2023 – 25.12%). To the extent U.S. taxes are paid by Investment L.P., GAR B and Investments Inc. such amounts will be creditable against an investor's Canadian federal income tax liability to the extent permitted by Canadian tax law.

Total taxes paid for the nine month period ended September 30, 2024 was $2.1 million (nine month period ended September 30, 2023 – $1.2 million). Branch profit tax is tax imposed on U.S. earned income that is repatriated to Canada.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	September 30, 2024	December 31, 2023
Accounts payable and accrued liabilities	$ 21,100	$ 16,714
Prepaid rent	8,824	7,019
Tenant improvements payable	7,369	7,793
Other payables	8,803	11,691
Total	**$ 46,096**	**$ 43,217**

Included in accounts payable and accrued liabilities are operating expenses, property taxes, and capital and leasing expenses. Other payables include security deposits, trustee fees, accrued interest payable, branch profit tax payable and other non-operating items.

12. EXCHANGEABLE UNITS OF SUBSIDIARIES

Each class of the exchangeable units issued by the REIT's subsidiaries are presented as financial liabilities in accordance with IAS 32.

Exchangeable units of subsidiaries

Exchangeable units of subsidiaries are redeemable at the option of the holder, for cash or class U units of the REIT as determined by the REIT. Distributions paid on exchangeable units of subsidiaries are recorded as unit expense in the period in which they become payable. Exchangeable units of subsidiaries are re-measured based on the quoted closing price of REIT units into which they are exchangeable with changes in fair value recognized in net income as unit (expense) income.

The change in the total exchangeable units of subsidiaries and carrying amount during the nine month period ended September 30, 2024 are as follows:

		September 30, 2024		December 31, 2023	
	Note	Exchangeable Units	Value	Exchangeable Units	Value
Beginning of the period		907	$ 8,269	907	$ 10,082
Change in fair value	18	—	1,164	—	(1,813)
End of the period		**907**	**$ 9,433**	**907**	**$ 8,269**

13. REIT UNITS

As at September 30, 2024, the REIT has the following REIT units issued and outstanding, in thousands of units:

	Class A	Class I	Class U
Authorized for issue	Unlimited	Unlimited	Unlimited
Issued and outstanding	111	10	59,009

Each REIT unit confers the right to one vote at any meetings of REIT unitholders. The REIT is also authorized to issue an unlimited number of special voting units. Special voting units are only issued in tandem with the issuance of securities redeemable for or exchangeable into REIT units. The special voting units do not have any economic entitlement in the REIT with respect to distributions but provide the holder with the same voting rights in the REIT as a holder of REIT units. GAR B exchangeable units are accompanied by an equivalent number of special voting units.

Each REIT unit entitles the holder to the same rights and obligations as any other REIT unitholder and no REIT unitholder is entitled to any privilege, priority or preference in relation to any other holder of REIT units of class A units, class I units and class U units of the REIT to participate in distributions made by the REIT including distributions of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. REIT units will be fully paid and non-assessable when issued and are transferable.

The REIT's Declaration of Trust grants holders of class A units and class I units of the REIT the right to convert all or any portion of their class A units and class I units of the REIT, at any time (the “conversion date”), into class U units by giving written notice to the REIT. On the applicable conversion date, the REIT will deliver to the class A unitholder or class I unitholder the applicable number of class U units for each class A unit or class I unit converted by such unitholder.

With certain restrictions, the unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit as determined by a market formula and shall be paid in accordance with the conditions provided for in the Declaration of Trust.

At the Market Program

On March 30, 2022, the REIT established an at the market equity program ("ATM program") that allows the REIT to issue, at its discretion, up to $150.0 million of class U units of the REIT to the public from time to time through an agent. Distributions pursuant to the ATM program will be made in accordance with the terms of an equity distribution agreement dated March 30, 2022 entered into among the REIT and the agent. The ATM program was effective until April 28, 2024 and was not renewed thereafter. For the nine month period ended September 30, 2024, no units were issued under the ATM program (nine month period ended September 30, 2023 – nil).

Normal course issuer bid

On February 1, 2024, the REIT renewed its normal course issuer bid ("NCIB"), which is effective until January 31, 2025. For the nine month period ended September 30, 2024, no class U units have been purchased and subsequently canceled under the NCIB (nine month period ended September 30, 2023 - 1.2 million class U units were purchased and subsequently canceled for a total cost, including transaction costs, of $11.9 million).

Total REIT units outstanding during the period and their respective class U equivalent amounts if converted is as follows, in thousands of units:

	September 30, 2024		September 30, 2023	
	REIT units	Value	REIT units	Value
Beginning of the period	59,130	$ 584,769	61,277	$ 596,701
Repurchased	—	—	(1,240)	(11,932)
End of the period	**59,130**	**$ 584,769**	**60,037**	**$ 584,769**

Weighted average class U units outstanding

The following is the weighted average number of class U units outstanding on a fully diluted basis, in thousands of units:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Class U units	59,005	59,193	59,001	59,668
Class A units	115	126	117	133
Class I units	10	18	12	18
Exchangeable units of subsidiaries	907	907	907	907
Deferred units	310	229	290	214
Total	**60,347**	**60,473**	**60,327**	**60,940**

Class U units outstanding

The following is the total number of class U units outstanding, if all other units of the REIT, its subsidiaries, and its deferred unit plans ("DUP"), were converted or exchanged, as applicable, for class U units of the REIT, in thousands of units:

	September 30, 2024	December 31, 2023
Class U units	59,009	58,986
Class A units	111	126
Class I units	10	18
Exchangeable units of subsidiaries	907	907
Deferred units	320	264
Total	**60,357**	**60,301**

Unit distributions

Pursuant to the Declaration of Trust, the income of the REIT is distributed on dates and in amounts as determined by the board of trustees.

The following table summarizes the REIT's distributions and reconciliation to distributions paid or settled:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Declared				
REIT unit distributions	$ 12,772	$ 12,810	$ 38,316	$ 38,731
Exchangeable units of subsidiaries distributions	196	196	588	588
	$ 12,968	**$ 13,006**	**$ 38,904**	**$ 39,319**
Add: Distributions payable, beginning of period	4,323	4,349	4,323	4,412
Less: Distributions payable, end of period	(4,323)	(4,323)	(4,323)	(4,323)
Distributions paid	**$ 12,968**	**$ 13,032**	**$ 38,904**	**$ 39,408**

Deferred unit plans

Trustees of the REIT who are not members of management may elect to receive all or a portion of their trustee fees in the form of deferred units that vest immediately upon grant.

The REIT also offers DUP for officers of the REIT whereby officers may elect to receive deferred class U units, which represent a right to receive class U units, in lieu of an equivalent amount of asset management fees for management services rendered by Slate Asset Management (Canada) L.P. (the "Manager").

The deferred units are equivalent in value to REIT units and accumulate additional deferred units at the same rate that distributions are paid on REIT units in relation to the market value of REIT units.

The change in deferred units is as follows, in thousands of units:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Beginning of the period	302	222	264	196
Reinvested distributions	7	5	19	12
Issued	11	12	37	31
End of the period	**320**	**239**	**320**	**239**
Fair value of units	**$ 3,325**	**$ 1,955**	**$ 3,325**	**$ 1,955**

14. NON-CONTROLLING INTEREST

The REIT has an established partnership with the North America Essential Fund ("NA Essential Fund"), a vehicle with management services provided by the Manager. The NA Essential Fund made an initial cash investment of $180 million indirectly into the REIT's assets through the purchase of an 18.37% partnership interest in two of the REIT's subsidiaries, LP1 and SGIUSLP. The non-controlling interest in SGIUSLP includes the proportionate interest in the Tops Portfolio, a grocery anchored portfolio comprising 11 properties and 1.4 million square feet in major metro markets in New York, Ohio, and Georgia.

Primary Investment	Number of properties	September 30, 2024	December 31, 2023
LP1, SGIUSLP	116	18.4 %	18.4 %
Tops Portfolio	11	10.0 %	10.0 %

15. REVENUE

Revenue consists of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Rental revenue	$ 38,549	$ 37,523	$ 114,557	$ 111,723
Common area maintenance recoveries	5,144	4,978	15,367	15,000
Property tax and insurance recoveries	7,427	6,871	21,695	21,261
Percentage rent	95	101	552	564
Other revenue [1]	1,110	1,156	3,887	3,194
Total	**$ 52,325**	**$ 50,629**	**$ 156,058**	**$ 151,742**

[1] Other revenue includes straight-line rent, ground rent, termination fees, storage rent, and other non-rental income.

The REIT enters into long-term lease contracts with tenants for space in the REIT's properties. Leases generally provide for the tenant to pay base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating costs and property tax recoveries. Certain leases have limitations or escalation restrictions on the amount of recoveries or cost reimbursements, which the tenant is obligated to pay regardless of the actual costs incurred by the REIT to operate and maintain the properties.

The REIT's existing leases have a weighted average outstanding term of 5.1 years (December 31, 2023 – 4.7 years) in which certain include clauses to enable periodic increases in rental rates.

The future minimum lease payments from the REIT's non-cancellable operating leases as a lessor are as follows:

	September 30, 2024	December 31, 2023
In one year or less	$ 158,379	$ 162,806
In more than one year but not more than five years	406,881	426,916
In more than five years	185,361	188,842
Total [1]	**$ 750,621**	**$ 778,564**

[1] Includes the REIT's share of joint venture investments.

(unaudited – in thousands of United States dollars, unless otherwise stated)

16. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consists of the following:

		Three months ended September 30,		Nine months ended September 30,	
	Note	2024	2023	2024	2023
Asset management fees	22	$ 2,317	$ 2,322	$ 6,851	$ 6,689
Professional fees and other		1,236	1,319	3,906	3,773
Bad debt expense		360	235	875	665
Franchise and business taxes		75	59	250	440
Total		**$ 3,988**	**$ 3,935**	**$ 11,882**	**$ 11,567**

17. INTEREST AND FINANCE COSTS

Interest and finance costs consists of the following:

		Three months ended September 30,		Nine months ended September 30,	
	Note	2024	2023	2024	2023
Interest on debt and finance charges		$ 17,107	$ 16,769	$ 51,368	$ 48,205
Interest rate swaps, net settlement	8	(3,534)	(4,311)	(10,628)	(11,035)
Interest income		(50)	(18)	(153)	(33)
Amortization of finance charges and MTM premium	23	617	627	1,994	1,883
Amortization of gain on financial instrument	8	(192)	(192)	(576)	(320)
Amortization of deferred gain on TIF notes		(22)	(21)	(66)	(66)
Total		**$ 13,926**	**$ 12,854**	**$ 41,939**	**$ 38,634**

18. UNIT (EXPENSE) INCOME

Unit (expense) income consists of the following:

		Three months ended September 30,		Nine months ended September 30,	
	Note	2024	2023	2024	2023
Exchangeable units of subsidiaries distributions	12, 13	$ (196)	$ (196)	$ (588)	$ (588)
Change in fair value of DUP		(712)	381	(388)	652
Change in fair value of exchangeable units of subsidiaries	12	(2,169)	1,500	(1,164)	2,655
Total		**$ (3,077)**	**$ 1,685**	**$ (2,140)**	**$ 2,719**

(unaudited – in thousands of United States dollars, unless otherwise stated)

19. FAIR VALUES

Except as noted, the carrying value of financial assets and financial liabilities including cash, accounts receivable, funds held in escrow, accounts payable and accrued liabilities, distributions payable, and rental security deposits recorded within other liabilities, approximate their fair values because of the short period until receipt or payment of cash.

The carrying amounts and fair value hierarchy of the REIT's financial instruments are as follows:

		Fair Value			
September 30, 2024	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Interest rate swaps	$ 3,106	$ —	$ 3,106	$ —	$ 3,106
TIF notes receivable	685	—	—	810	810
Total financial assets	**$ 3,791**	**$ —**	**$ 3,106**	**$ 810**	**$ 3,916**
Financial liabilities					
Interest rate swaps	$ 2,349	$ —	$ 2,349	$ —	$ 2,349
Revolver	189,280	—	189,280	—	189,280
Term loan	224,864	—	225,000	—	225,000
Term loan 3	271,890	—	275,000	—	275,000
Mortgages	471,058	—	451,284	—	451,284
Exchangeable units of subsidiaries	9,433	9,433	—	—	9,433
Total financial liabilities	**$ 1,168,874**	**$ 9,433**	**$ 1,142,913**	**$ —**	**$ 1,152,346**

		Fair Value			
December 31, 2023	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets					
Interest rate swaps	$ 7,652	$ —	$ 7,652	$ —	$ 7,652
TIF notes receivable	999	—	—	1,115	1,115
Total financial assets	**$ 8,651**	**$ —**	**$ 7,652**	**$ 1,115**	**$ 8,767**
Financial liabilities					
Revolver	$ 188,108	$ —	$ 188,360	$ —	$ 188,360
Term loan	224,647	—	225,000	—	225,000
Term loan 3	271,065	—	275,000	—	275,000
Mortgages	477,936	—	449,284	—	449,284
Exchangeable units of subsidiaries	8,269	8,269	—	—	8,269
Total financial liabilities	**$ 1,170,025**	**$ 8,269**	**$ 1,137,644**	**$ —**	**$ 1,145,913**

20. CAPITAL MANAGEMENT

The REIT's capital management objectives are to:

i. ensure compliance with the REIT's Declaration of Trust;

ii. ensure compliance with restrictions in debt agreements; and

iii. provide sufficient liquidity to operate the REIT's properties, fund obligations as they become due and build unitholder value.

Procedures to monitor compliance with the Declaration of Trust and debt agreements are performed as a part of the overall management of operations and periodically by review of the REIT's board of trustees and reporting to the REIT's lender. In order to maintain or adjust the capital structure, the REIT may issue trust units, debentures, or mortgage debt, adjust the amount of distributions paid to unitholders, return capital to unitholders, or reduce or increase debt.

(unaudited – in thousands of United States dollars, unless otherwise stated)

The REIT considers its debt and equity instruments to be its capital as follows:

	Note	September 30, 2024	December 31, 2023
Debt	9	$ 1,157,092	$ 1,161,756
Exchangeable units of subsidiaries	12	9,433	8,269
Equity		849,942	867,236
Total		**$ 2,016,467**	**$ 2,037,261**

The Declaration of Trust provides that the REIT is not permitted to exceed financial leverage in excess of 65% of gross book value, as defined by the Declaration of Trust, and is calculated as follows:

	Note	September 30, 2024	December 31, 2023
Gross book value		$ 2,223,198	$ 2,235,798
Debt	9	1,157,092	1,161,756
Leverage ratio		**52.0 %**	**52.0%**

Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines.

The REIT's revolver and term loans are subject to financial and other covenants. The following are the primary financial covenants, with all terms defined by the respective lending agreement:

	Threshold	September 30, 2024	December 31, 2023
Maximum leverage ratio: consolidated total indebtedness shall not exceed 65% of gross asset value	< 65%	53.2%	54.4%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x [1]	> 1.50x	1.98x	2.22x

[1] Adjusted EBITDA is defined as earnings before interest, tax, depreciation, and amortization, as defined by the Second Amended and Restated Credit Agreement for the revolver and term loan, as well as the Credit Agreement for term loan 3.

21. RISK MANAGEMENT

The REIT’s risk management policies are established to identify, analyze, and manage the risks faced by the REIT and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the REIT’s activities and to ensure applicability.

In the normal course of business, the main risks arising from the REIT’s use of financial instruments include credit risk, liquidity risk and market risk. These risks, and the actions taken to manage them, include:

i. Credit risk

Credit risk is the risk of financial loss to the REIT associated with the failure of a tenant or other party to meet its contractual obligations related to lease agreements, including future lease payments, loan arrangements and TIF notes receivables. This risk is mitigated by diversifying the REIT's tenant base through the limitation of concentration in individual tenants and geographical areas. In addition, the risk is mitigated by carrying out appropriate credit checks and related due diligence on any significant tenants.

As of September 30, 2024, one individual tenant accounted for 5.9% (December 31, 2023 – 6.4%) of the REIT’s base rent.

ii. Liquidity risk

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they fall due. The REIT’s approach to managing liquidity is to ensure sufficient financial resources are available to meet its liabilities as they become due. This includes monitoring of cash, current receivables, current payables, and non-current liabilities as they become current.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to the demand for and the perceived desirability of such investments. Such illiquidity can limit the REIT’s ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were required to liquidate a real property investment promptly, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

(unaudited – in thousands of United States dollars, unless otherwise stated)

The REIT's contractual commitments as at September 30, 2024 are as follows:

	Total contractual cash flow	Remaining in 2024	2025-2026	2027-2028	Thereafter
Accounts payable and accrued liabilities	$ 46,096	$ 46,096	$ —	$ —	$ —
Distributions payable	4,323	4,323	—	—	—
Revolver [1 2]	189,280	—	189,280	—	—
Revolver interest payable [1 2 3]	5,338	3,071	2,267	—	—
Term loan [1 2]	225,000	—	225,000	—	—
Term loan interest payable [1 2]	5,976	3,452	2,524	—	—
Term loan 3 [2 4]	275,000	—	—	275,000	—
Term loan 3 interest payable [2 4]	36,892	4,219	25,878	6,795	—
Mortgages	474,621	106,493	90,545	15,335	262,248
Mortgage interest payable	77,689	4,789	24,119	21,842	26,939
Interest rate swaps	2,349	—	—	2,349	—
Exchangeable units of subsidiaries	9,433	9,433	—	—	—
Total	**$ 1,351,997**	**$ 181,876**	**$ 559,613**	**$ 321,321**	**$ 289,187**

[1] Revolver and term loan interest payable is calculated on its balance outstanding using an estimated "all-in" interest rate of 6.19% and 6.09%, respectively, under the "Remaining in 2024" column. The revolver and term loan long-term average interest rate is based on the one-month SOFR forward curve plus the specified margin for the SOFR rate option under the term loan resulting in "all-in" interest rate of 5.28% and 5.18%. The total revolver and term loan interest payable is calculated until maturity of the initial term.
[2] Excludes the impact of the REIT's $625.0 million pay-fixed, receive-float interest rate swaps that hedge a portion of the cash flow risk associated with one-month SOFR based interest payments.
[3] Includes stand-by fee on the revolver to be paid in an amount equal to 0.25% of the unused portion of the revolver where the unused portion is greater than or equal to 50% of the maximum amount available and 0.15% of the unused portion of the revolver where the unused portion is less than 50% of the maximum amount available, calculated daily.
[4] Term loan 3 interest payable is calculated on its balance outstanding at period end, using an estimated "all-in" interest rate of 6.09%, under the ""Remaining in 2024" column. The long-term average interest rate is based on the one-month SOFR curve plus the specified margin for the SOFR rate option under the term loan 3 resulting in an anticipated increase to the "all-in" interest rate to 4.69%. The total term loan 3 interest payable is calculated until maturity.

The REIT maintains $8.0 million in cash to satisfy a mortgage covenant that is recorded in the cash balance on the condensed consolidated interim statement of financial position.

iii. Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will vary as a result of changes in market interest rates. The REIT manages its financial instruments with the objective of mitigating any potential interest rate risks. For the revolver, term loan, and term loan 3, interest rate on the loans will vary depending on changes in base rate and/or SOFR rate. The REIT is subject to interest rate risks mainly from non-current debt that has variable interest rate. The REIT manages these cash flow interest rate risks using pay-fixed received-float interest rate swap contracts to swap the floating-rate payments on the credit facility for fixed rate payments.

Cash flow sensitivity analysis

The interest rate profile of variable rate interest bearing debt and associated interest rate sensitivity to changes in interest rates is as follows:

	September 30, 2024	December 31, 2023
Variable-rate instruments		
Revolver	$ 189,280	$ 188,360
Term loan	225,000	225,000
Term loan 3	275,000	275,000
Effect of interest rate swaps	(625,000)	(625,000)
Total effective variable-rate debt	**$ 64,280**	**$ 63,360**
Effective fixed rate debt as a total of all debt	**94.5%**	**94.6%**
Annual impact of a 25 bps change on interest rates	**$ 161**	**$ 158**

(unaudited – in thousands of United States dollars, unless otherwise stated)

iv. Unit price risk

The REIT is exposed to unit price risk in net income as a result of its exchangeable units of subsidiaries. Exchangeable units of subsidiaries have been classified as liabilities and measured at fair value based on market trading prices. Exchangeable units of subsidiaries negatively impact net income when the unit price rises and positively impact net income when unit prices decline. An increase of $1.00 in the underlying price of exchangeable units of subsidiaries results in an increase to liabilities and a decrease in net income of $0.9 million.

v. Currency risk

Currency risk is associated with a fluctuation in the value of the U.S. dollar relative to other foreign currencies. Although not material, the REIT is exposed to currency risk as certain of the REIT's expenses are denominated in Canadian dollars.

22. RELATED PARTIES

Pursuant to the terms of a management agreement, as amended on October 1, 2021, the Manager provides all management services to the REIT. The Manager agreed to provide certain services in connection with the business of the REIT, including: the structuring of the REIT; liaising with legal and tax counsel; identifying properties for acquisition; maintaining ongoing relationships with the lenders in respect of the mortgage loans for the properties; conducting continuous analysis of market conditions; and advising with respect to the disposition of the properties. In return for its service, the Manager receives the following fees:

i. an asset management fee calculated as a percentage of gross book value ("GBV") of the REIT. A rate of 0.40% (the "rate") is applicable to a GBV of up to $2.0 billion and reduced based on certain GBV increases. The asset management fee is recognized in net income as a general and administrative expense; and

ii. an acquisition fee in an amount equal to 0.75% of the gross purchase price of each property (or interest in a property), including the price, due diligence costs, closing costs, legal fees, and additional capital costs for all properties indirectly acquired by the REIT. The acquisition fee is capitalized to the properties at the time of acquisition.

Asset management fees incurred and payable to the Manager for the three and nine month periods ended September 30, 2024 were $2.3 million and $6.9 million (three and nine month periods ended September 30, 2023 – $2.3 million and $6.7 million). No acquisition fees were incurred for the three and nine month periods ended September 30, 2024 and 2023. These transactions are in the normal course of operations and are in accordance with the management agreement and are measured at the exchange amount. The exchange amount is the consideration established under contract and as approved by the REIT's board of trustees. The Manager is a significant unitholder in the REIT, with an approximate 5.6% interest.

Trustee fees

The REIT's key personnel include trustees and officers of the REIT. For the three and nine month periods ended September 30, 2024, trustee fees amounted to $0.2 million and $0.6 million, respectively (three and nine month periods ended September 30, 2023, trustee fees amounted to $0.2 million and $0.5 million, respectively).

23. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in liabilities arising from financing activities are as follows:

	Revolver [1]	Term Loan [1]	Term loan 3 [1]	Mortgages	Exchangeable units of subsidiaries	**Total**
Balance, December 31, 2023	$ 188,108	$ 224,647	$ 271,065	$ 477,936	$ 8,269	
Cash flows						
Advances, net	13,445	—	—	—	—	**13,445**
Debt repayments	(12,750)	—	—	(7,353)	—	**(20,103)**
Non-cash changes						
Amortization of MTM adjustments and costs	477	217	825	475	—	**1,994**
Change in fair value	—	—	—	—	1,164	**1,164**
Balance, September 30, 2024	**$ 189,280**	**$ 224,864**	**$ 271,890**	**$ 471,058**	**$ 9,433**	

[1] Changes in financial instruments that hedge the REIT's liabilities arising from financing activities include the REIT's interest rate swaps. Refer to note 8 for more detail.

24. SUBSEQUENT EVENTS

The following events occurred subsequent to September 30, 2024:

i. On October 21, 2024, the REIT refinanced its Revolver and Term Loan (Collectively referred to as the "Facility") for an aggregate principal amount of $275 million and $225 million, respectively. The Facility has a maturity date of January 14, 2028, and pays an interest rate of one-month SOFR plus an applicable spread based on a consolidated leverage ratio. At the time of refinancing, the applicable spreads for the Revolver and Term loan were 175 bps and 165 bps, respectively.

ii. On October 15, 2024, the REIT declared monthly distributions of $0.072 per class U unit. Holders of class A units, class I units and units of subsidiaries of the REIT were also entitled to receive an equivalent distribution.