PLAZA

RETAIL REIT

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

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

DATED: FEBRUARY 23, 2017

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PRESIDENT'S MESSAGE

Fellow Unitholders:

We are pleased to report our results for the year ended December 31, 2016. We continued to grow in 2016 through redevelopment and new development projects across our geography. Our Board of Trustees approved our 14th consecutive annual distribution increase for 2017. Plaza has more than tripled its distribution over the last 14 years. Our initial distribution of 8 cents per unit in 2003 has grown to 27 cents per unit in 2017.

Plaza's focus and different business model have delivered, and will deliver, superior results for its unitholders. The retail industry continues to experience dramatic changes. The pace of change is accelerating and is creating opportunities for Plaza, as we possess a strong leasing and development infrastructure. Plaza's business model has always focused on developing or redeveloping new space for value, convenience and specialty retailers.

Plaza's development and redevelopment pipeline remains strong. We foresee continued growth and opportunity on both fronts. Plaza has five enclosed mall simplification projects underway that will be competed in 2017. Our largest new development ever will be launched in late 2017 in St. John's, Newfoundland. We continue to pursue a number of joint venture initiatives with various partners: residential land developers with excess retail lands; institutions; and property owners seeking a strong and capable development partner such as Plaza.

Going forward Plaza will continue to pursue its goal of building value for its unitholders and generating per unit growth of its FFO, AFFO, cash flow and ultimately its distributions.

Plaza will continue to differentiate itself from other REITs as it:

1) is uniquely positioned as a developer and value-add operator;
2) is focused on per unit growth through accretive developments and redevelopments;
3) possesses a fully internalized and vertically integrated management platform;
4) has significant insider ownership;
5) offers an entrepreneurial style that allows it to adapt to changing market conditions;
6) pursues a very long term financing strategy to lock in returns; and
7) has a track record of distribution increases and a conservative payout ratio.

Few Canadian public real estate entities offer the potent combination of a secure distribution stream and the ability to consistently grow distributions by developing and redeveloping high quality projects.

I wish to thank everyone responsible for our success: our staff; our Board of Trustees; our customers; and our stakeholders.

Sincerely,

Michael Zakuta

President and CEO

PART I

BASIS OF PRESENTATION

Financial information included in this Management's Discussion and Analysis ("MD&A") includes material information up to February 23, 2017. The financial statements to which this MD&A relates were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

FORWARD-LOOKING DISCLAIMER

This MD&A should be read in conjunction with the Trust's Consolidated Financial Statements and the notes thereto for the years ended December 31, 2016 and 2015, along with the MD&A of the Trust for the year ended December 31, 2015, including the section on "Risks and Uncertainties". Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

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

These forward-looking statements are made as of February 23, 2017 and Plaza assumes no obligation to update or revise them to reflect new events or circumstances, except for forward-looking information disclosed in a prior MD&A which, in light of intervening events, requires further explanation to avoid being misleading.

OVERVIEW OF THE BUSINESS

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

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

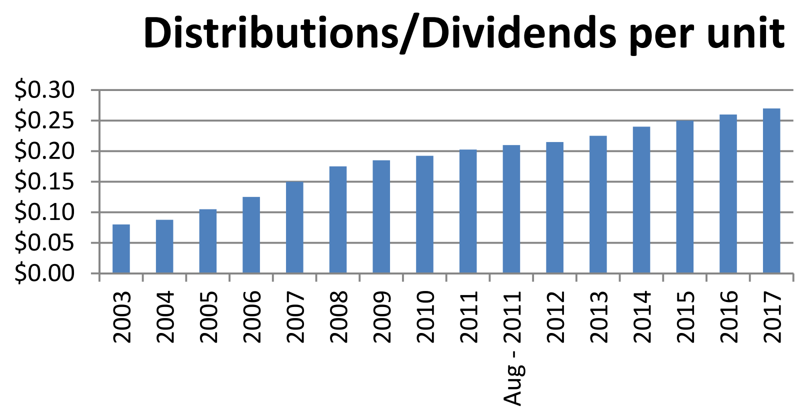
- Plaza has a 15 year history of accretive growth and value creation;
- Plaza's main business is driven by value-add opportunities to develop and redevelop, for its own account, unenclosed and enclosed retail real estate throughout Canada;
- Plaza has strong relationships with leading retailers;
- Plaza has a competitive advantage as a developer in Atlantic Canada;
- Plaza's entrepreneurial abilities allow it to adapt more easily to changing market conditions;
- Plaza is fully internalized and able to develop retail properties in-house;
- Plaza minimizes the amount of short-term debt that it obtains, therefore locking in returns for unitholders and minimizing financing risk;
- Insiders hold a significant position in Plaza; and
- Plaza is focused on cash flow per unit and per unit growth and conducts its business in order to maximize this and, accordingly, distributions for unitholders.

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

Yearly Distribution/Dividend Growth

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

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



The Trust's portfolio at December 31, 2016 includes interests in 298 properties totaling approximately 7.8 million square feet (which are predominantly occupied by national tenants) and additional lands held for development. These include properties indirectly held by Plaza through its subsidiaries and through joint arrangements.

Summary of Properties

	Number of Properties December 31, 2016[1]	**Gross Leasable Area (sq. ft.) December 31, 2016[1] [2]**	Number of Properties December 31, 2015[1]	Gross Leasable Area (sq. ft.) December 31, 2015[1] [2]
Alberta	**10**	**52,348**	11	50,829
Newfoundland and Labrador	**12**	**679,926**	12	645,401
New Brunswick	**51**	**1,890,336**	50	1,724,042
Nova Scotia	**37**	**1,175,940**	37	1,169,051
Manitoba	**6**	**30,424**	6	30,424
Ontario	**73**	**1,265,621**	84	957,812
Prince Edward Island	**11**	**595,821**	11	577,733
Quebec	**98**	**2,078,534**	97	1,953,297
Total	**298**	**7,768,950**	308	7,108,589

(1) Includes properties under development and non-consolidated investments.
(2) At 100%, regardless of the Trust's ownership interest in the properties

BUSINESS ENVIRONMENT AND OUTLOOK

Plaza's entrepreneurial culture and adaptability, combined with its strong fully internalized platform, has allowed, and will continue to allow, Plaza to grow and take advantage of opportunities in the market place. Plaza has always had a focused strategy of growing the business through value-add developments and redevelopments and opportunistic acquisitions. Its properties are primarily leased to national retailers, with a focus on retailers in the consumer staples market segment – a segment that tends to withstand broader economic conditions or other retail trends, such as online sales. Plaza's execution of this strategy and its leasing efforts over the years have produced a portfolio that is dominated by national retailers, providing investors with a stable and growing cash flow. Barring unforeseen events, management believes it can continue to deliver growth and a solid performance in 2017. In fact, Plaza increased its annual distribution from \$0.26 per unit to \$0.27 per unit for 2017 – its 14^{th} consecutive annual distribution increase. This is a testament to Plaza's proven growth strategy.

While it continues to be tough for certain retailers, particularly those focused on fashion, retailers with a focus on consumer staple goods or value goods continue to perform well. These are exactly the retailers that dominate Plaza's portfolio and ongoing developments/redevelopments. As well, the principal regions in which Plaza operates generally exhibit stability in retailer demand for space and in consumer spending. Plaza's geography is focused in Central and Eastern Canada.

Government of Canada bond rates and overall interest rates continued to remain low for 2016. Notwithstanding more recent volatility and a general increase in Government of Canada bond rates due mainly to U.S. economic and political conditions, long-term debt financing continues to be readily available from lenders, not only at historically competitive fixed rates, but with long amortization periods and long terms as well. Plaza believes that this will continue to be the case for 2017. Plaza continues to look for early refinancing opportunities within its portfolio in order to take advantage of current borrowing conditions and current interest rates.

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

Properties under development/redevelopment	Property Type	Status	Square Footage[1]	Ownership	Occupied or Committed at December 31, 2016[4]	Anticipated Completion Date
90 Blvd. Tache Ouest, Montmagny, QC	Strip Plaza	In Planning	6,000	50%	n/a	2017 - 2018
Plaza de L'Ouest, Sherbrooke, QC – Phase III	Strip Plaza	In Planning	40,000	50%	n/a	2017 - 2018
Fairville Boulevard – Phase III, Saint John, NB	Strip Plaza	In Planning	24,000	100%	n/a	2017 - 2018
St. Jerome, St. Jerome (Montreal), QC -Phase III[2]	Strip Plaza	In Planning	100,000	20%	n/a	2017 - 2018
9 James St., Antigonish, NS[3]	Single Use	In Construction	2,850	100%	100%	Q1 2017
Northside Plaza, Fredericton, NB	Strip Plaza	In Construction	36,858	100%	77%	Q1 2017
3000 Bd. St. Charles Blvd, Kirkland, QC[3]	Single Use	In Planning	2,554	100%	100%	Q1 2018
7550 Rue Beclard, Anjou, QC	Strip Plaza	In Planning	43,511	100%	n/a	2018
600 JP Perrault, Sherbrooke, QC	Strip Plaza	In Planning	83,000	50%	n/a	Q3 2017
Park Street Plaza, Kenora, ON	Enclosed Mall to Strip Plaza	In Construction	71,192	20%	87%	Q2 2017
Mountainview Plaza, Midland, ON	Enclosed Mall to Strip Plaza	In Construction	172,646	20%	95%	Q3 2017
5628-4th Street NW, Calgary, AB[3]	Expansion	In Construction	3,000	100%	100%	Q1 2017
Bureau en Gros, Rimouski, QC[2]	Expansion	In Construction	5,000	50%	100%	Q1 2017
Pleasant Street, Yarmouth, NS	Expansion	In Planning	5,000	100%	n/a	2017 - 2018
9025 Torbram Rd, Brampton, ON[3]	Expansion	In Planning	15,825	100%	100%	Q3 2018
Millidgeville, Saint John, NB	Single Use	In Construction	13,885	100%	100%	Q1 2017
Spencer Dr. Plaza, Charlottetown, PE	Pad	In Construction	4,150	100%	100%	Q1 2017
Central Avenue Plaza, Greenwood, NS[3]	Single Use	In Construction	1,920	100%	100%	Q1 2017
University Plaza, Charlottetown, PE[3]	Expansion	In Construction	10,000	86%	100%	Q2 2017
233 Main St, Moncton, NB	Single Use	In Planning	25,000	100%	100%	Q1 2018
Northumberland, Miramichi, NB	Enclosed Mall to Strip Plaza	In Construction	91,000	50%	98%	Q3 2017
Eastcourt, Cornwall, ON	Enclosed Mall to Strip Plaza	In Construction	142,000	50%	99%	Q3 2017
Timiskaming, New Liskeard, ON	Enclosed Mall	In Construction	81,000	50%	74%	Q3 2017
Powell Drive Plaza, Carbonear, NL	Expansion	In Planning	4,000	100%	100%	Q4 2017
100 Saint-Jude Nord, Granby, QC[2]	Strip Plaza	In Planning	100,000	8%	n/a	2018
The Shoppes at Galway, St. John's, NL – Phase I	Strip Plaza	In Planning	265,000	50%	n/a	2018
The Shoppes at Galway, St. John's, NL – Phase II	Strip Plaza	In Planning	335,000	50%	n/a	2019
The Shoppes at Galway, St. John's, NL – Phase III	Strip Plaza	In Planning	100,000	50%	n/a	2019
Total			1,784,391			

(1) Approximate square footage upon completion or to be added on expansion.
(2) This is owned in a limited partnership that is part of the Trust's non-consolidated trusts and partnerships.
(3) This is an existing property being redeveloped.
(4) Occupied or committed based on redeveloped square footage.

There is excess density at existing properties that the Trust plans to develop in the short term which would represent approximately 51 thousand additional square feet at completion.

The total estimated costs for the developments and redevelopments (noted in the chart on the previous page) are between $90 million and $100 million, of which approximately $57.8 million has already been spent (at Plaza's ownership percentage).

SIGNIFICANT EVENTS DURING 2016

Equity Offering

On March 31, 2016, the Trust closed a public offering of 5.0 million units at an issue price of $4.60 per unit for gross proceeds of $23.0 million. The proceeds were used to redeem the $9.2 million 8% Series B convertible debentures on April 29, 2016, with the balance used to reduce its operating line of credit and for general trust purposes.

Joint venture with RioCan Real Estate Investment Trust

On June 16, 2016, the Trust entered into a 50/50 joint venture with RioCan Real Estate Investment Trust ("RioCan") that is focused on redeveloping three properties located in Ontario and New Brunswick which were previously 100% owned by RioCan. Under the terms of the arrangement, the Trust acquired a 50% managing interest in the three properties for an aggregate purchase price of $11.5 million (before closing costs). The Trust will manage the three assets and oversee redevelopment efforts for the joint venture.

Increase in Distribution

The Board of Trustees approved the 14th consecutive annual distribution increase to $0.27 per unit for 2017, representing a 3.8% increase from 2016, and is effective for the regularly scheduled monthly distribution payment dates beginning with the January distribution, which was paid on February 15, 2017.

SUMMARY OF SELECTED YEAR TO DATE INFORMATION

(000s, except as otherwise noted)	2016	2015
Property rental revenue	**$ 100,215**	$ 96,050
Total revenue	**$ 108,029**	$ 101,854
NOI[1]	**$ 62,672**	$ 60,898
Same-asset NOI[1]	**$ 54,835**	$ 55,272
FFO[1]	**$ 32,650**	$ 31,314
AFFO[1]	**$ 32,221**	$ 29,908
EBITDA[1]	**$ 58,661**	$ 57,568
Total assets	**$ 1,029,892**	$ 1,023,887
Total mortgages, mortgage bonds, notes payable, bank credit facilities	**$ 488,344**	$ 514,466
Total debentures	**$ 60,172**	$ 64,490
Weighted average units outstanding [2]	**98,100**	94,014
Amounts on a Per Unit Basis		
FFO[1]	**$ 0.333**	$ 0.333
AFFO[1]	**$ 0.328**	$ 0.318
Distributions	**$ 0.260**	$ 0.250
Financial Ratios		
Weighted average interest rate – fixed rate mortgages	**4.46%**	4.59%
Debt to gross assets (excluding converts)	**47.7%**	50.5%
Debt to gross assets (including converts)	**53.0%**	56.4%
Interest coverage ratio[1]	**2.18x**	2.08x
Debt coverage ratio[1]	**1.58x**	1.55x
Distributions as a % of FFO	**78.5%**	75.1%
Distributions as a % of AFFO	**79.5%**	78.6%
Leasing Information		
Square footage leased during the period (total portfolio)	**1,481,170**	1,248,903
Committed occupancy	**95.9%**	96.1%
Same-asset committed occupancy	**95.8%**	96.3%
Mix of Tenancy Based on Square Footage		
National	**90.7%**	90.5%
Regional	**4.0%**	4.1%
Local	**4.2%**	4.2%
Non retail	**1.1%**	1.2%
Other		
Average term to maturity - mortgages	**6.4 Years**	6.5 years
Average term to maturity - leases	**6.2 Years**	6.5 years
IFRS capitalization rate	**7.03%**	7.04%

Property Type Breakdown	**Number of Properties December 31, 2016**	**Square Footage (000s)**	Number of Properties December 31, 2015	Square Footage (000s)
Strip	**103**	**5,332**	97	4,563
Enclosed	**5**	**1,036**	6	1,122
Single Use – Quick Service Restaurant	**128**	**377**	142	393
Single Use – Retail	**62**	**1,024**	63	1,031
Total	**298**	**7,769**	308	7,109

(1) Refer to "Non-IFRS Measures" and "Additional IFRS Measures" for further explanations.
(2) Includes Class B exchangeable limited partnership ("LP") units.

EXPLANATION OF NON-IFRS MEASURES USED IN THIS DOCUMENT

Funds From Operations (FFO) is not an IFRS financial measure. FFO is an industry term and its calculation is prescribed in publications of the Real Property Association of Canada (REALpac). FFO as calculated by Plaza may not be comparable to similar titled measures reported by other entities. FFO is an industry standard widely used for measuring operating performance and is exclusive of unrealized changes in the fair value of investment properties, deferred income taxes and gains or losses on property dispositions (see reconciliation to profit for the period attributable to unitholders on page 12). Plaza considers FFO a meaningful additional measure as it adjusts for certain non-cash items that do not necessarily provide an appropriate picture of a Trust's recurring performance. It more reliably shows the impact on operations of trends in occupancy levels, rental rates, net property operating income and interest costs compared to profit determined in accordance with IFRS. As well, FFO allows some comparability amongst different real estate entities that have adopted different accounting with respect to investment properties (some entities use the cost model and some entities use the fair value model to account for investment properties).

FFO per unit is not an IFRS financial measure. Plaza calculates FFO per unit as FFO divided by the weighted average number of units outstanding.

Adjusted Funds From Operations (AFFO) is not an IFRS financial measure. AFFO is another industry term widely used for measuring operating performance and to help evaluate dividend or distribution capacity. AFFO as calculated by Plaza may not be comparable to similar titled measures reported by other entities. AFFO primarily adjusts FFO for other non-cash revenues and expenses and operating capital and leasing requirements that must be made merely to preserve the existing rental stream (see reconciliation to FFO on page 14). Most of these expenditures would normally be considered investing activities in the statement of cash flows. Capital expenditures which generate a new investment or revenue stream, such as the development of a new property or the construction of a new retail pad during property expansion or intensification would not be included in determining AFFO. AFFO excludes the impact of working capital changes as they are viewed as short term cash requirements or surpluses and are deemed financing activities. AFFO also excludes salaries and other costs related to development activities that should otherwise form part of the costs of its development projects and that management views as capital in nature and, therefore, not indicative of regular income producing activities. In addition, non-recurring costs that impact operating cash flow may be adjusted (see reconciliation to operating cash flow on page 15).

AFFO per unit is not an IFRS financial measure. Plaza calculates AFFO per unit as AFFO divided by the weighted average number of units outstanding.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is not an IFRS financial measure. EBITDA, as calculated by Plaza, may not be comparable to similarly titled measures reported by other entities. EBITDA is used in calculations that measure the Trust's ability to service debt. Its calculation is profit before finance costs, income tax expense, gains/losses on property dispositions, unrealized changes from fair value adjustments, transaction costs expensed as a result of the purchase of a business or properties, and net revaluation of interest rate swaps (see reconciliation to profit for the period on page 16).

FFO, AFFO and EBITDA are not defined by IFRS, and therefore should not be considered as alternatives to profit or net income calculated in accordance with IFRS.

EXPLANATION OF ADDITIONAL IFRS MEASURES USED IN THIS DOCUMENT

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

PART II

STRATEGY

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

The Trust strives to:

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

The Trust invests in the following property types:

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

Management intends to achieve Plaza's goals by:

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

KEY PERFORMANCE DRIVERS AND INDICATORS

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

Management believes that the key internal performance drivers are:

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

Management believes that the key external performance drivers are:

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

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

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

The key performance indicators discussed throughout the MD&A are summarized in the table that follows. Management believes that its key performance indicators allow it to track progress towards the achievement of Plaza's primary goal of providing a steady and increasing cash flow to unitholders. The following chart discusses the key performance indicators for the year ended December 31, 2016 compared to the year ended December 31, 2015.

Funds from Operations[1]

	2016	2015
FFO	**$32,650**	$31,314
FFO per unit	**$0.333**	$0.333

- FFO increased despite a reduction in NOI from assets sold of $1.0 million and a reduction in other income of $1.1 million due to one-time insurance proceeds received in the prior year. Propelling the increase was growth in NOI from developments / redevelopments / acquisitions of $2.9 million. Excluding the one-time insurance proceeds, FFO and FFO per unit would have increased by 8.2% and 3.7% respectively, instead of 4.3% and nil, respectively.

Adjusted Funds from Operations[1]

	2016	2015
AFFO	**$32,221**	$29,908
AFFO per unit	**$0.328**	$0.318

The principal factors influencing AFFO were:

- Net growth in NOI from developments/redevelopments/acquisitions; and
- A decrease in maintenance capital expenditures and leasing costs.

FFO/AFFO Payout Ratios

	2016	2015
Distributions as a % of FFO	**78.5%**	75.1%
Distributions as a % of AFFO	**79.5%**	78.6%

- Plaza maintains good payout ratios by industry standards and retains sufficient cash to operate the business.

Debt Service Ratios[1]

	2016	2015
Interest coverage ratio	**2.18x**	2.08x
Debt coverage ratio	**1.58x**	1.55x

- The increase reflects higher EBITDA and/or lower finance costs.

Debt to Gross Assets

	2016	2015
Debt to gross assets (excluding converts)	**47.7%**	50.5%
Debt to gross assets (including converts)	**53.0%**	56.4%

- The reduction is partly due to the equity offering completed in 2016 and the resultant reduction of debt and debentures.

Same-Asset Net Property Operating Income[1]

	2016	2015
Same-asset NOI	**$54,835**	$55,272

- The decrease in same-asset NOI was mainly due to vacancies at two properties, one of which was re-leased at a lower rent, as well as roof repairs.

Weighted Average Interest Rate – Fixed Rate Mortgages

	2016	2015
Weighted average interest rate – fixed rate mortgages	**4.46%**	4.59%

- The decrease was a result of continued financings at historically low rates.

Occupancy Levels

	2016	2015
Committed occupancy	**95.9%**	96.1%
Same-asset committed occupancy	**95.8%**	96.3%

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

PROPERTY AND CORPORATE PERFORMANCE 2016 AND 2015

Funds from Operations (FFO)

Plaza's summary of FFO for the three and twelve months ended December 31, 2016, compared to the three and twelve months ended December 31, 2015 is presented below:

(000s – except per unit amounts)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Profit for the period attributable to unitholders	**$ 9,535**	$ 4,740	**$ 32,631**	$ 38,054
Add (deduct):				
Incremental leasing costs included in administrative expenses	**321**	288	**1,502**	1,323
Distributions on Class B exchangeable LP units included in finance costs	**86**	83	**343**	330
Deferred income taxes	**179**	732	**1,252**	1,368
Fair value adjustment to restricted share units	**(2)**	16	**2**	31
Fair value adjustment to investment properties	**1,570**	(239)	**(1,648)**	(9,592)
Fair value adjustment to investments	**(1,233)**	2,535	**(2,916)**	(635)
Fair value adjustment to Class B exchangeable LP units	**(316)**	355	**396**	804
Fair value adjustment to convertible debentures	**(1,274)**	16	**1,256**	(1,042)
Fair value adjustment to interest rate swap and bond forward	**(137)**	41	**154**	206
Equity accounting adjustment	**(66)**	(6)	**(104)**	235
Non-controlling interest adjustment	**(44)**	219	**(218)**	232
Basic FFO	**$ 8,619**	$ 8,780	**$ 32,650**	$ 31,314
Interest on dilutive convertible debentures	**569**	-	**2,120**	-
Diluted FFO	**$ 9,188**	$ 8,780	**$ 34,770**	$ 31,314
Basic Weighted Average Units Outstanding [(1)]	**99,515**	94,122	**98,100**	94,014
Diluted Weighted Average Units Outstanding [(1)]	**106,338**	94,122	**104,509**	94,014
Basic FFO per unit	**$ 0.087**	$ 0.093	**$ 0.333**	$ 0.333
Diluted FFO per unit	**$ 0.086**	$ 0.093	**$ 0.333**	$ 0.333

(1) Includes Class B exchangeable LP units.

Basic FFO for the twelve months ended December 31, 2016 increased by 4.3% over the prior year. Basic FFO per unit for the twelve months ended December 31, 2016 was consistent with the prior year. FFO increased despite a reduction in NOI from assets sold and one-time insurance proceeds received in the prior year. Propelling the increase was net development/redevelopment activity. Excluding the one-time insurance proceeds, FFO and FFO per unit would have increased by 8.2% and 3.7%, respectively.

More specifically, impacting FFO was:

(i) growth in NOI of $2.9 million from developments/redevelopments/acquisitions (refer to page 18);
(ii) a decrease in NOI of $1.0 million due to the sale of former KEYreit properties (refer to page 18);
(iii) a decrease in same-asset NOI of $437 thousand (refer to page 17);
(iv) an increase in investment income of $371 thousand due to interest earned on a vendor take-back mortgage on a previous property sale;
(v) a decrease in other income of $1.1 million due to one-time insurance proceeds received on various properties in the prior year;
(vi) an increase in share of profit of associates (net of underlying income producing property fair value adjustments) of $478 thousand due to a property at the underlying investment moving to income producing status from development status; and

(vii) a decrease in finance costs (net of distributions on Class B exchangeable LP units) of $248 thousand mainly due to lower amortization of mark-to-market adjustments on debt due to sales or refinancings of the related properties in the prior year and lower loan defeasance and early mortgage discharge fees incurred (refer to page 22).

Basic FFO for the three months ended December 31, 2016 decreased by 1.8% over the same period in the prior year. Basic FFO per unit decreased 6.5% over the same period in the prior year. The main driver of the decrease was one-time insurance proceeds received in the prior year. Excluding the one-time insurance proceeds, FFO and FFO per unit would have increased by 10.9% and 4.9%, respectively.

More specifically, impacting FFO was:

(i) growth in NOI of $685 thousand from developments/redevelopments/acquisitions (refer to page 18);
(ii) a decrease in NOI of $271 thousand due to the sale of former KEYreit properties (refer to page 18);
(iii) a decrease in same-asset NOI of $113 thousand (refer to page 17);
(iv) a decrease in other income of $1.2 million due to one-time insurance proceeds received on various properties in the prior year;
(v) an increase in share of profit of associates (net of underlying income producing property fair value adjustments) of $116 thousand due to a property at the underlying investment moving to income producing status from development status; and
(vi) a decrease in finance costs (net of distributions on Class B exchangeable LP units) of $0.5 million, mainly due to prior year early mortgage discharge fees incurred, lower mortgage interest from refinancings and sales of properties and lower interest on lines of credit as a result of lower balances outstanding (refer to page 22).

The per unit amounts for both the quarter and year to date were impacted by the public offering of 5.0 million units completed on March 31, 2016.

Adjusted Funds from Operations (AFFO)

Plaza's summary of AFFO for the three and twelve months ended December 31, 2016, compared to the three and twelve months ended December 31, 2015 is presented below:

(000s – except per unit amounts and percentage data)	3 Months Ended December 31, 2016 (unaudited)	3 Months Ended December 31, 2015 (unaudited)	12 Months Ended December 31, 2016	12 Months Ended December 31, 2015
Basic FFO[1]	**$ 8,619**	$ 8,780	**$ 32,650**	$ 31,314
Add (deduct):				
Amortization of loan placement fees, included in finance costs	**277**	227	**947**	1,001
Loan defeasance expenses and early mortgage discharge fees paid	**-**	220	**462**	1,160
Principal repayment of tenant loans	**24**	38	**99**	148
Non-controlling interest adjustment	**36**	72	**67**	155
Development/redevelopment costs included in administrative expenses [2]	**309**	294	**1,414**	1,320
Non-cash revenue – straight-line rent	**3**	(65)	**(412)**	(106)
Amortization of mark-to-market on debt assumed included in finance costs	**(57)**	(243)	**(360)**	(1,504)
Equity accounting adjustment	**(8)**	29	**(80)**	(37)
Maintenance capital expenditures – existing properties	**(546)**	(481)	**(1,219)**	(1,380)
Leasing costs – existing properties	**(321)**	(512)	**(985)**	(1,821)
Mortgage placement fees – existing properties	**(56)**	(45)	**(362)**	(342)
Basic AFFO	**$ 8,280**	$ 8,314	**$ 32,221**	$ 29,908
Interest on dilutive convertible debentures	**569**	-	**163**	-
Diluted AFFO	**$ 8,849**	$ 8,314	**$ 32,384**	$ 29,908
Basic AFFO per unit	**$ 0.083**	$ 0.088	**$ 0.328**	$ 0.318
Diluted AFFO per unit	**$ 0.083**	$ 0.088	**$ 0.327**	$ 0.318
Gross distributions to unitholders [3]	**6,472**	5,884	**25,621**	23,507
Distributions as a percentage of basic AFFO	**78.2%**	70.8%	**79.5%**	78.6%
Distributions as a percentage of basic FFO	**75.1%**	67.0%	**78.5%**	75.1%

(1) See reconciliation of Basic FFO to profit attributable to unitholders in the FFO section of the MD&A above.

(2) Represents salaries and other costs not capitalized for accounting purposes but are related to development activities, that in management's view, form part of the cost of development projects. The amount excludes the salaries and other costs of the leasing department as these amounts are already added back in the derivation of FFO.

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

For the twelve months ended December 31, 2016, AFFO increased by $2.3 million, or 7.7% over the prior year, and AFFO per unit increased by 3.1% over the prior year. The increase in AFFO and AFFO per unit was mainly due to net growth in NOI mainly from developments/redevelopments/acquisitions, and a decrease in maintenance capital expenditures and leasing costs, partly offset by one-time insurance proceeds received in the prior year. Maintenance capital expenditures are less than the prior year, as many needed improvements to acquired KEYreit properties had been completed in the prior year. Prior year leasing costs include tenant improvements for a 24,000 square foot national tenant at one of Plaza's strip centres.

For the three months ended December 31, 2016, AFFO decreased by $34 thousand, or 0.4% over the prior year, and AFFO per unit decreased by 5.7% over the prior year. The decrease in AFFO and AFFO per unit was mainly due to one-time insurance proceeds received on various properties in the prior year.

The per unit amounts for both the quarter and year to date were impacted by the public offering of 5.0 million units completed on March 31, 2016.

Plaza maintains good payout ratios by industry standards and retains sufficient cash to operate the business.

A reconciliation of AFFO to operating cash flow is presented below:

(000s)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Operating cash flow	**$ 8,796**	$ 9,579	**$ 32,916**	$ 27,449
Add (deduct):				
Non-controlling interest adjustment	**(47)**	(5)	**(278)**	(154)
Equity accounting adjustment	**554**	535	**2,081**	1,985
Distributions from equity accounted investments	**(188)**	(212)	**(1,180)**	(811)
Principal repayment of tenant loans	**24**	38	**99**	148
Change in interest accrual	**869**	941	**171**	(135)
Change in income tax accrual	**(12)**	58	**20**	44
Change in non-cash working capital	**(1,621)**	(2,353)	**(2,754)**	1,671
Development/redevelopment costs included in administrative expenses	**309**	294	**1,414**	1,320
Maintenance capital expenditures – existing properties	**(546)**	(481)	**(1,219)**	(1,380)
Incremental leasing costs included in administrative expenses	**321**	288	**1,502**	1,323
Fair value adjustment to restricted share units	**(2)**	16	**2**	31
Leasing commissions included in operating cash flow	**200**	173	**794**	580
Leasing costs – existing properties	**(321)**	(512)	**(985)**	(1,821)
Mortgage placement fees – existing properties	**(56)**	(45)	**(362)**	(342)
Basic AFFO	**$ 8,280**	$ 8,314	**$ 32,221**	$ 29,908
Interest on dilutive convertible debentures	**569**	-	**163**	-
Diluted AFFO	**$ 8,849**	$ 8,314	**$ 32,384**	$ 29,908

Debt Service Ratios

Plaza's summary of EBITDA and debt service ratios for the three and twelve months ended December 31, 2016, compared to the three and twelve months ended December 31, 2015 is presented below:

(000s – except debt service ratios)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Profit for the period	**$ 9,574**	$ 5,036	**$ 32,758**	$ 38,595
Add (deduct):				
Income taxes	**227**	702	**1,384**	1,445
Finance costs	**6,626**	7,083	**27,379**	27,614
Fair value adjustment to investment properties	**1,570**	(239)	**(1,648)**	(9,592)
Fair value adjustment to investments	**(1,233)**	2,535	**(2,916)**	(635)
Fair value adjustment to convertible debentures	**(1,274)**	16	**1,256**	(1,042)
Fair value adjustment to Class B exchangeable LP units	**(316)**	355	**396**	804
Fair value adjustment to restricted share units	**(2)**	16	**2**	31
Fair value adjustment to interest rate swap and bond forward	**(137)**	41	**154**	206
Equity accounting adjustment for interest rate swaps and bond forwards	**(66)**	(38)	**(104)**	142
EBITDA	**$ 14,969**	$ 15,507	**$ 58,661**	$ 57,568
Finance costs [(1)]	**$ 6,597**	$ 7,023	**$ 26,934**	$ 27,628
Periodic mortgage principal repayments	**2,555**	2,569	**10,185**	9,456
Total debt service	**$ 9,152**	$ 9,592	**$ 37,119**	$ 37,084
Debt service ratios				
Interest coverage ratio	**2.27 times**	2.21 times	**2.18 times**	2.08 times
Debt coverage ratio	**1.64 times**	1.62 times	**1.58 times**	1.55 times

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

For the three and twelve months ended December 31, 2016, the interest and debt coverage ratios were improved over the prior year, reflecting higher EBITDA and/or lower finance costs partly as a result of all of the early refinancings undertaken over the past few years at historically low interest rates, as well as lower debt balances outstanding. The debt coverage and interest coverage ratios exceed the requirements under borrowing arrangements.

Same-Asset Net Property Operating Income

Same-asset categorization refers to those properties which were owned and operated by Plaza for the twelve months ended December 31, 2016 and the entire year ended December 31, 2015 and excludes partial year results from certain assets due to timing of acquisition, development, redevelopment or disposition.

Significant portions of the Trust's leases have common cost recoveries from tenants linked to the consumer price index (CPI). At December 31, 2016, approximately 49.4% of the Trust's leased area is tied to a CPI cost recovery formula. As well, certain anchor tenant leases may restrict recovery of common costs. As a result, certain costs such as snow removal and utility costs may not be completely offset by cost recoveries in a period, or recovery revenues may exceed costs. Municipal taxes are generally net and fully recoverable from all tenants. Most tenants in strip plazas and single use properties are responsible for their own utilities, and changes to these costs do not materially impact NOI.

(000s)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Same-asset rental revenue	**$ 21,079**	$ 21,181	**$ 85,580**	$ 85,574
Same-asset operating expenses	**(3,787)**	(3,777)	**(14,850)**	(14,762)
Same-asset realty tax expense	**(3,821)**	(3,820)	**(15,895)**	(15,540)
Same-asset net property operating income	**$ 13,471**	$ 13,584	**$ 54,835**	$ 55,272

As noted in the chart above, the NOI for the same-asset pool for the twelve months and three months ended December 31, 2016 decreased by $437 thousand or 0.8% and $113 thousand or 0.8%, respectively, over the same periods in the prior year. The decreases were mainly due to vacancies at two properties, one of which was re-leased at a lower rent, as well as roof repairs.

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

(000s except percentage data)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
New Brunswick	**$ 3,050**	$ 2,878	**$ 12,212**	$ 11,835
Nova Scotia	**2,605**	2,917	**10,850**	11,338
Quebec	**2,796**	2,760	**11,434**	11,702
Alberta	**213**	215	**869**	892
Manitoba	**182**	182	**728**	729
Ontario	**2,040**	2,059	**8,379**	8,407
Newfoundland and Labrador	**1,226**	1,174	**4,758**	5,052
Prince Edward Island	**1,359**	1,399	**5,605**	5,317
Same-asset net property operating income	**$ 13,471**	$ 13,584	**$ 54,835**	$ 55,272
Percentage decrease over prior period	**(0.8)%**		**(0.8)%**	

Net Property Operating Income

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

(000s)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Same-asset net property operating income	**$ 13,471**	$ 13,584	**$ 54,835**	$ 55,272
Developments and redevelopments transferred to income producing in 2015	**506**	347	**1,565**	980
Developments and redevelopments transferred to income producing in 2016 ($4.1 million annualized NOI)	**999**	688	**3,688**	2,295
Properties acquired	**66**	-	**221**	-
NOI from properties currently under redevelopment	**562**	413	**1,894**	1,154
Property disposals	**(15)**	256	**158**	1,206
Lease termination revenue	**106**	-	**317**	86
Property tax settlements	**-**	-	**-**	(109)
Other	**(39)**	5	**(6)**	14
Total net property operating income	**$ 15,656**	$ 15,293	**$ 62,672**	$ 60,898

Leasing and Occupancy

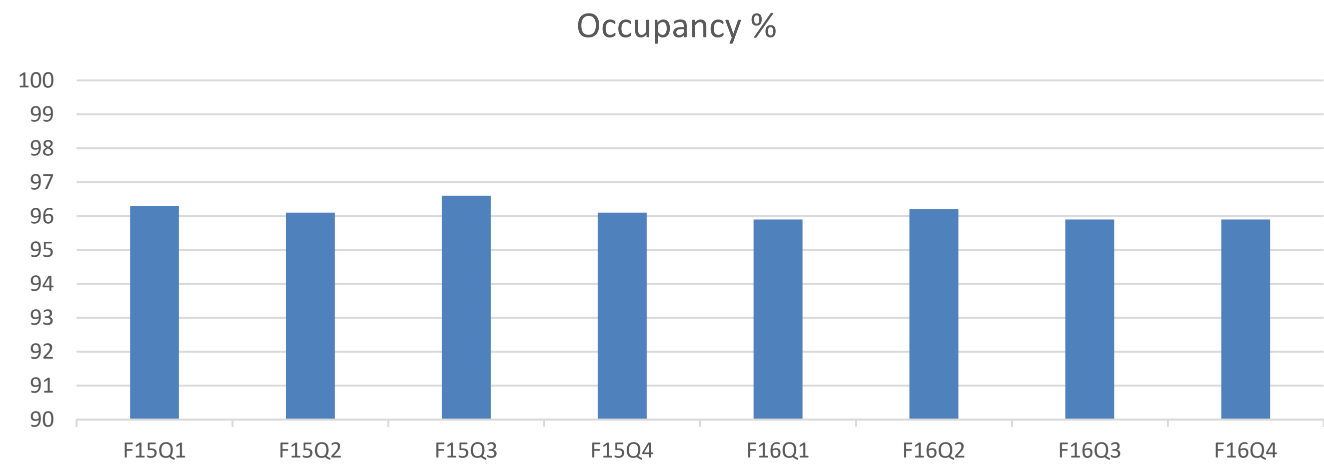
The following table represents leases expiring for the next 5 years and thereafter for Plaza's property portfolio at December 31, 2016 (excluding developments/redevelopments and non-consolidated investments).

	Strip Plazas		Enclosed Malls		Single-User Retail		Single-User QSR [(2)]		**Total**	
Year	Sq Ft[(1)]	%	Sq Ft[(1)]	%	Sq Ft[(1)]	%	Sq Ft[(1)]	%	**Sq Ft[(1)]**	**%**
2017	198,889	5.8	41,939	6.4	8,963	1.0	16,132	5.6	**265,923**	**5.1**
2018	223,670	6.5	134,921	20.4	24,999	2.8	197,264	68.1	**580,854**	**11.0**
2019	286,865	8.4	143,871	21.8	19,504	2.2	-	-	**450,240**	**8.6**
2020	514,488	15.0	88,989	13.5	109,776	12.5	12,014	4.1	**725,267**	**13.8**
2021	482,152	14.1	27,889	4.2	38,537	4.4	-	-	**548,578**	**10.4**
Thereafter	1,715,807	50.2	222,193	33.7	680,614	77.1	64,239	22.2	**2,682,853**	**51.1**
Subtotal	3,421,871	100.0	659,802	100.0	882,393	100.0	289,649	100.0	**5,253,715**	**100.0**
Vacant	162,240		56,100		2,989		4,540		**225,869**	
Total	**3,584,111**		**715,902**		**885,382**		**294,189**		**5,479,584**	
Weighted average lease	**6.6 years**		**3.4 years**		**8.1 years**		**3.2 years**		**6.2 years**	

(1) At 100%, regardless of the Trust's ownership interest in the properties.
(2) QSR refers to quick service restaurants.

At December 31, 2016, overall committed occupancy for the portfolio (excluding properties under development/redevelopment and non-consolidated investments) was 95.9% compared to 96.1% at December 31, 2015. Same-asset committed occupancy was 95.8% at December 31, 2016, compared to 96.3% at December 31, 2015.

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



The weighted average contractual base rent per square foot on renewals/new leasing in 2016 versus expiries (excluding developments/redevelopments and non-consolidated investments) is outlined in the following table:

	Strip Plazas	Enclosed Malls	Single-User Retail	Single-User QSR
2016				
Leasing renewals (sq. ft.)	292,784	105,513	49,580	17,701
Weighted average rent ($/sq. ft.)	$12.31	$16.23	$11.65	$21.19
Change in weighted average rent	4.8%	0.9%	10.6%	2.2%
Expiries that renewed (sq. ft.)	292,784	105,513	49,580	17,701
Weighted average rent ($/sq. ft.)	$11.75	$16.08	$10.53	$20.74
New leasing (sq. ft.)	139,455	16,860	5,129	-
Weighted average rent ($/sq. ft.)	$12.17	$14.72	$23.16	-
Expiries not renewed (sq. ft.)	183,740	12,084	5,969	4,018
Weighted average rent ($/sq. ft.)	$13.84	$17.53	$22.67	$31.43
2017				
Expiries (sq. ft.)	198,889	41,939	8,963	16,132
Weighted average rent ($/sq. ft.)	$14.55	$16.62	$20.56	$35.32

In addition, for the twelve months ended December 31, 2016, the Trust completed 557 thousand square feet of new leasing deals on developments and redevelopments at market rates and 297 thousand square feet of new and renewal leasing deals at market rates at non-consolidated investments.

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

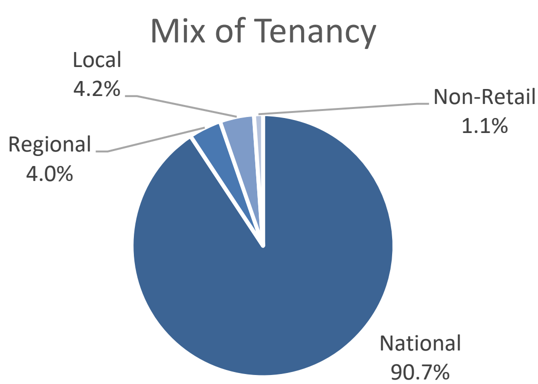
- Committed occupancy in the strip plazas was 95.7% at December 31, 2016, compared to 95.8% at December 31, 2015.
- Committed occupancy for enclosed malls was 92.2% at December 31, 2016, compared to 91.7% at December 31, 2015.
- Committed occupancy for single use assets was 99.4% at December 31, 2016, compared to 99.7% at December 31, 2015.
- Pre-leased space in properties under development was 77.1% at December 31, 2016.

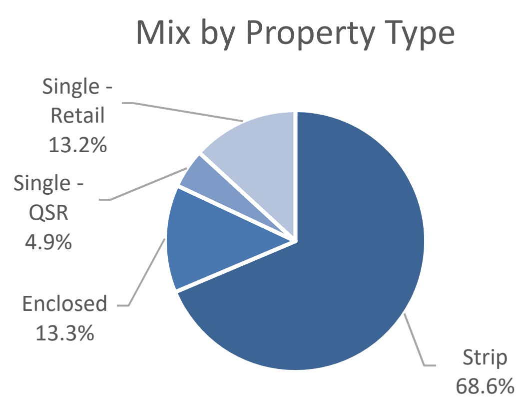
Plaza has built a portfolio with a high quality revenue stream. Plaza's ten largest tenants based upon current monthly base rents at December 31, 2016 represent approximately 57.9% of total base rent revenues in place.

	% of Base Rent Revenue		% of Base Rent Revenue
1. Shoppers Drug Mart	25.4	6. Canadian Tire Group(3)	3.1
2. KFC(1)	9.0	7. TJX Group(4)	2.8
3. Dollarama	4.8	8. Rexall Pharma Plus	2.2
4. Sobeys Group(2)	3.6	9. Bulk Barn	1.8
5. Staples	3.4	10. Best Buy	1.8

(1) Represented by 6 tenants.
(2) Sobeys Group represents the following stores: Sobeys, IGA, Sobeys Fast Fuel and Lawtons.
(3) Canadian Tire Group represents the following stores: Canadian Tire, Mark's Work Wearhouse and Sport Chek.
(4) TJX Group represents the following stores: Winners, HomeSense, and Marshalls.

The Trust's mix of tenancies, based on square footage, is primarily made up of national tenants. The portfolio is well positioned to resist downturns in its markets and provide stability to cash flows from which it funds operations and distributions.





Profit and Total Comprehensive Income for the Period

The Trust recorded profit and total comprehensive income for the twelve months ended December 31, 2016 of $32.8 million compared to $38.6 million for the same period in the prior year. Profit was impacted by the same factors mentioned in the discussion of FFO previously, as well as:

(i) an increase in share of profit of associates of $2.3 million relating to the non-cash fair value adjustment to the underlying investment properties;
(ii) a net loss from the non-cash fair value adjustment to convertible debentures of $1.3 million compared to a net gain of $1.0 million in the prior year;
(iii) a net gain from non-cash fair value adjustments to investment properties of $1.6 million compared to a net gain of $9.6 million in the prior year; and
(iv) a net loss from the non-cash fair value adjustment to Class B exchangeable LP units of $396 thousand compared to a net loss of $804 thousand in the prior year.

The Trust recorded profit and total comprehensive income for the three months ended December 31, 2016 of $9.6 million compared to $5.0 million for the same period in the prior year. Profit was impacted by the same factors mentioned in the discussion of FFO previously, as well as:

(i) an increase in share of profit of associates of $3.8 million relating to the non-cash fair value adjustment to the underlying investment properties;
(ii) a net gain from the non-cash fair value adjustment to convertible debentures of $1.3 million compared to a net loss of $16 thousand in the prior year;
(iii) a net gain from the non-cash fair value adjustment to the Class B exchangeable LP units of $316 thousand, compared to a net loss of $355 thousand in the prior year; and

(iv) a net loss from non-cash fair value adjustments to investment properties of $1.6 million in the current quarter, compared to a net gain of $0.2 million in the prior year.

Share of Profit of Associates

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

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

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

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

Share of profit of associates for the twelve months ended December 31, 2016 includes Plaza's share of NOI of approximately $3.6 million. Share of profit of associates increased by $2.8 million for the twelve months ended December 31, 2016 compared to the twelve months ended December 31, 2015. The increase was mainly due to the increase in the non-cash fair value adjustment of the underlying investment properties.

Share of profit of associates for the three months ended December 31, 2016 includes Plaza's share of NOI of approximately $910 thousand. Share of profit of associates increased by $3.9 million for the three months ended December 31, 2016 compared to the three months ended December 31, 2015. The increase was mainly due to the increase in the non-cash fair value adjustment of the underlying investment properties.

Distributions received from associates for the twelve months ended December 31, 2016 were $1.2 million compared to $811 thousand for the twelve months ended December 31, 2015. Distributions received from associates for the three months ended December 31, 2016 were $188 thousand compared to $212 thousand for the three months ended December 31, 2015.

Finance Costs

Finance costs for the twelve months ended December 31, 2016 were $27.4 million, compared to $27.6 million for the prior year. Finance costs for the year were impacted by:

(i) lower interest and amortization on interim bridge financing of $269 thousand, which was paid in full in Q1 2015 with new mortgage financing;
(ii) lower mortgage interest due to refinancings and due to the sale of properties;
(iii) prior year loan defeasance and early mortgage discharge fees incurred of $1.2 million;
(iv) lower interest on development and operating lines of credit of $106 thousand as a result of a lower balance outstanding (mainly as a result of the equity offering and the resultant pay down of the operating line); and
(v) lower debenture interest in the amount of $488 thousand due to the redemption of Series B convertible debentures on April 29, 2016.

These were partly offset by:

(i) higher net interest expense of $100 thousand due to the issuance of Series X and XI mortgage bonds offset by the maturing of Series V, VI and VII mortgage bonds;
(ii) higher debenture interest expense of $165 thousand due to the Series VII debentures issued in June 2016;
(iii) lower capitalization of interest of $209 thousand due to timing of new developments;
(iv) early mortgage discharge fees of $462 thousand from the sale of ten properties and the early refinancing of two properties; and
(v) lower amortization of the mark-to-market adjustment on assumed KEYreit mortgages of $1.1 million due to sales of the related properties or refinancings of those mortgages.

Finance costs for the three months ended December 31, 2016 were $6.6 million, compared to $7.1 million for the same period in the prior year. Finance costs for the current quarter were impacted by:

(i) lower debenture interest of $183 thousand due to the redemption of Series B convertible debentures;
(ii) lower interest on development and operating lines of credit of $190 thousand as a result of a lower balance outstanding (mainly as a result of the equity offering and the resultant pay down of the operating line);
(iii) prior year early mortgage discharge fees incurred of $220 thousand; and
(iv) lower mortgage interest due to refinancings and due to the sale of properties.

These were partly offset by:

(i) higher debenture interest expense of $76 thousand due to the Series VII debentures issued in June 2016;
(ii) lower capitalization of interest due to timing of new developments of $65 thousand; and
(iii) lower amortization of the mark-to-market adjustment on assumed KEYreit mortgages of $190 thousand due to sales of the related properties or refinancings of those mortgages.

Change in Fair Value of Investment Properties

The Trust recorded a fair value increase to investment properties of $1.6 million for the twelve months ended December 31, 2016 compared to a fair value increase of $9.6 million for the twelve months ended December 31, 2015. For the three months ended December 31, 2016, the Trust recorded a fair value decrease to investment properties of $1.6 million compared to an increase of $0.2 million in the prior year. The weighted average capitalization rate at December 31, 2016 was 7.03% which is one basis point lower than December 31, 2015. At December 31, 2016 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately $34.9 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately $32.5 million.

Change in Fair Value of Convertible Debentures

The majority of the convertible debentures are publicly traded with their fair values based on their traded prices. The fair value of the non-public convertible debentures are based on relative trading prices of the Trust's most closely comparable publicly traded convertible debentures.

The fair value adjustment to convertible debentures for the twelve months ended December 31, 2016 was a net loss of $1.3 million compared to a net gain of $1.0 million for the twelve months ended December 31, 2015. The fair value adjustment to convertible debentures for the three months ended December 31, 2016 was a net gain of $1.3 million compared to a net loss of $16 thousand for the three months ended December 31, 2015.

Change in Fair Value of Class B Exchangeable LP Units

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

The fair value adjustment to Class B exchangeable LP units for the three and twelve months ended December 31, 2016 was a net gain of $316 thousand and a net loss of $396 thousand, respectively, compared to a net loss of $355 thousand and $804 thousand, respectively, in the prior year.

Administrative Expenses

(000s)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Salaries and other costs relating to development/redevelopment activities	**$ 458**	$ 432	**$ 2,145**	$ 1,997
Other salaries and administrative expenses	**1,532**	1,609	**6,662**	6,675
Total administrative expenses	**$ 1,990**	$ 2,041	**$ 8,807**	$ 8,672

Administrative expenses for the twelve months ended December 31, 2016 increased by $135 thousand mainly due to the impact of regular salary increases.

Administrative expenses for the three months ended December 31, 2016 remained consistent with the prior year.

Plaza maintains a fully internalized structure and therefore incurs costs related to development and redevelopment activities. These costs are viewed by management as capital in nature and, therefore, not indicative of regular income producing activities. Plaza carries approximately $2.0 million per year, or $0.020 per unit per year, in these development/redevelopment costs included in administrative expenses and not otherwise capitalized for accounting purposes. Other real estate entities that are not development-oriented or not fully internalized for their development activities, would not incur this level of expenses or might otherwise be able to capitalize these costs for accounting purposes.

Acquisitions/Dispositions

During the year ended December 31, 2016, the Trust acquired an additional 5.5% ownership interest in the Village Shopping Centre in St. John's, NL for $2.7 million. The Trust now has a 50.0% interest in this property. The Trust also acquired a 50.0% interest in three properties from RioCan located in Miramichi, NB, Cornwall, ON and New Liskeard, ON for $11.5 million. As consideration for the acquisition the Trust paid cash of $750 thousand, issued a vendor take back interest-only mortgage secured by one of the properties of $5.25 million bearing interest at 5.00% per annum with a seven year term, and issued $5.5 million, 5.50%, five year Series VII convertible debentures. The vendor take back mortgage is repayable at any time without penalty. Closing costs associated with the acquisition were $155 thousand. The Trust also acquired land for development in Saint John, NB for $757 thousand.

During the year ended December 31, 2016, the Trust disposed of non-core former KEYreit income producing properties for net proceeds of $20.5 million in Aurora, ON, London, ON, Markham, ON, Toronto, ON, Mississauga, ON and Calgary, AB. As well, the Trust disposed of non-core former KEYreit income producing properties in Toronto, ON and Windsor, ON for net proceeds of $1.8 million, which were recorded as investment properties held for sale at December 31, 2015. The Trust also disposed of surplus land for net proceeds of $997 thousand in Fredericton, NB, Oromocto, NB and Coaticook, QC.
Since the completion of the acquisition of KEYreit on June 26, 2013 to December 31, 2016, the Trust has sold 65 non-core KEYreit income producing properties for gross proceeds of approximately $89.7 million, which is approximately $26.6 million more than the Trust underwrote these properties for when it acquired KEYreit.

PART III

SUMMARY OF SELECTED QUARTERLY INFORMATION

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

(000s except per unit and percentage data) (unaudited)	Q4'16	Q3'16	Q2'16	Q1'16	Q4'15	Q3'15	Q2'15	Q1'15
Total revenue [1]	$27,845	$28,453	$25,858	$25,873	$24,079	$25,434	$24,883	$27,458
Net property operating income	$15,656	$16,433	$15,279	$15,304	$15,293	$15,711	$15,016	$14,878
Profit and total comprehensive income	$9,574	$7,389	$11,335	$4,460	$5,036	$9,092	$8,217	$16,250
Distributions per unit	6.50¢	6.50¢	6.50¢	6.50¢	6.25¢	6.25¢	6.25¢	6.25¢
Funds from operations per unit – basic	8.7¢	9.2¢	7.5¢	8.0¢	9.3¢	8.5¢	7.5¢	8.0¢
Funds from operations per unit – diluted	8.6¢	9.1¢	7.5¢	8.0¢	9.3¢	8.5¢	7.5¢	8.0¢
Adjusted funds from operations per unit – basic	8.3¢	8.8¢	7.6¢	8.2¢	8.8¢	8.0¢	7.1¢	7.9¢
Adjusted funds from operations per unit – diluted	8.3¢	8.7¢	7.6¢	8.2¢	8.8¢	8.0¢	7.1¢	7.9¢
Distributions as a percentage of basic FFO	75.1%	70.8%	87.0%	83.2%	67.0%	73.7%	83.1%	78.4%
Distributions as a percentage of basic AFFO	78.2%	74.1%	86.0%	80.8%	70.8%	78.1%	88.0%	79.5%
Gross Leasable Area (000s of sq. ft.) (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	**5,480**	5,475	5,412	5,434	5,415	5,286	5,295	5,193
Occupancy % (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	**95.9%**	95.9%	96.2%	95.9%	96.1%	96.8%	96.1%	96.3%

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

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

Some of Plaza's leases have common cost recoveries from tenants linked to the consumer price index (CPI) or otherwise have caps on operating costs. At December 31, 2016, approximately 49.4% of the Trust's leased area is tied to a CPI cost recovery formula. As well, anchor tenant leases may restrict common area maintenance (CAM) cost recoveries. As a result of all of these factors, seasonal fluctuations in NOI, FFO and AFFO occur primarily due to winter costs as well as yearly repair and maintenance activities which typically occur in spring and early summer which may create inconsistencies in quarterly recovery revenues compared with quarterly expenses.

PART IV

OPERATING LIQUIDITY AND WORKING CAPITAL

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

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

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

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

(000s)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Cash provided by operating activities[1]	**$ 8,796**	$ 9,579	**$ 32,916**	$ 27,449
Total distributions[2]	**(6,472)**	(5,884)	**(25,621)**	(23,507)
Excess of cash provided by operating activities over total distributions	**$ 2,324**	$ 3,695	**$ 7,295**	$ 3,942

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

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

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

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES

Operating and Development Facilities

(000s)	$30.0 Million Operating	$20.0 Million Development	$15.0 Million Development
December 31, 2015[(1)]	$ 26,486	$ 3,503	$ 7,899
Net Change	(13,924)	(678)	(3,824)
December 31, 2016[(1)]	$ 12,562	$ 2,825	$ 4,075
Interest rate	Prime + 0.75% or BA + 2.00%	Prime + 0.75% or BA + 2.25%	Prime + 0.75% or BA + 2.00%
Maturity	July 31, 2018	July 31, 2017	July 31, 2018
Security	First charges on pledged properties	First charges on applicable pledged development property	First charges on applicable pledged development property
Other terms	Debt service, maximum leverage, occupancy & equity maintenance covenants	Debt service & maximum leverage covenants	Debt service, maximum leverage, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	$2.0 million	$1.5 million	$0.5 million
Issued and outstanding	$1.0 million	-	-

(1) Excludes unamortized finance charges

Funding is secured by first mortgage charges on properties or development properties as applicable. The Trust must maintain certain financial ratios to comply with the facilities. As of December 31, 2016, all debt covenants in respect of the above facilities have been maintained.

Mortgage Bonds

Mortgage bonds are secured by either property or cash.

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

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

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

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

Debentures

Convertible and non-convertible debentures are subordinate and unsecured. Convertible debentures are recorded at fair value and changes in the fair value are recorded quarterly in profit and loss.

On April 29, 2016, the Trust redeemed the $9.2 million outstanding 8% Series B convertible debentures.

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

On November 30, 2016, the Trust issued a redemption notice for the 7.0% Series C convertible debentures to be redeemed on January 9, 2017. During the year $1.75 million in Series C convertible debentures were converted into 333 thousand units and $198 thousand in cash. Between January 3-6, 2017, $12.9 million in Series C convertible debentures were converted to 2.45 million units and $1.5 million in cash. On January 9, 2017, the remaining $2.3 million in Series C convertible debentures were redeemed and paid out.

Mortgages

During 2016 the Trust obtained new long-term financing in the amount of $54.3 million (at Plaza's consolidated share) with a weighted average term of 9.6 years and a weighted average interest rate of 3.67%. The Trust acquired an additional $1.1 million in long-term financing as part of the acquisition of an additional 5.5% interest in the Village Shopping Centre.

The Trust has a $3.0 million variable rate secured construction loan/credit facility on one of its redevelopment projects. The loan bears interest at prime plus 1.25% or BAs plus 2.50% and matures in August 2017. At December 31, 2016, $2.6 million has been drawn on the loan.

The Trust also has a $907 thousand variable rate secured construction loan/credit facility on another one of its redevelopment projects. The loan bears interest at prime plus 1.00% or BAs plus 2.50% and matures in December 2017. At December 31, 2016, $467 thousand has been drawn on the loan.

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

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

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

The following is a maturity chart by year:

(000s, except percentage data)	**Year 1 2017**	**Year 2 2018**	**Year 3 2019**	**Year 4 2020**	**Year 5 2021**	**After 5 Years**	**Total**
Long-term mortgages due at maturity	$24,707	$15,276	$50,572	$64,379	$28,646	$191,070	$374,650
Construction loans	3,089	-	-	-	-	-	3,089
Development lines of credit	2,825	4,075	-	-	-	-	6,900
Bank operating facility	-	12,562	-	-	-	-	12,562
Total	$30,621	$31,913	$50,572	$64,379	$28,646	$191,070	$397,201
As a percentage	7.7%	8.1%	12.7%	16.2%	7.2%	48.1%	100.0%
Weighted average expiring rate on long-term mortgages	5.28%	4.95%	3.80%	4.75%	4.77%	4.34%	

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

The ratio of debt to gross book assets at December 31, 2016 (excluding convertible debentures) is 47.7% compared to 50.5% at December 31, 2015. Including convertible debentures at cost, Plaza's debt to gross assets at December 31, 2016 is 53.0% compared to 56.4% at December 31, 2015. The ratios are down compared to the prior year, partly as a result of the equity offering and resultant reduction of debt and debentures. The Trust's general philosophy is to maintain its leverage at no more than approximately 50% excluding convertible debentures and approximately 55% including convertible debentures. By its Declaration of Trust, Plaza is limited to an overall indebtedness ratio of 60% excluding convertible debentures and 65% including convertible debentures.

Units Outstanding

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

At February 23, 2017 (000s)	Units
Current outstanding units	**100,990**
Class B exchangeable LP units	**1,319**
Series D convertible debentures	**5,913**
Series VII convertible debentures	**911**
Total adjusted units outstanding	**109,133**

Land Leases

Return on invested cash or equity is a measure Plaza uses to evaluate development and strategic acquisitions. Investing in a project subject to a land lease reduces the cash equity required for an individual project and increases the number of projects which can be undertaken with available capital. This spreads risk and enhances overall unitholder return. In some instances use of a land lease will enhance project feasibility where a project might not otherwise be undertaken without use of a land lease. Currently Plaza has 26 long-term land leases (affecting 25 properties) with total annual rent of $3.2 million. One of the land leases relates to shared parking facilities. The other properties under land lease represent approximately 9.3% of the Trust's fair value of investment properties and investments. Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2017 to 2084 with an average life of 40 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 65 years including these non-automatic renewal options. Of the 26 land leases, 10 of the land leases have options to purchase, generally at fair market value.

Gross Capital Additions Including Leasing Fees:

(000s)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Leasing commissions – existing properties	**$ 153**	$ 140	**$ 354**	$ 390
Leasing commissions – developments	**47**	33	**440**	190
Total leasing commissions	**200**	173	**794**	580
Capital additions – existing properties	**714**	853	**1,850**	2,811
Capital additions – developments	**4,926**	12,356	**30,182**	60,633
Total capital additions	**5,640**	13,209	**32,032**	63,444
Total gross additions	**$ 5,840**	$ 13,382	**$ 32,826**	$ 64,024

COMMITMENTS AND CONTINGENT LIABILITIES

The Trust has $7.1 million in short-term commitments in respect of development activities. Management believes that Plaza has sufficient unused bank line availability, and/or mortgage bond deployment potential, to fund these commitments. The Trust has contingent liabilities as original borrower on three mortgages partially assumed by the purchasers of properties where a 75% interest in each was sold in 2009. These commitments are subject to indemnity agreements. These sales did not relieve the Trust's obligations as original borrower in respect of these mortgages. The debt subject to such guarantees at December 31, 2016 totals $5.5 million with a weighted average remaining term of 6.1 years.

The Trust guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of $18.4 million. As well, the Trust has a guarantee in excess of its ownership percentage to the mortgagee on one property in the amount of $554 thousand. This amount is subject to cross-guarantees by the other co-owners.

PART V

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. Management attempts to manage these risks through geographic and retail asset class diversification in the portfolio. At December 31, 2016, the Trust held interests in 298 properties spread geographically across Canada. Some of the more important risks are outlined below. See Financial Risk Management Note 24 to the December 31, 2016 Consolidated Financial Statements of the Trust for further details. Also see the Trust's Annual Information Form dated March 23, 2016 for a complete list of risks and uncertainties.

Interest Rate, Financing and Refinancing Risk

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

The Trust mitigates interest rate risk by maintaining the majority of its debt at fixed rates. Floating rate debt is typically used on its operating line of credit and for development or redevelopment projects as interim financing, until the projects are completed and are then able to attract the appropriate long-term financing. The Trust mitigates its exposure to fixed-rate interest risk by staggering maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. At existing financing rates, the Trust is able to obtain positive returns from debt financing. The quality of the Trust's projects and properties makes management believe it can obtain suitable long-term financing for those projects on completion of development as well as those properties with maturing existing debt. The Trust has an ongoing requirement to access the debt markets and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Trust or on any terms at all. Management believes that all debts maturing in 2017 or properties needing long term financing in 2017 will be able to be financed or refinanced as they come due.

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

Credit Risk

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

Currently one tenant, Shoppers Drug Mart, represents 25.4% of current monthly base rents in place, while franchisees of KFC represent 9.0%. The top 10 tenants collectively represent approximately 57.9% of current monthly base rents in place. National and regional tenants represent 94.7% of the in-place tenant base.

Lease Roll-Over and Occupancy Risk

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

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

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

The hypothetical impact to NOI of a change in occupancy of 1% would be approximately $673 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions management may take in relation to the changes. Plaza's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space.

Development and Acquisition Risk

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

Environmental Risk

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

Status of the REIT

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

PART VI

RELATED PARTY TRANSACTIONS

Notes Payable to Related Parties

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

(000s)	December 31, 2016	December 31, 2015
Non-interest bearing notes:		
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta, President, Chief Executive Officer and Trustee of the Trust	**$ 261**	$ 261

Bonds and Debentures Held

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

(000s)	December 31, 2016	December 31, 2015
Earl Brewer	**$ 125**	$ 219
Edouard Babineau	**150**	250
Michael Zakuta	**100**	250
Stephen Johnson	**100**	-
Total	**$ 475**	$ 719

Other Related Party Transactions

Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. At December 31, 2016 there is $120 thousand owed by the Gateway Mall to some of the owners of the mall. The pro rata amount owed to the Trust is $30 thousand. As well, there is a $5 thousand accounts receivable balance owing to the Trust for property management fees. For the twelve months ended December 31, 2016, property management and leasing fees of $76 thousand were earned by a subsidiary of the Trust from this property.

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

Earl Brewer and Michael Zakuta hold interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. For the twelve months ended December 31, 2016, property management, leasing and development fees of $112 thousand were earned by a subsidiary of the Trust from this property.

In October 2016, the Trust sold land in Fredericton, NB for gross proceeds of $760 thousand. The land was sold to an entity controlled by Earl Brewer and Michael Zakuta for a residential project. The independent trustees of the Trust reviewed and approved this transaction.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

The Trust's Chief Executive Officer and Chief Financial Officer evaluated, or under their supervision caused to be evaluated, the design and operating effectiveness of the Trust's DC&P and ICFR at December 31, 2016. Based on that evaluation they determined that the Trust's DC&P and ICFR were appropriately designed and were operating effectively based on the criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

During the year ended December 31, 2016, there were no changes in the Trust's ICFR that occurred that have materially affected, or are reasonably likely to materially affect, the Trust's ICFR.

CRITICAL ACCOUNTING POLICIES

Critical Accounting Estimates

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

(i) Investment properties

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

FUTURE ACCOUNTING POLICY CHANGES

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

ADDITIONAL INFORMATION

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

PROPERTIES OF THE TRUST

A chart listing the Trust's properties at December 31, 2016 can be accessed on Plaza's website at www.plaza.ca.

APPENDIX A

FOURTH QUARTER 2016 INCOME RESULTS

Consolidated Statements of Comprehensive Income

(000s) (unaudited)	3 Months Ended December 31, 2016	3 Months Ended December 31, 2015
Revenues	**$ 25,241**	$ 24,337
Operating expenses	**(9,585)**	(9,044)
Net property operating income	**15,656**	15,293
Share of profit (loss) of associates	**1,861**	(2,023)
Administrative expenses	**(1,990)**	(2,041)
Investment income	**215**	85
Other income	**528**	1,680
Income before finance costs, fair value adjustments and income taxes	**16,270**	12,994
Finance costs	**(6,626)**	(7,083)
Finance costs – net change in fair value of convertible debentures	**1,274**	(16)
Finance costs – net change in fair value of Class B exchangeable LP units	**316**	(355)
Finance costs – net change in fair value of interest rate swap and bond forward	**137**	(41)
Net change in fair value of investment properties	**(1,570)**	239
Profit before income tax	**9,801**	5,738
Income tax recovery (expense)		
- Current	**(48)**	30
- Deferred	**(179)**	(732)
	(227)	(702)
Profit and total comprehensive income for the period	**$ 9,574**	$ 5,036
Profit and total comprehensive income for the period attributable to:		
- Unitholders	**$ 9,535**	$ 4,740
- Non-controlling interests	**39**	296
	$ 9,574	$ 5,036