FIRM CAPITAL PROPERTY TRUST

CAPITAL PRESERVATION • DISCIPLINED INVESTING

MD&A

MANAGEMENT DISCUSSION AND ANALYSIS

FOURTH QUARTER 2017
DECEMBER 31, 2017

MANAGEMENT DISCUSSION & ANALYSIS

*The following management's discussion and analysis (“**MD&A**”) of the financial condition and results of operations of Firm Capital Property Trust (“**FCPT**” or the "**Trust**”) should be read in conjunction with the Trust’s consolidated financial statements for years ended December 31, 2017 and December 31, 2016.. This MD&A has been prepared taking into account material transactions and events up to and including March 21, 2018. Additional information about the Trust has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com or on our web site at www.firmcapital.com.*

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2017 objectives and our strategies to achieve those objectives, as well as statements with respect to management’s beliefs, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “expect”, “intent”, “estimate”, “anticipate”, “believe”, “should”, “plans” or “continue” or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described below in this MD&A under Risks and Uncertainties, which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Such risk factors include, but are not limited to, risks associated with real property ownership, availability of cash flow, general uninsured losses, future property acquisitions, environmental matters, tax related matters, debt financing, unitholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and changes in the tax treatment of trusts. The Trust cannot assure investors that actual results will be consistent with any forward-looking statements and the Trust assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances. All forward-looking statements contained in this MD&A are qualified by this cautionary statement. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

All forward-looking statements in this MD&A are qualified by these cautionary statements. Except as required by applicable law, the Trust undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

INTRODUCTION

Firm Capital Property Trust (TSXV: FCD.UN) is focused on creating long-term value for Unitholders through capital preservation and disciplined investing to achieve stable distributable income. In partnership with management and industry leaders, FCPT’s plan is to co-own a diversified property portfolio of the following real estate asset classes:

- Multi Residential,
- Industrial & Flex Industrial,
- Net Lease Convenience and Stand Alone Retail, and
- Core Service Provider / Healthcare Professional Office.

In addition to stand alone accretive acquisitions, the Trust will make acquisitions, on a co-ownership basis with strong financial partners and will make joint acquisitions and the acquisition of partial interests from existing ownership groups, in a manner that provides liquidity to those selling owners and professional management for those remaining as partners. Firm Capital Realty Partners Inc., through a structure focused on an alignment of interests with the Trust sources, syndicates and manages investments on behalf of the Trust.

MANAGEMENT DISCUSSION & ANALYSIS

The Trust is an unincorporated open-ended real estate investment trust established on August 30, 2012 under the laws of the Province of Ontario pursuant to a Declaration of Trust. The Trust is a "mutual fund trust" as defined in the Tax Act, but is not a "mutual fund" within the meaning of applicable Canadian securities legislation. The head office and registered office of the Trust is located at 163 Cartwright Avenue; Toronto, Ontario, M6A 1V5. The Trust is the reporting issuer trading on the TSX Venture Exchange under the ticker symbol FCD.UN.

Additional information on the Trust and its portfolio is available on the Firm Capital website at www.firmcapital.com or on the SEDAR website at www.sedar.com.

BASIS OF PRESENTATION

The Trust has adopted International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board as its basis of financial reporting. The Trust's reporting currency is the Canadian dollar.

Certain financial information presented in this MD&A reflects certain non-IFRS financial measures, which include Net Operating Income ("**NOI**"), Earnings Before Interest, Taxes, Depreciation & Amortization ("**EBITDA**"), Funds From Operations ("**FFO**") and Adjusted Funds From Operations ("**AFFO**"), Adjusted FFO, Adjusted AFFO, AFFO Payout Ratio and Debt/Gross Book Value ("**GBV**") (each as defined below). These measures are commonly used by real estate investment trusts as useful metrics for measuring performance and/or cash flows, however, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other real estate investment trusts. The Trust believes that FFO is an important measure to evaluate operating performance, AFFO is an important measure of cash available for distribution and, NOI is an important measure of operating performance. "**GAAP**" means generally accepted accounting principles described by the Chartered Professional Accountants Canada ("**CPA**") Handbook - Accounting, which are applicable as at the date on which any calculation using GAAP is to be made. As a public entity, the Trust applies IFRS as described in Part I of the CPA Handbook - Accounting.

Occupancy rate represents the total square footage leased as a percentage of the total number of square footage owned. Leased properties consist solely of those units that are occupied by a tenant at the given date.

NOI is a term used by industry analysts, investors, trusts, and management to measure operating performance of Canadian real estate investment trusts. NOI represents rental revenue from properties less repairs and maintenance, insurance, utilities, property management, property taxes, bad debt, and other property operating costs. NOI excludes certain expenses included in the determination of net income such as interest, amortization, corporate overhead and taxes.

Net income (loss) before other income (expenses) and income taxes is a measure that the Trust uses in order to present the key operations and administration of the Trust, excluding special items. Items that are excluded from this total and are presented in other income include transaction costs, fair value adjustments of investment properties, and gain (loss) on dispositions.

Funds From Operations ("**FFO**") is a term used to evaluate operating performance, but is not indicative of funds available to meet the Trust's cash requirements. The Trust calculates FFO in accordance with the guidelines set out by the Real Property Association of Canada ("**RealPAC**"), as issued in February 2017 for entities adopting IFRS. FFO is defined as net income before fair value gains/losses on real estate properties, gains/losses on the disposition of real estate properties, deferred income taxes, and certain other non-cash adjustments.

Adjusted Funds From Operations ("**AFFO**") is a term used as a non-IFRS financial measure by most Canadian real estate investment trusts, but should not be considered as an alternative to net income, cash flow from operations, or any other measure prescribed under IFRS. Unlike RealPac, who considers AFFO to be a useful measure of net income, the Trust considers AFFO to be a useful measure of cash available for distributions. AFFO is calculated largely in accordance with the guidelines set out by RealPAC and is defined as FFO less adjustments for non-cash items such as straight-line rent, free rent and noncash interest expense as well as normalized capital expenditures, tenant inducements and leasing charges. However, under RealPAC, unit-based compensation expense is deducted for reporting AFFO, but the Trust adds back this expense.

FFO Payout Ratio is defined as Distributions Declared divided by FFO. AFFO Payout Ratio is defined as Distributions Declared divided by AFFO.

NOI, EBITDA, FFO, AFFO, Adjusted FFO, Adjusted AFFO, FFO Payout Ratio, AFFO Payout Ratio and Debt/GBV should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS. NOI, FFO, AFFO, Adjusted FFO and Adjusted AFFO are not intended to represent operating profits for the period, or from a property, nor should any of these measures be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Readers should be further cautioned that NOI, EBITDA, FFO, AFFO, Adjusted FFO, Adjusted AFFO, FFO Payout Ratio, AFFO Payout Ratio and Debt/GBV as calculated by the Trust may not be comparable to similar measures presented by other issuers.

("**TIs/LCs**") are defined as Tenant Inducements, Leasing Charges and Capital Expenditures. The Trust bases its calculation of TIs/LCs an estimated 2.5% of Net Operating Income or NOI, which is senior managements' best estimate in operating real estate of the type that the Trust owns and operates.

FOURTH QUARTER AND 2017 HIGHLIGHTS

- Net income for the three months ended December 31, 2017 was approximately $5.1 million, a 38% increase over the $3.7 million reported for the three months ended September 30, 2017 and a 56% increase over the $3.3 million reported for the three months ended December 31, 2016. Net income for the twelve months ended December 31, 2017 was approximately $16.2 million, a 104% increase in comparison to the $8.0 million reported for the twelve months ended December 31 , 2016;

- On an IFRS basis, NOI for the three months ended December 31, 2017 was approximately $3.1 million which is a 9% increase compared to the $2.9 million reported September 30, 2017 and a 19% increase in comparison to the $2.6 million reported for the three months ended December 31, 2016. NOI for the twelve months ended December 31, 2017 was approximately $11.5 million, a 22% increase in comparison to the $9.4 million reported for the twelve months ended December 31, 2016;

- On a cash basis ("**Cash NOI**"), for the three months ended December 31, 2017 was approximately $3.1 million, which is a 11% increase compared to the $2.8 million reported for the three months ended September 30, 2017 and a 21% increase over the $2.6 million reported for the three months ended December 31, 2016. Cash NOI for the twelve months ended December 31, 2017 was $11.3 million, a 22% increase in comparison to the $9.3 million reported for the twelve months ended December 31, 2016;

- Funds From Operations ("**FFO**") for the three months ended December 31, 2017 was approximately $1.9 million, which is a 30% increase over the $1.5 million reported for the three months ended September 30, 2017 and a 24% increase over the $1.5 million reported for the three months ended December 31, 2016. Adjusted Funds From Operations ("**AFFO**") for the three months ended December 31, 2017 was approximately $1.7 million, 17% increase over the $1.4 million reported for the three months ended September 30, 2017 and a 25% increase in comparison to the $1.3 million reported for the three months ended December 31, 2016;

- FFO for the twelve months ended December 31, 2017 was approximately $6.5 million, a 23% increase in comparison to the $5.3 million reported for the twelve months ended December 31, 2016. AFFO for the twelve months ended December 31, 2017 was $6.0 million, a 21% increase in over the $5.0 million reported for the twelve months ended December 31, 2016;

- Including Gains on Sale of Investment Properties, Adjusted FFO was $7.3 million for the twelve months ended December 31, 2017 which is a 19% increase over the $6.1 million reported for the twelve months ended December 31, 2016. Adjusted AFFO was $6.8 million for the twelve months ended December 31, 2017 which is a 17% increase over the $5.8 reported for the twelve months ended December 31, 2016;

- FFO per Unit for the three months ended December 31, 2017 was $0.145 which was a 27% increase over the $0.114 reported for the three month ending September 30, 2017 and a 19% increase over the $0.122 reported for the three month ended December 31, 2016. AFFO per Unit was $0.127 for the three months ended December 31, 2017 which was a 14% increase over the $0.111 reported for the three months ended September 30, 2017 and a 20% increase over the $0.105 reported for the three months ended December 31, 2016;

- FFO per Unit for the twelve months ended December 31, 2017 was $0.505 which was a 15% increase over the $0.439 reported for the twelve months ended December 31, 2016. AFFO per Unit was $0.467 for the twelve months ended December 31, 2017 which was a 13% increase over the $0.415 reported for the twelve months ended December 31, 2016;

- For the three months ended December 31, 2017, FFO and AFFO payout ratios are 76% and 87% respectively. For the twelve months ended December 31, 2017, FFO and AFFO payout ratios are 87% and 94%. For the twelve months ended December 31, 2017 the Adjusted FFO and Adjusted AFFO payout ratios are 78% and 84% respectively;

- Commercial occupancy was 92.6%; and;

- Conservative leverage profile with Debt / Gross Book Value ("**GBV**") at 51.7%.

	Three Months			Twelve Months		% Change Over Three Months		% Change Over Twelve Months
	Dec 31, 2017	Sept 30, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016	Sept 30, 2017	Dec 31, 2016	Dec 31, 2016
Rental Revenue	$ 5,025,013	$ 4,835,094	$ 4,601,110	$ 19,318,609	$ 16,272,929	**4%**	**9%**	**19%**
NOI								
- IFRS Basis	$ 3,124,641	$ 2,867,718	$ 2,619,801	$ 11,540,767	$ 9,439,730	**9%**	**19%**	**22%**
- Cash Basis	$ 3,112,045	$ 2,809,432	$ 2,566,717	$ 11,319,591	$ 9,260,979	**11%**	**21%**	**22%**
Net Income	$ 5,125,746	$ 3,704,461	$ 3,276,096	$ 16,229,452	$ 7,966,119	**38%**	**56%**	**104%**
FFO	**$ 1,904,860**	**$ 1,460,941**	**$ 1,539,054**	**$ 6,496,422**	**$ 5,279,875**	**30%**	**24%**	**23%**
AFFO	**$ 1,671,250**	**$ 1,426,579**	**$ 1,334,369**	**$ 6,013,327**	**$ 4,989,610**	**17%**	**25%**	**21%**
Adjusted FFO*	**$ 1,904,860**	**$ 1,909,101**	**$ 1,539,054**	**$ 7,251,241**	**$ 6,080,567**	**(0%)**	**24%**	**19%**
Adjusted AFFO*	**$ 1,671,250**	**$ 1,874,739**	**$ 1,334,369**	**$ 6,768,146**	**$ 5,790,302**	**(11%)**	**25%**	**17%**
FFO Per Unit	**$ 0.145**	**$ 0.114**	**$ 0.122**	**$ 0.505**	**$ 0.439**	**27%**	**19%**	**15%**
AFFO Per Unit	**$ 0.127**	**$ 0.111**	**$ 0.105**	**$ 0.467**	**$ 0.415**	**14%**	**20%**	**13%**
Adjusted FFO/Unit*	**$ 0.145**	**$ 0.149**	**$ 0.122**	**$ 0.564**	**$ 0.506**	**(3%)**	**19%**	**12%**
Adjusted AFFO/Unit*	**$ 0.127**	**$ 0.146**	**$ 0.105**	**$ 0.526**	**$ 0.481**	**(13%)**	**20%**	**9%**
Distributions Per Unit	**$ 0.110**	**$ 0.110**	**$ 0.108**	**$ 0.440**	**$ 0.423**		**2%**	**4%**
Payout Ratios								
- FFO	**76%**	**96%**	**89%**	**87%**	**96%**			
- AFFO	**87%**	**99%**	**103%**	**94%**	**102%**			
- Adjusted FFO	**76%**	**74%**	**89%**	**78%**	**84%**			
- Adjusted AFFO	**87%**	**75%**	**103%**	**84%**	**88%**			

FINANCIAL HIGHLIGHTS

- **+22.3% Total Return for 2017 which include Highly Efficient Tax Deferred Cash Distributions:** The Trust had a total return (including distributions for 2017) of +22.3%, well ahead of the TSX Capped REIT Index of +9.0%. Further, 89.7% of distributions were tax deferred in the form of return of capital;

- **+4.5% Increase in Monthly Distributions:** On November 10, 2017, the trust announced that its Board of Trustees has approved a 4.5% increase in its monthly distributions to $0.038333 per Trust Unit from $0.036666 per Trust Unit commencing in 2018. On an annualized basis this equates to annual distributions of $0.46 per unit up from $0.44 per unit. This is the Trust's fifth distribution increase in five years and represents a cumulative increase of 31.4% since the Trust's inception in 2012;

- **$26.0 Million Acquisition:** On November 30, 2017, the Trust closed the purchase of a 100% interest of a 115,838 square foot grocery anchored retail property located in Guelph, Ontario. The acquisition price of the property was approximately $26.0 million, excluding transaction costs. The property was acquired at a 6.9% capitalization rate. The acquisition was financed through the assumption of a $14.3 million, 4.40% first mortgage that matures in 2024;

- **$18.6 Million of Equity Raised:** During and subsequent to the end of the quarter, the Trust issued $18.6 million of trust units though non-brokered private placement and an overnight marketing public offering;

- **Declaration of Monthly Distributions:** On March 21, 2018, the Trust announced that it has declared and approved monthly distributions in the amount of $0.038333 per Trust Unit for unitholders of record on April 30, 2018, May 31, 2018 and June 29, 2018 payable on or about May 15, 2018, June 15, 2018 and July 16, 2018.

PORTFOLIO HIGHLIGHTS

Based on the Trust's pro rata interests as at December 31, 2017, the portfolio consists of 61 commercial properties with a total GLA of 1,502,454 square feet and one apartment complex comprised of 135 apartment units.

		Occupancy				
Retail	**Gross Leaseable Area**	**Q4/2017**	**Q3/2017**	**Q2/2017**	**Q1/2017**	**Q4/2016**
Bridgewater, Nova Scotia	46,707	84.9%	84.9%	84.9%	93.3%	93.3%
Brampton, Ontario	36,137	85.0%	85.0%	100.0%	96.5%	96.5%
Hanover, Ontario	19,874	100.0%	100.0%	100.0%	100.0%	100.0%
Pembroke, Ontario	11,247	100.0%	100.0%	100.0%	100.0%	100.0%
Moncton, New Brunswick	16,372	100.0%	100.0%	100.0%	100.0%	100.0%
Guelph, Ontario	115,838	99.0%				
Centre Ice Retail Portfolio	138,543	89.3%	88.5%	88.5%	83.2%	82.9%
The Whitby Mall, Ontario	116,161	98.9%	95.3%	92.1%	92.3%	92.3%
Thickson Place, Ontario	41,923	100.0%	100.0%	99.5%	99.5%	100.0%
Total / Weighted Average	**542,801**	**94.5%**	**93.7%**	**92.9%**	**93.7%**	**93.9%**
Office						
Barrie, Ontario	42,884	63.0%	63.2%	64.9%	64.9%	64.9%
The Whitby Mall, Ontario	42,373	67.4%	67.0%	80.6%	78.1%	80.6%
Total / Weighted Average	**85,257**	**65.3%**	**65.2%**	**74.3%**	**72.7%**	**74.3%**
Industrial						
Montreal, Quebec	515,109	89.8%	91.0%	91.0%	95.5%	95.7%
Waterloo, Ontario	359,288	100.0%	100.0%	100.0%	98.6%	98.6%
Total / Weighted Average	**874,396**	**94.0%**	**94.7%**	**93.8%**	**96.8%**	**96.9%**
Total / Wtd. Average	**1,502,454**	**92.6%**	**93.1%**	**92.5%**	**94.7%**	**94.9%**

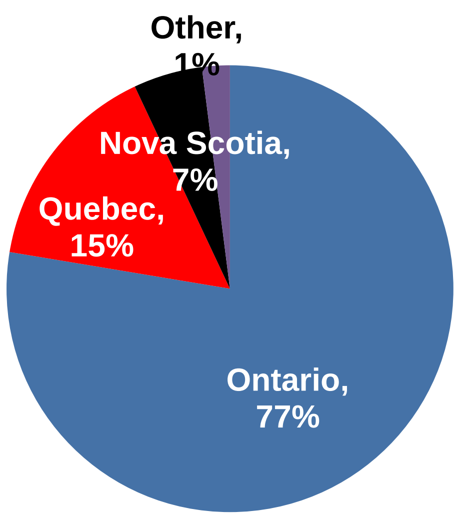
Multi-Residential		Occupancy			
Ottawa, Ontario	85.2%	87.4%	95.6%	89.6%	88.9%
Residential Total / Wtd. Average	**85.2%**	**87.4%**	**95.6%**	**89.6%**	**88.9%**

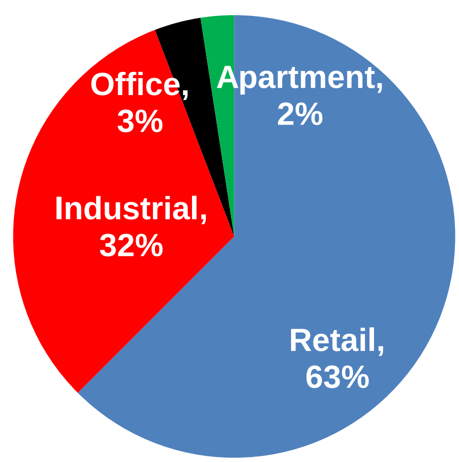
TENANT DIVERSIFICATION

The portfolio is well diversified by tenant profile with no tenant accounting for more than 5.3% of total net rent. Further, the top 10 tenants are largely comprised of creditworthy and large national tenants and account for 24.9% of total net rent:

#	Tenant	Location	% of Total Net Rent
1	PPG (Dulux Paints)	8 locations in ON, with 1 in each of NB, MB, AB	5.3%
2	Sobeys	Guelph and Whitby, ON	3.4%
3	NCR Canada Corp.	Waterloo, ON	3.0%
4	LCBO	Guelph and Whitby, ON	2.7%
5	Sport Systems Unlimited Corp.	Waterloo, ON	2.0%
6	Quebecor Media	Montreal, QC	1.8%
7	Staples	Bridgewater, NS	1.8%
8	Elmira Pet Products Ltd.	Waterloo, ON	1.6%
9	World Gym	Waterloo, ON	1.6%
10	Dollar Tree Stores Canada Inc	Guelph, ON	1.6%
Total			**24.9%**

Geographical and Asset Class Portfolio Diversification based on NOI





OCCUPANCY

At December 31, 2017, commercial portfolio occupancy was 92.6%, a 50 basis point decrease over the 93.1% reported at September 30, 2017 and a 230 basis point decrease over the 94.9% reported at December 31, 2016. The sequential decrease over September 30, 2017 was largely due to the decrease in the industrial portfolio offset by the improvements in the retail and office portfolios. The sequential decrease over December 31, 2016 was largely due to the decrease in the office and industrial portfolios offset by the improvements in the retail portfolio.

At December 31, 2017, occupancy for the multi-residential portfolio was 85.2%.

COMMERCIAL NET RENT AND MULTI-RESIDENTIAL AVERAGE MONTHLY RENT

Commercial net rent per occupied square foot and average multi-residential monthly rent per occupied unit for the past four quarters is as follows:

	Dec 31, 2017	Sept 30, 2017	June 30, 2017	Mar 31, 2017	Dec 31, 2016
Retail	$ 15.82	$ 15.86	$ 16.63	$ 16.43	$ 16.83
Industrial	$ 5.63	$ 5.64	$ 5.50	$ 5.21	$ 5.22
Office	$ 12.16	$ 12.26	$ 12.58	$ 12.65	$ 13.24
Multi-Residential	$ 875	$ 877	$ 875	$ 879	$ 867

RESULTS OF OPERATIONS

RENTAL REVENUE

Rental revenue for the three months ended December 31, 2017 was $5,025,013, a 4% sequential increase over the $4,835,094, reported for the three months ended September 30, 2017 and a 9% increase over the $4,601,110 reported for the three months ended December 31, 2016. Rental revenue for the twelve months ended December 31, 2017 was $19,318,609, a 19% increase over the $16,272,929 reported for the twelve months ended December 31, 2016. Rental revenue includes all amounts earned from tenants' lease agreements including basic rent, operating costs and realty tax recoveries.

	Three Months Ended			Twelve Months Ended	
	Dec 31, 2017	**Sept 30, 2017**	**Dec 31, 2016**	**Dec 31, 2017**	**Dec 31, 2016**
Base Rent	$3,167,203	$ 2,991,078	$2,961,274	$12,206,151	$10,564,431
CAM & Tax Recoveries	1,845,214	1,785,730	1,586,752	6,891,281	5,529,748
Straight Line Rent	23,610	27,742	43,673	206,116	158,279
Free Rent	(11,014)	30,544	9,411	15,061	20,472
Rental Revenue	**$5,025,013**	**$ 4,835,094**	**$4,601,110**	**$19,318,609**	**$16,272,929**

The variance in comparing the three and twelve months ended December 31, 2017 over the three months ended September 30, 2017 and over the three and twelve months ended December 31, 2016 is largely due to increased rental income from new and renewal leasing activity in the entire portfolio combined with the full impact of the Trust's various acquisitions in 2017 and 2016.

Free rent relates to rent free periods provided to certain new and renewal tenants at the Trust's properties. Under IFRS, the Trust is required to adjust rental revenue by the value of the rent free period and amortize this adjustment out of income over the life of the individual lease.

PROPERTY OPERATING EXPENSES

Property operating expenses for the three months ended December 31, 2017 were $1,900,372, a 3% sequential decrease in comparison to the $1,967,376 reported for the three months ended September 30, 2017 and a 4% decrease over the $1,981,309 reported for the three months ended December 31, 2016. Property operating expenses for the twelve months ended December 31, 2017 were $7,777,842, a 14% increase over the $6,833,199 reported for the twelve months ended December 31, 2016. Property operating expenses include realty taxes as well as other costs related to maintenance, HVAC, insurance, utilities and property management fees. Property operating expenses consist of the following:

	Three Months Ended			Twelve Months Ended	
	Dec 31, 2017	**Sept 30, 2017**	**Dec 31, 2016**	**Dec 31, 2017**	**Dec 31, 2016**
Realty Taxes	$1,039,732	$ 986,422	$ 925,820	$ 3,973,010	$ 3,408,237
Property Management	207,273	237,647	206,714	866,547	748,939
Operating Expenses	653,367	743,307	848,775	2,938,285	2,676,023
Property Operating Expenses	**$1,900,372**	**$ 1,967,376**	**$1,981,309**	**$ 7,777,842**	**$ 6,833,199**

The variance in comparing the three and twelve months ended December 31, 2017 over the three months ended September 30, 2017 and over the three and twelve months ended December 31, 2016 is largely due to the full impact of Trust's various acquisitions in 2017 and 2016.

*NET OPERATING INCOME ("**NOI**")*

On an IFRS basis, NOI for the three months ended December 31, 2017 was $3,124,641, which is a 9% increase compared with the $2,867,718 reported for the three months ended September 30, 2017 and a 19% increase in comparison to the $2,619,801 reported for the three months ended December 31, 2016. NOI for the twelve months ended December 31, 2017 was $11,540,767, a 22% increase in comparison to the $9,439,730 reported for the twelve months ended December 31, 2016.

On a cash basis (i.e. excluding straight-line and free rent which are non-cash items) ("**Cash NOI**"), NOI for the three months ended December 31, 2017 was $3,112,045, which is a 11% increase compared with the $2,809,432 reported for the three months ended September 30, 2017 and a 21% increase over the $2,566,717 reported for the three months ended December 31, 2016. Cash NOI for the twelve months ended December 31, 2017 was $11,319,591, a 22% increase in comparison to the $9,260,979 reported for the twelve months ended December 31, 2016.

	Three Months Ended			Twelve Months Ended	
	Dec 31, 2017	Sept 30, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Rental Revenue	**$5,025,013**	**$ 4,835,094**	**$4,601,110**	**$19,318,609**	**$16,272,929**
Property Operating Expenses	(1,900,372)	(1,967,376)	(1,981,309)	(7,777,842)	(6,833,199)
NOI - IFRS Basis	**$3,124,641**	**$ 2,867,718**	**$2,619,801**	**$11,540,767**	**$ 9,439,730**
Less: Straight-Line Rent	(23,610)	(27,742)	(43,673)	(206,116)	(158,279)
Less: Free Rent	11,014	(30,544)	(9,411)	(15,061)	(20,472)
NOI - Cash Basis	**$3,112,045**	**$ 2,809,432**	**$2,566,717**	**$11,319,591**	**$ 9,260,979**

The variance in comparing the three and twelve months ended December 31, 2017 over the three months ended September 30, 2017 and over the three and twelve months ended December 31, 2016 is largely due to increased rental income from new and renewal leasing activity in the entire portfolio combined with the full impact of The Trust's various acquisitions in 2017 and 2016, net of higher property operating expenses.

FINANCE COSTS

Finance costs for the three months ended December 31, 2017 were $856,006, a 13% sequential increase in comparison to the $757,989 reported for the three months ended September 30, 2017 and a 20% increase in comparison to the $718,909 reported for the three months ended December 31, 2016. Finance costs for the twelve months ended December 31, 2017 were $3,035,639, a 21% increase in comparison to the $2,507,460 for December 31, 2016. Finance costs are comprised of the following:

	Three Months Ended			Twelve Months Ended	
	Dec 31, 2017	Sept 30, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Mortgage Interest	$ 698,742	$ 652,487	$ 644,472	$ 2,645,762	$ 2,286,328
Bank Indebtedness Interest	44,158	41,059	21,481	96,689	81,930
Finance Fee Amortization	116,250	82,856	72,015	352,220	216,696
Non-Cash Interest Expense	(3,144)	(18,413)	(19,059)	(59,032)	(77,494)
Finance Costs	**$ 856,006**	**$ 757,989**	**$ 718,909**	**$ 3,035,639**	**$ 2,507,460**

The variance in comparing the three and twelve months ended December 31, 2017 over the three months ended September 30, 2017 and over the three and twelve months ended December 31, 2016 is largely due to assumed loans on the Trust's various acquisitions, higher bank indebtedness, offset by the new mortgages placed on the Montreal Industrial properties and The Whitby Mall during 2016 as outlined below.

Finance fee amortization relates to fees paid on securing the Facility on the Trust's various mortgages. Non-cash interest expense relates to the fair value adjustment to interest expense required as a result of the assumed mortgages from the Trust's various acquisitions.

As outlined below, the weighted average interest rate of the mortgages as at December 31, 2017 stands at approximately 3.3%.

*GENERAL AND ADMINISTRATIVE (“**G&A**”) EXPENSES*

G&A expenses for the three months ended December 31, 2017 were $506,216, a 9% sequential decrease in comparison to the $558,638 reported for the three months ended September 30, 2017 but a 20% increase in comparison to the $422,861 reported for the three months ended December 31, 2016. G&A expenses for the twelve months ended December 31, 2017 were $1,998,680, a 27% increase in comparison to the $1,584,648 reported for the twelve months ended December 31, 2016. Public company expenses include trustee fees, transfer agent fees, press releases and print media.

	Three Months Ended			Twelve Months Ended	
	Dec 31, 2017	**Sept 30, 2017**	**Dec 31, 2016**	**Dec 31, 2017**	**Dec 31, 2016**
Asset Management Fees	359,605	385,515	273,190	1,448,224	1,118,162
Public Company Expenses	51,186	50,889	46,930	178,699	157,634
Office & General	95,425	122,234	102,741	371,757	308,852
General & Administrative	**$ 506,216**	**$ 558,638**	**$ 422,861**	**$ 1,998,680**	**$ 1,584,648**

The variance in comparing the three and twelve months ended December 31, 2017 over the three months ended September 30, 2017 and over the three and twelve months ended December 31, 2016 is largely due to increased Asset Management Fees as a result of the Trust’s various acquisitions in 2016 and 2017.

*NET INCOME & COMPREHENSIVE NET INCOME (“**NET INCOME**”)*

Net income for the three months ended December 31, 2017 was $5,125,746, a 38% increase in comparison to the $3,704,461 reported for the three months ended September 30, 2017, and a 56% increase over the $3,276,096 reported for the three months ended December 31, 2016. Net income for the twelve months ended December 31, 2017 was $16,229,252, a 104% increase in comparison to the $7,966,119 reported for the twelve months ended December 31, 2016.

The variance in comparing the three and twelve months ended December 31, 2017 over the three and twelve months ended December 31, 2016 is largely due to a higher fair market value adjustment to investment properties due to an increase of NOI and an overall higher valuation due to lower capitalization rates over the comparable periods along with the full impact of the Trust’s various acquisitions and appraisals received as outlined below, offset by higher finance costs, property operating expenses and G&A costs.

GAIN ON SALE OF INVESTMENT PROPERTIES

On January 13, 2016 and January 28, 2016, the Trust completed the sale of its interest in two properties from the Centre Ice Retail Portfolio totaling 19,330 square feet to third parties for gross proceeds of approximately $2.8 million ($2.7 million net of closing costs). As a result, a gain of approximately $0.9 million was generated from the sale of these two properties.

MANAGEMENT DISCUSSION & ANALYSIS

On May 12, 2017, the Trust completed the sale of one of its Centre Ice Retail properties located in North Bay, Ontario to a third party for gross proceeds of approximately $1.1 million ($1.0 million net of closing costs). As a result, a gain of approximately $0.4 million was generated from the sale.

During the year ended December 31, 2017, the Trust disposed of two Centre Ice properties and received gross proceeds of approximately $2.1 million. Net of all selling costs, the Trust realized a net gain of approximately $0.8 million from the sale of these properties.

SUMMARIZED OPERATING RESULTS

Rental revenue, other income, total revenue, NOI and net income for the past eight quarters for the Trust are as follows:

	Rental Revenue	Other Income	Total Revenue	NOI	Net Income
Q4/2017	$ 5,025,013	$ 3,505	$ 5,028,518	$ 3,124,641	$ 5,125,746
Q3/2017	$ 4,835,094	$ 477,131	$ 5,312,224	$ 2,867,718	$ 3,704,461
Q2/2017	$ 4,660,305	$ 370,558	$ 5,030,863	$ 2,868,130	$ 5,171,698
Q1/2017	$ 4,798,197	$ -	$ 4,798,197	$ 2,680,278	$ 2,227,545
Q4/2016	$ 4,601,110	$ 4,583	$ 4,605,693	$ 2,619,801	$ 3,276,096
Q3/2016	$ 4,228,005	$ 1,375	$ 4,299,380	$ 2,506,220	$ 1,349,820
Q2/2016	$ 3,804,157	$ 14,645	$ 3,818,802	$ 2,247,672	$ 1,258,342
Q1/2016	$ 3,639,657	$ 950,971	$ 4,590,628	$ 2,066,037	$ 2,081,861

CONSOLIDATED STATEMENT OF INCOME & COMPREHENSIVE INCOME AND CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES.

Outlined below are the Consolidated Statement of Income and Comprehensive Income for the three month period ended December 31, 2017, September 30, 2017 and December 31, 2016. The Statement of Income and Comprehensive Income for the 2017 and 2016 fiscal years are also found below.

MANAGEMENT DISCUSSION & ANALYSIS

Statement of Income and Comprehensive Income

	Three Months Ended			Twleve Months Ended	
Net Operating Income	**Dec 31, 2017**	**Sept 30, 2017**	**Dec 31, 2016**	**Dec 31, 2017**	**Dec 31, 2016**
Rental Revenue	$ 5,025,013	$ 4,835,094	$ 4,601,110	$19,318,609	$16,272,929
Property Operating Expenses	(1,900,372)	(1,967,376)	(1,981,309)	(7,777,842)	(6,833,199)
	3,124,641	2,867,718	2,619,801	11,540,767	9,439,730
Other Income					
Interest	3,505	1,083	2,502	4,653	38,493
Other Income	-	-	2,079	-	2,079
	3,505	1,083	4,581	4,653	40,572
	3,128,146	2,868,801	2,624,382	11,545,420	9,480,302
Expenses					
Finance Costs	856,006	757,989	718,909	3,035,639	2,507,460
General and Administrative	506,216	558,638	422,861	1,998,680	1,584,648
Unit-Based Compensation Expense/(Recovery)	(138,936)	119,120	(56,439)	106,400	238,627
	1,223,286	1,435,747	1,085,331	5,140,719	4,330,735
Income Before Fair Value Adjustments and Other	1,904,860	1,433,054	1,539,051	6,404,701	5,149,567
Fair Value Adjustments and Other:					
Gain on Sale of Investment Properties	-	476,048	-	846,541	931,000
Investment Properties	3,220,886	1,795,359	1,737,045	8,978,210	1,881,199
Marketable Securities	-	-	-	-	4,353
Net Income and Comprehensive Income	**$ 5,125,746**	**$ 3,704,461**	**$ 3,276,096**	**$16,229,452**	**$ 7,966,119**

	Three Months Ended			Twleve Months Ended	
	Dec 31, 2017	**Sept 30, 2017**	**Dec 31, 2016**	**Dec 31, 2017**	**Dec 31, 2016**
Net Income & Comprehensive Income	**5,125,746**	**3,704,461**	**3,276,096**	**16,229,452**	**7,966,119**
Fair Value Adjustments:					
Investment Properties	(3,220,886)	(1,795,359)	(1,737,045)	(8,978,210)	(1,881,199)
Marketable Securities	-	-	-	-	(4,353)
Gain on Sale of Investment Properties	-	(476,048)	-	(846,541)	(931,000)
Unit-Based Compensation Expense	(138,936)	119,120	(56,439)	106,400	238,627
Finance Costs, Net of Interest and Dividends	852,500	756,906	714,328	3,030,986	2,466,888
Finance Fee Amortization	116,250	82,856	72,015	352,220	216,696
Non-cash Interest Expense	(3,144)	(18,413)	(19,059)	(59,032)	(77,494)
Straight line Rent Adjustment	(23,610)	(27,742)	(43,674)	(206,116)	(158,279)
Free Rent, Net of Amortization	11,014	(30,544)	(9,410)	(15,060)	(20,472)
Change in Working Capital					
Accounts Receivable	(640,027)	517,627	(386,499)	98,174	(897,777)
Prepaid Expenses, Deposits and Other Assets	246,308	327,161	960,688	(282,333)	242,828
Restricted Cash	(197,762)	-	-	(197,762)	123,709
Accounts Payable and Accrued Liabilities	551,754	(310,609)	390,895	(387,314)	1,107,908
Tenant Rental Deposits	160,076	16,098	7,734	235,539	(18,963)
Interest Accrual	1,151	(690)	(52,419)	(2,247)	(37,401)
Cash Flows From Operating Activities	**$ 2,840,434**	**$ 2,864,824**	**$ 3,117,212**	**$ 9,078,155**	**$ 8,335,836**

ADJUSTED FFO AND ADJUSTED AFFO

Funds From Operations ("**FFO**") for the three months ended December 31, 2017 was $1,904,860, which is a 30% increase over the $1,460,941 reported for the three months ended September 30, 2017 and a 24% increase over the $1,539,054 reported for the three months ended December 31,2016. FFO for the twelve months ended December 31, 2017 was $6,496,222 which is a 23% increase over the $5,279,875 reported for the twelve months ended December 31, 2016.

Adjusted Funds From Operations ("**AFFO**") for the three months ended December 31, 2017 was $1,671,250 which is a 17% increase over the $1,426,579 reported for the three months ended September 30, 2017 and a 25% increase over the $1,334,369 reported for the three months ended December 31, 2016. AFFO for the twelve months ended December 31, 2017 was $6,013,327 which a 21% increase over $4,989,610 reported for the twelve months ended December 31, 2016.

Including Gains on Sale of Investment Properties, Adjusted FFO was $7,251,241 for the twelve months ended December 31, 2017 which is a 19% increase over the $6,080,567 reported for the twelve months ended December 31, 2016. Adjusted AFFO was $6,768,146 for the twelve months ended December 31, 2017 which is a 17% increase over the $5,790,302 reported for the twelve months ended December 31, 2016.

FFO per Unit for the three months ended December 31, 2017 was $0.145 which was a 27% increase over the $0.114 reported for the three months ended September 30, 2017 and a 19% increase over the $0.122 reported for the three month ended December 31, 2016. AFFO per Unit was $0.127 for the three months ended December 31, 2017 which is a 14% increase over the $0.111 reported for the three months ended September 30, 2017 and a 20% increase over the $0.105 reported for the three months ended December 31, 2016.

FFO per Unit for the twelve months ended December 31, 2017 was $0.505 which was a 15% increase over the $0.439 reported for the twelve months ended December 31, 2016. AFFO per Unit was $0.467 for the twelve months ended December 31, 2017 which is a 13% increase over the $0.415 reported for the twelve months ended December 31, 2016.

For the three months ended December 31, 2017, FFO and AFFO payout ratios are 76% and 87% respectively. For the twelve months ended December 31, 2017 the FFO and AFFO payout ratios are 87% and 94%. For the twelve months ended December 31, 2017 the Adjusted FFO and Adjusted AFFO payout ratios are 78% and 84% respectively.

As the Trust considers AFFO to be a useful measure of cash flow available for distributions, the following table is a reconciliation from IFRS Cash Flow from Operating Activities to AFFO and Adjusted AFFO:

	Three Months Ended			Twelve Months Ended	
	Dec 31, 2017	**Sept 30, 2017**	**Dec 31, 2016**	**Dec 31, 2017**	**Dec 31, 2016**
Cash Flows from Operating Activities	**$2,840,434**	**$2,864,824**	**$3,117,212**	**$ 9,078,155**	**$ 8,335,836**
Add (deduct):					
Interest Accrual	(1,151)	690	52,419	2,247	37,401
Tenant Rental Deposits	(160,076)	(16,098)	(7,734)	(235,539)	18,963
Accounts Payable and Accrued Liabilities	(551,754)	310,609	(390,895)	387,314	(1,107,908)
Restricted Cash	197,762	-	-	197,762	(123,709)
Prepaid Expenses, Deposits & Other Assets	(246,308)	(327,161)	(960,688)	282,333	(242,828)
Accounts Receivable	640,027	(517,627)	386,499	(98,174)	897,777
Finance Fee Amortization	(116,250)	(82,856)	(72,015)	(352,220)	(216,696)
Finance Costs, Net of Interest & Dividends	(852,500)	(756,906)	(714,328)	(3,030,986)	(2,466,888)
Unit Based Compensation Expense	138,936	(119,120)	56,439	(106,400)	(238,627)
Performance Fee Attributable To Gain	-	27,888	-	91,722	130,308
Straight Line Rent Adjustment	23,610	27,742	43,674	206,116	158,279
Free Rent, Net of Amortization	(11,014)	30,544	9,410	15,060	20,472
Non-Cash Interest Expense	3,144	18,413	19,059	59,032	77,494
FFO	**$1,904,860**	**$1,460,941**	**$1,539,054**	**$ 6,496,422**	**$ 5,279,875**
Straight Line Rent Adjustment	(23,610)	(27,742)	(43,674)	(206,116)	(158,279)
Free Rent, Net of Amortization	11,014	(30,544)	(9,410)	(15,060)	(20,472)
Tenant Inducements, Leasing Costs & Capex	(78,934)	(76,784)	(76,103)	(309,287)	(272,647)
Non-Cash Interest Expense	(3,144)	(18,413)	(19,059)	(59,032)	(77,494)
Unit Based Compensation Expense	(138,936)	119,120	(56,439)	106,400	238,627
AFFO	**$1,671,250**	**$1,426,579**	**$1,334,369**	**$ 6,013,327**	**$ 4,989,610**
Gain on Sale of Investment Properties	-	476,048	-	846,541	931,000
Performance Fee Attributable To Gain	-	(27,888)	-	(91,722)	(130,308)
Adjusted FFO*	**$1,904,860**	**$1,909,101**	**$1,539,054**	**$ 7,251,241**	**$ 6,080,567**
Adjusted AFFO*	**$1,671,250**	**$1,874,739**	**$1,334,369**	**$ 6,768,146**	**$ 5,790,302**
FFO Per Unit	**$ 0.145**	**$ 0.114**	**$ 0.122**	**$ 0.505**	**$ 0.439**
AFFO Per Unit	**$ 0.127**	**$ 0.111**	**$ 0.105**	**$ 0.467**	**$ 0.415**
Adjusted FFO Per Unit*	**$ 0.145**	**$ 0.149**	**$ 0.122**	**$ 0.564**	**$ 0.506**
Adjusted AFFO Per Unit*	**$ 0.127**	**$ 0.146**	**$ 0.105**	**$ 0.526**	**$ 0.481**
Distributions Per Unit	**$ 0.110**	**$ 0.110**	**$ 0.108**	**$ 0.440**	**$ 0.423**
FFO Payout Ratio	**76%**	**96%**	**89%**	**87%**	**96%**
AFFO Payout Ratio	**87%**	**99%**	**103%**	**94%**	**102%**
Adjusted FFO Payout Ratio*	**76%**	**74%**	**89%**	**78%**	**84%**
Adjusted AFFO Payout Ratio*	**87%**	**75%**	**103%**	**84%**	**88%**

The differences between the add back of FFO and AFFO is the deduction for straight-line rent, free rent, reserves for TIs/LCs, capital expenditures and the non-cash interest expense component for all assumed mortgages, offset by the deduction for unit-based compensation expense. Under RealPAC and the Trust, unit-based compensation expense is deducted for reporting FFO. However, the Trust adds back this expense for the purpose of calculating AFFO.

AFFO is calculated largely in accordance with the guidelines set out by RealPAC and is defined as FFO less adjustments for non-cash items such as straight-line rent, free rent and noncash interest expense as well as normalized capital expenditures, tenant inducements and leasing charges. However, under RealPAC, unit-based compensation expense is deducted for reporting AFFO, but the Trust adds back this expense.

The variance in comparing FFO and AFFO for the three and twelve months ended December 31, 2017 over the three months ended September 30, 2017 and the three and twelve months ended December 31, 2016, is largely due to increased rental income from new and renewal leasing activity in the entire portfolio along with the full impact of recent acquisitions, offset by higher finance costs, property operating expenses, and G&A expenses. In terms of Adjusted FFO and Adjusted AFFO, all variances are as outlined above except for the impact of the gain on sale of the Centre Ice Retail Properties.

The variance in FFO per Unit, AFFO per Unit, Adjusted FFO per Unit and Adjusted AFFO per Unit, when comparing the three and twelve months ended December 31, 2017 over the three months ending September 30, 2017and the three and twelve months ended December 31, 2016 was due to the net overall activity as outlined above, offset by the impact of issuing trust units during 2017 and the exercise of options and the issuance DRIP units as outlined below.

For the year ended December 31, 2017, The Trust had TIs/LCs and capital expenditures of approximately $1.2 million (2016 - $0.5 million).

DISTRIBUTIONS

For the year ended December 31, 2017, distributions of $0.036666 per unit were declared each month commencing in January, 2017 through to December, 2017, resulting in total distributions declared of $5,660,117. For the year ended December 31, 2016, distributions of $0.035 per unit were declared each month commencing in January, 2016 through to October, 2016 and $0.036666 per month for November, 2016 and December, 2016 resulting in total distributions declared of $5,094,760.

Since the Trust's inception in Q4/2012, distributions have been raised five times:

- On October 31, 2013, the Trust announced its first distribution increase of 5.7% to $0.030833 per unit from $0.029166 per unit. On an annualized basis, this equated to anticipated distributions of $0.37 per unit up from $0.35 per unit.

- On October 20, 2014, the Trust announced its second distribution increase in less than one year with an 8.1% increase in its monthly distributions to $0.033333 per unit from $0.030833 per unit. On an annualized basis this equated to anticipated distributions of $0.40 per unit up from $0.37 per unit.

- On August 27, 2015, as a result of the acquisition of the Waterloo Industrial Portfolio, the Trust formally increased its annualized cash distribution by a further 5% to $0.42 per Trust Unit per annum or $0.035 per Trust Unit per month from $0.40 per Trust Unit per annum commencing in November, 2016.

- On November 1, 2016, as a result of the acquisitions of The Whitby Mall, Thickson Place and the Moncton retail portfolio, the Trust announced its fourth distribution increase of 4.8% to $0.036666 per unit from $0.035 per unit. On an annualized basis, this equates to anticipated distributions of $0.44 per unit up from $0.42 per unit.

- On November 10 , 2017, the Trust announced its fifth distribution increase of 4.5% to $0.038333 per Trust Unit commencing January 2018. On an annualized basis this equates to anticipated distributions of $0.46 per unit up from $0.44 per unit.

This is the Trust's fifth distribution increase in five years and represents a cumulative increase of 31.4% since the Trust's inception in 2012.

The policy of the Trust is to pay cash distributions on or about the 15th day of each month to Unitholders of record on the last business day of the preceding month. Distributions paid to Unitholders who are non-residents of Canada will be subject to Canadian withholding tax.

The excess of cash flow from operating activities over distributions and net income and comprehensive income over distributions for the three and twelve months ended December 31, 2017, September 30, 2017 and December 31, 2016 are outlined below:

	Three Months Ended			Twelve Months Ended	
	Dec 31, 2017	Sept 30, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Cash Flow From Operating Activities (A)	**$ 2,840,434**	**$ 2,864,824**	**$ 3,117,212**	**$ 9,078,155**	**$ 8,335,836**
Net Cash Interest Expense					
Less: Mortgage Interest	$ (698,742)	$ (652,487)	$ (644,472)	$ (2,645,762)	$ (2,286,328)
Less: Bank Indebtedness Interest	(44,158)	(41,059)	(21,481)	(96,689)	(81,930)
Add: Interest and Dividend Income	3,505	1,083	2,502	4,653	38,493
Net Cash Interest Expense (B)	**$ (739,395)**	**$ (692,463)**	**$ (663,451)**	**$ (2,737,798)**	**$ (2,329,765)**
Net Cash Flows from Operating Activities (A-B)	**$ 2,101,039**	**$ 2,172,361**	**$ 2,453,761**	**$ 6,340,357**	**$ 6,006,071**
Net Income & Comprehensive Income	**$ 5,125,746**	**$ 3,704,461**	**$ 3,276,096**	**$16,229,452**	**$ 7,966,119**
Distributions	**$ 1,448,409**	**$ 1,410,764**	**$ 1,371,930**	**$ 5,660,117**	**$ 5,094,760**
Excess of Net Cash Flow From Operating Activities Over Distributions	**$ 652,630**	**$ 761,597**	**$ 1,081,831**	**$ 680,240**	**$ 911,311**
Excess of Net Income & Comprehensive Income Over Distributions	**$ 3,677,337**	**$ 2,293,697**	**$ 1,904,166**	**$10,569,335**	**$ 2,871,359**

COMPARABLE CASH FLOWS

Comparable operating, investing and financing cash flows for the three and twelve months ended December 31, 2017 and December 31, 2016 are outlined below:

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2017	**Dec 31, 2016**	**Dec 31, 2017**	**Dec 31, 2016**
Operating Activities	$ 2,840,434	$ 3,117,212	$ 9,078,155	$ 8,335,836
Investing Activities	(12,876,532)	(5,178,409)	(11,622,950)	(33,011,542)
Financing Activities	1,317,076	6,949,536	(6,523,773)	21,343,682
Increase/(Decrease) in Cash & Cash Equivalents	**$ (8,719,022)**	**$ 4,888,339**	**$ (9,068,568)**	**$ (3,332,024)**
Cash & Cash Equivalents / (Bank Indebtedness), Beginning of Period	265,806	(4,272,987)	615,352	3,947,376
Cash & Cash Equivalents / (Bank Indebtedness), End of Period	**$ (8,453,216)**	**$ 615,352**	**$ (8,453,216)**	**$ 615,352**

Cash provided by operating activities was largely unchanged for the three months ended December 31, 2017 in comparison to the three months ended December 31, 2016. Cash provided by operating activities increased for the twelve months ended December 31, 2017 in comparison to the twelve months ended December 31, 2016 largely due to increased net operating cash flow from previous acquisition activity along with recent leasing and renewal activity offset by changes in working capital.

Cash provided to investing activities decreased for the three and months ended December 31, 2017 and in comparison to the three months ended December 31, 2016 largely due to the Guelph Retail acquisition in November 2017 in comparison to the 2016 acquisition activity which was higher.

Cash provided by financing activities decreased for the three months ended December 31, 2017 in comparison to the three months ended December 31, 2016 largely due to lower mortgage and equity financing activity, offset by repayments of mortgage principal balances.

INVESTMENT PROPERTIES

As at December 31, 2017, the Trust's property portfolio consists of 61 properties with a fair value of $200.2 million, in comparison to the $163.9 million reported as at December 31, 2016. The variance is largely the result of the acquisition of the Guelph Portfolio and the increases in fair market value predominately due to capitalization rate compression, offset by the disposition of the Centre Ice Retail properties during 2017. The investment portfolio valuation is allocated by property type as follows:

		Retail & Commercial		Core Service Provider Office		Industrial		Multi-Residential		Total
Balance, December 31, 2015	**$**	**57,459,961**	**$**	**6,909,484**	**$**	**57,405,995**	**$**	**5,738,538**	**$**	**127,513,978**
Acquisitions		35,743,843		-		-		-		35,743,843
Dispositions		(1,767,500)		-		-		-		(1,767,500)
Capital Expenditures		241,179		33,328		226,456		19,586		520,549
Fair Value Adjustment		123,104		(430,971)		2,219,923		(30,857)		1,881,199
Balance, December 31, 2016	**$**	**91,800,587**	**$**	**6,511,841**	**$**	**59,852,374**	**$**	**5,727,267**	**$**	**163,892,069**
Acquisitions		27,289,805		-		-		-		27,289,805
Dispositions		(1,168,300)		-		-		-		(1,168,300)
Capital Expenditures		463,081		7,009		644,338		103,479		1,217,907
Fair Value Adjustment		6,883,201		(288,167)		1,972,505		410,671		8,978,210
Balance, December 31, 2017	**$**	**125,268,374**	**$**	**6,230,683**	**$**	**62,469,217**	**$**	**6,241,417**	**$**	**200,209,691**

For the year ended December 31, 2017, senior management of the Trust valued the Investment Properties using independent third party appraisals for the Brampton, Ontario; Pembroke, Ontario; and Mountain Road properties and the overall capitalization method for the remaining properties. Investment properties are valued on a highest and best use basis. For all of the Trust's investment properties the current use is considered the best use. Fair value was determined by applying a capitalization rate to stabilized net operating income ("Stabilized NOI"). Stabilized NOI incorporates allowances for vacancy, management fees and structural reserves for tenant inducements and capital expenditures and is capped at a rate deemed appropriate for each investment property. Capitalization rates are based on many factors, including but not limited to the asset location, type, size and quality of the asset and taking into account any available market data at the valuation date.

Investment Properties measured at fair value are categorized by level according to the inputs used. The Trust has classified these inputs as Level 3. With the exception of the acquisition and dispositions of investment properties as further described in note 3 of these consolidated financial statements, there have been no transfers into or out of Level 3 in the current year. Significant unobservable inputs in Level 3 valuations are as follows:

Year Ended December 31, 2017	**Retail & Commercial**	**Core Service Provider Office**	**Industrial**	**Multi-Residential**	**Weighted Average**
Capitalization Rate Range	5.0% - 7.25%	7.00%	6.50%	5.00%	6.42%
Weighted Average Cap. Rate	6.43%	7.00%	6.50%	5.00%	6.42%
Weighted Average NOI	$ 1,225,517	$ 436,148	$ 2,032,539	$ 312,071	$ 1,425,344

Year Ended December 31, 2016	**Retail & Commercial**	**Core Service Provider Office**	**Industrial**	**Multi-Residential**	**Weighted Average**
Capitalization Rate Range	5.01% - 7.50%	7.00%	6.50% - 7.00%	5.00%	6.58%
Weighted Average Cap. Rate	6.51%	7.00%	6.74%	5.00%	6.58%
Weighted Average NOI	$ 1,019,929	$ 455,829	$ 2,017,384	$ 315,000	$ 1,338,263

On January 13, 2016 and January 28, 2016, the Trust completed the sale of its interest in two unencumbered properties from the Centre Ice Retail Portfolio totaling 19,330 square feet to various third parties for gross proceeds of approximately $2.8 million ($2.7 million net of closing costs). As a result, a gain of approximately $0.9 million was generated from the sale of these two properties.

On May 12, 2017, the Trust completed the sale of one of its Centre Ice Retail properties located in North Bay, Ontario to a third party for gross proceeds of approximately $1.1 million ($1.0 million net of closing costs). As a result, a gain of approximately $0.4 million was generated from the sale.

During the year ended December 31, 2017, the Trust disposed of two Centre Ice properties and received gross proceeds of approximately $2.1 million. Net of all selling costs, the Trust realized a net gain of approximately $0.8 million from the sale of these properties.

CURRENT ASSETS

Current assets as at December 31, 2017, September 30, 2017 and December 31, 2016 consist of the following:

	Dec 31, 2017	Sept 30, 2017	Dec 31, 2016
Accounts Receivable	$ 1,816,009	$ 1,320,879	$ 1,850,498
Prepaid Expenses, Deposits & Other Assets	616,156	915,093	386,452
Cash & Cash Equivalents	-	265,806	615,352
Restricted Cash	197,762	-	-
	$ 2,629,927	**$ 2,501,778**	**$ 2,852,302**

Accounts receivable consist mainly of tenant receivables, straight line rent adjustments and Harmonized Sales Tax ("**HST**") and Quebec Sales Tax ("**QST**") recoveries from the Canada Revenue Agency and Revenue Quebec, respectively. Prepaid expenses, deposits and other assets consist mainly of prepaid property taxes, insurance, utility deposits, deferred financing costs related to the Facility and the capitalization of free rent provided to tenants as required under IFRS. Restricted Cash represents realty tax escrows requested by the lender on the Guelph Retail Portfolio mortgage.

BANK INDEBTEDNESS

On November 29, 2012, the Trust entered into a Revolving Operating Facility (the "Facility") with a Canadian Chartered Bank (the "Bank") fully secured by first charges against certain investment properties. The total amount available under the Facility was $8.0 million. On June 9, 2016, the Bank increased the total amount available under the Facility to $10.0 million. On November 20, 2017, the Bank increased the total amount available under the Facility to $13.5 million. The interest rate is based on a calculated formula using the Canadian Chartered Bank's Prime Lending Rate. Amounts drawn under the Facility are due to be repaid at the maturity date on November

30, 2019. Bank Indebtedness as at December 31, 2017 and December 31, 2016 was $8.5 million and $nil, respectively.

MORTGAGES

As at December 31, 2017, total outstanding mortgages were $96,323,127 ($84,119,727 as at December 31, 2016), (net of unamortized financing costs of $314,225 ($428,282 as at December 31, 2016)), offset by a $682,298 ($266,469 as at December 31, 2016) fair value adjustment with a weighted average interest rate of approximately 3.3% (3.1% as at December 31, 2016) and weighted average repayment term of approximately 3.3 years (3.6 years as at December 31, 2016). The mortgages are repayable as follows:

	Scheduled Principal Repayments	Debt Maturing During The Period	Total Mortgages Payable	Scheduled Interest Payments
2018	$ 2,181,414	$ 23,624,564	$ 25,805,978	$ 2,735,600
2019	1,827,258	9,500,000	11,327,258	2,159,893
2020	1,472,394	17,326,664	18,799,058	1,625,470
2021	670,680	15,818,445	16,489,125	988,426
2022	579,064	2,095,582	2,674,646	822,825
Thereafter	1,576,643	19,282,346	20,858,989	1,808,078
Face Value	**$ 8,307,453**	**$ 87,647,601**	**$ 95,955,054**	**$10,140,292**
Unamortized Financing Costs			(314,225)	
Fair Value Adjustment on Assumed Mortgages			682,298	
Total Mortgages			**$ 96,323,127**	

	December 31, 2017	December 31, 2016
Current:		
Mortgages	$ 25,805,978	$ 3,882,398
Unamortized Financing Costs	(112,026)	(131,092)
Fair Value Adjustment on Assumed Mortgages	70,536	74,081
	$ 25,764,488	$ 3,825,387
Non-Current:		
Mortgages	$ 70,149,076	$ 80,399,142
Unamortized Financing Costs	(202,199)	(297,190)
Fair Value Adjustment on Assumed Mortgages	611,762	192,388
	$ 70,558,639	$ 80,294,340
	$ 96,323,127	**$ 84,119,727**

On January 4, 2016, the Trust refinanced the first mortgages that encumbered the Centre Ice Retail Portfolio for one new first mortgage with a Canadian Chartered Bank. The $23.7 million first mortgage is a fixed 2.92% interest rate mortgage that matures on January 4, 2021. The Trust's pro-rata share of the new first mortgage is $16.6 million. As a result of the refinancing, the Trust received net cash proceeds of approximately $4.7 million.

On September 9, 2016, the Trust refinanced the first mortgage that encumbered one of the Montreal Industrial properties with a new first mortgage with a Canadian Chartered Bank. The $4.5 million first mortgage is a fixed 2.72% interest rate mortgage that matures on August 1, 2018. The Trust's pro-rata share of the new first mortgage is $2.25 million. As a result of the refinancing, the Trust received net cash proceeds of approximately $0.2 million.

On September 27, 2016, the Trust financed The Whitby Mall with a non-revolving senior secured term credit facility with a Canadian Chartered Bank. The $23.8 million first mortgage is a variable rate loan with an interest rate based on the Canadian Chartered Bank's Prime Lending Rate or Bankers Acceptance Rate plus a spread. The Trust's pro-rata share of the new first mortgage is $9.5 million. As a result of the financing, the Trust received net cash proceeds of approximately $9.5 million.

On November 30, 2017, the Trust assumed a $14.3 million ($14.8 million fair value) first mortgage as part of the Guelph Retail Portfolio acquisition. The mortgage, amortized over 30 years, has a 4.4% fixed interest rate and matures on October 1, 2024.

ACCOUNTS PAYABLE & ACCRUED LIABILITIES

Accounts payable and accrued liabilities as at December 31, 2017 September 30, 2017, and December 31, 2016 consist of the following:

	Dec 31, 2017	Sept 30, 2017	Dec 31, 2016
Professional Fees	$ 69,200	$ 69,200	$ 73,932
Utilities, Repairs & Maintenance, Other	2,005,030	1,709,689	2,697,332
Due to Asset & Property Manager	346,553	296,501	239,796
Accrued Interest Expense	153,454	152,303	155,701
Option Liabilities	731,011	869,947	624,611
	$ 3,305,248	**$ 3,097,640**	**$ 3,791,372**

Professional fees represent amounts payable for legal, audit and advisory fees. Utilities, Repairs & Maintenance, Other consist of utility costs, property taxes, repairs and maintenance, GST/HST payables to CRA and QST payables to Revenue Quebec. Due to Asset & Property Manager represent amounts payable to Firm Capital Realty Partners Inc. ("**FCRPI**") and Firm Capital Property Management Corp. ("**FCPMC**") as outlined below. Option liabilities relate to the unit option plan as outlined below.

UNIT OPTION PLAN & OPTION LIABILITIES

Under the Trust's unit option plan, the aggregate number of unit options reserved for issuance at any given time shall not exceed 10% of the number of outstanding Trust Units. As at December 31, 2017, the Trust has 734,000 Trust unit options issued and outstanding consisting of the following issuances:

> On June 23, 2014, the Trust granted 285,000 Trust unit options at a weighted average exercise price of $5.30 per Trust Unit. The unit options fully vested on the date of grant and expire on June 23, 2019. During the year ended December 31, 2017, 10,000 of these options were exercised and 6,000 of these options were forfeited, leaving a balance of 269,000 options.
>
> On August 15, 2016, the Trust granted 535,000 Trust unit options at a weighted average exercise price of $6.05 per Trust Unit. The unit options fully vested on the date of grant and expire on August 15, 2021. During the year ended December 31, 2017, 70,000 of these options were forfeited, leaving a balance of 465,000 options.

Unit-based compensation relate to the aforementioned unit options for the year ended December 31, 2017 and results in an expense of $106,400 for the year ($238,627 for the year ended December 31, 2016). Unit-based compensation was determined using the Black-Scholes option pricing Model and based on the following assumptions:

	As at December 31, 2017	**As at December 31, 2016**
Expected Option Life (Years)	1.0	1.0
Risk Free Interest Rate	1.53%	0.63%
Distribution Yield	6.38%	7.33%
Expected Volatility	20.00%	20.00%

Expected volatility is based in part on the historical volatility of the Trust Units. The risk free interest rate of return is the yield on zero-coupon Government of Canada bonds of a term consistent with the expected option life.

UNITHOLDERS' EQUITY

Unitholders' equity as at December 31, 2017 was $93,132,369 and consists of the following:

	Number of Units	Unitholder's Equity
Unitholders' Equity, December 31, 2015	**11,427,076**	**$ 67,216,344**
Non-Brokered Private Placement - July 2016	951,634	5,709,804
Non-Brokered Private Placement - August 2016	238,900	1,433,400
Less: Issue Costs	-	(139,811)
Options Exercised	25,000	125,000
Issuance of Units from DRIP	30,981	186,071
Add: Net Income	-	7,966,119
Less: Distributions	-	(5,094,760)
Unitholders' Equity, December 31, 2016	**12,673,591**	**77,402,167**
Non-Brokered Private Placement - December 2017	508,000	3,175,000
Less: Issue Costs	-	(111,477)
Options Exercised	385,000	1,928,000
Issuance of Units from DRIP	27,021	169,544
Add: Net Income	-	16,229,252
Less: Distributions	-	(5,660,117)
Unitholders' Equity, December 31, 2017	**13,593,612**	**$ 93,132,369**

- On December 27, 2017, the Trust completed a non-brokered private placement of Trust Units. 508,000 Trust Units were issued at a price of $6.25 per Trust Unit for gross proceeds of approximately $3.2 million.

- On August 31, 2016, the Trust completed a non-brokered private placement of Trust Units. 238,900 Trust Units were issued at a price of $6.00 per Trust Unit for gross proceeds of approximately $1.4 million.

- On July 28, 2016, the Trust completed a non-brokered private placement of Trust Units. 951,634 Trust Units were issued at a price of $6.00 per Trust Unit for gross proceeds of approximately $5.7 million.

The following option exercises occurred during the period ended December 31, 2017 and December 31, 2016, respectively:

- During the year ended December 31, 2017, 375,000 Trust unit options at a weighted average price of $5.00 per Trust Unit were exercised for gross proceeds of approximately $1.88 million and 10,000 Trust unit options were exercised at a weighted average price of $5.30 per Trust Unit for gross proceeds of approximately $0.05 million.

- During the year ended December 31, 2016, 25,000 Trust unit options at a weighted average price of $5.00 per Trust Unit were exercised for gross proceeds of approximately $0.1 million.

As at March 21, 2018 there were 16,083,985 Trust Units issued and outstanding.

RELATED PARTY TRANSACTIONS

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties, and are measured at fair value.

ASSET MANAGEMENT AGREEMENT

The Trust has entered into an Asset Management Agreement with FCRPI, an entity indirectly related to certain trustees and management of the Trust. The term of the contract is initially ten years and automatically renews for successive five year periods. Details of the Asset Management Agreement are posted on SEDAR (www.SEDAR.com) and in the notes to the financial statements.

On October 20, 2016, the terms of the Asset Management and Acquisition Fees changed. For further information, please refer to the notes to the financial statements.

For the years ended December 31, 2017 and December 31, 2016, Asset Management Fees were $1,161,848 and $945,390; Acquisition Fees were $195,188 and $317,437; Placement Fees were $17,825 and $88,233 and Performance Incentive Fees were $286,575 and $172,772, respectively.

Asset Management Fees are charged monthly and are based on 0.75% of the first $300 million of the Gross Book Value ("**GBV**") of the portfolio. The variance in comparing the twelve months ended December 31, 2017 over the twelve months ended December 31, 2016 is largely due to the various acquisitions that occurred in 2017 and 2016.

Acquisition Fees are paid on every acquisition and are based on 0.75% of the first $300 million of GBV of acquisitions. Placement Fees are paid on financings undertaken by FCRPI and are based on 0.25% of the aggregate value of all debt and equity financings arranged.

Performance Incentive Fees are based on 15% of the excess once AFFO exceeds $0.40 per unit. The amount reported for the twelve months ended December 31, 2017 in comparison to the amount reported for the twelve months ended December 31, 2016 is due to higher net proceeds generated from the sale of two unencumbered properties from the Centre Ice Retail Portfolio during 2017 along with a larger overall portfolio due to the Trust's accretive acquisition activity.

PROPERTY MANAGEMENT AGREEMENT

The Trust has entered into a Property Management Agreement with FCPMC, an entity indirectly related to certain trustees and management of the Trust. The term of the contract is initially ten years and automatically renews for successive five year periods. Details of the Property Management Agreement are posted on SEDAR (www.SEDAR.com) and in the notes to the financial statements.

For the years ended December 31, 2017 and December 31, 2016, Property Management Fees were $776,413 and $682,503 and Commercial Leasing Fees were $90,134 and $66,436, respectively.

Property Management Fees are charged monthly. The variance in property management fees for the twelve months ended December 31, 2017 over the twelve months ended December 31, 2016 is largely due to the acquisition activity that occurred during 2017 and 2016.

Commercial leasing and renewal fees are charged on a per lease basis. For the twelve months ended December 31, 2017, the Trust entered into new and renewal leases across the entire commercial portfolio.

INCOME TAXES

The Trust is a mutual fund trust and a real estate investment trust (a "**REIT**") pursuant to the Income Tax Act (Canada) (the "**Tax Act**"). Under current tax legislation, a REIT is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to Unitholders each year. The Trust is a REIT if it meets prescribed conditions under the Tax Act relating to the nature of its assets and revenue (the "**REIT Conditions**"). The Trust has reviewed the REIT Conditions and has assessed their interpretation and application.

The Trust intends to qualify as a REIT under the Tax Act and to make distributions not less than the amount necessary to ensure that the Trust will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements.

CAPITAL MANAGEMENT

The Trust's objectives when managing capital are to safeguard the ability to continue as a going concern, and to generate sufficient returns to provide unitholders with stable cash distributions. The Trust's capital currently consists of Bank Indebtedness, Mortgages and Unitholders' equity.

The Trust's Declaration of Trust permits the Trust to incur or assume indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the Trust is not more than 75% of the gross book value of the Trust's total assets. Gross Book Value ("GBV") is defined in the Declaration of Trust as "at any time, the book value of the assets of the Trust and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet, plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto plus the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the Trust shown thereon or in the notes thereto, or if approved by a majority of the Trustees at any time, the appraised value of the assets of the Trust and its consolidated subsidiaries may be used instead of book value." As at December 31, 2017 and December 31, 2016, the ratio of such indebtedness was 51.7% and 50.5%, respectively, which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

With respect to the Bank Indebtedness, the Trust must maintain ratios including minimum unitholders' equity, maximum debt/GBV, minimum interest service and debt service coverage ratios. The Trust monitors these ratios and is in compliance with these requirements throughout the three and twelve months ended December 31, 2017 and December 31, 2016.

CONTRACTUAL OBLIGATIONS

The Trust's contractual obligations over the next few years are as follows:

	Less than 1 Year	1 - 2 Years	>2 Years	Total
Bank Indebtedness	$ 8,453,216	$ -	$ -	$ 8,453,216
Mortgages	25,805,978	11,327,258	58,821,818	95,955,054
Tenant Rental Deposits	219,256	74,595	833,384	1,127,235
Distribution Payable	498,423	-	-	498,423
Accounts Payable & Accrued Liabilities	3,305,248	-	-	3,305,248
	$ 38,282,121	**$ 11,401,853**	**$ 59,655,202**	**$ 109,339,176**

DISTRIBUTION REINVESTMENT PLAN & UNIT PURCHASE PLAN

On February 5, 2013, the Trust announced the commencement of its Distribution Reinvestment Plan ("**DRIP**") and Unit Purchase Plan (the "**UPP**").

DISTRIBUTION REINVESTMENT PLAN ("DRIP")

Under the terms of the DRIP, FCPT's Unitholders may elect to automatically reinvest all or a portion of their regular monthly distributions in additional REIT units, without incurring brokerage fees or commissions.

Units purchased through the DRIP are acquired at the weighted average closing price of Trust Units in the five trading days immediately prior to the distribution payment date. Units purchased through the DRIP will be acquired either in the open market or be issued directly from FCPT's treasury based on a floor price to be set at the discretion of the board of trustees. Currently, there are 254,702 units reserved under the DRIP.

For the twelve months ended December 31, 2017 and December 31, 2016, 27,021 and 30,981 Trust Units were issued, respectively, from treasury for total gross proceeds of $169,544 and $186,071, respectively, to Unitholders who elected to receive their distributions under the DRIP.

UNIT PURCHASE PLAN ("UPP")

Unitholders who elect to receive Trust Units under the DRIP may also enroll in the REIT's new Unit Purchase Plan. The Plan gives each Unitholder who is resident in Canada the right to purchase additional units of the Trust monthly. Under the terms of the Plan, FCPT's Unitholders may purchase a minimum of $1,000 of Units on each Monthly Purchase Date and maximum purchases of up to $12,000 per annum. The aggregate number of Units that may be issued may not exceed 2% of the Units of the Trust per annum.

Registered Unitholders may enroll in the DRIP and the Plan by completing a form and submitting to Equity Financial Trust Company at the address set out in the form, or contact the Trust for copies of the forms. Beneficial Unitholders are encouraged to see their broker or other intermediary for enrolment information. The expected level of insider participation by management and trustees of the Trust under the DRIP and the Plan is currently not known. The DRIP and the Plan are subject to certain limitations and restrictions; interested participants are encouraged to review the full text of the DRIP and Plan at www.firmcapital.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF TRUSTEES

Management is responsible for the information disclosed in this MD&A, and has in place the appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is materially complete and reliable. In addition, the Trust's Audit Committee and Board of Trustees provide an oversight role with respect to all public financial disclosures by the Trust, and have reviewed and approved this MD&A and the consolidated financial statements as at December 31, 2017 and December 31, 2016.

CONTROLS AND PROCEDURES

The Trust maintains appropriate information systems, procedures and controls to ensure that information disclosed externally is complete, reliable, and timely. The Trust's Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and operating effectiveness of the Trust's disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2017 and have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

The Trust has also established adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Trust's financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. The Trust's Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision, of the design and operating effectiveness of the Trust's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2017. Based on that assessment, it was determined that the Trust's internal controls over financial reporting were appropriately designed and were operating effectively. In addition, the Trust did not make any changes to the design of the Trust's internal controls over financial reporting during the three and twelve months ended December 31, 2017 that would have materially affected or would be reasonably likely to materially affect the Trust's internal controls over financial reporting.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because 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, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) 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.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied by the Trust are described in note 2 of the Trust's consolidated financial statements for the year ended December 31, 2017 and accordingly should be read in conjunction with them.

ESTIMATES

The critical accounting estimates have been set out in the Trust's consolidated financial statements for the year ended December 31, 2017 and accordingly should be read in conjunction with them.

CRITICAL JUDGEMENTS

Critical judgments have been set out in the consolidated financial statements for the year ended December 31, 2017 and accordingly should be read in conjunction with them.

FUTURE CHANGES IN ACOUNTING POLICIES

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2018 and have not been applied in preparing these consolidated financial statements. A summary of these standards is as follows:

- IFRS 7 - Financial Instruments: Disclosures ("IFRS 7") was amended in October 2010. The amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of and risks associated with an entity's continuing involvement in derecognized financial assets and the offsetting of financial assets and liabilities. The amendments are effective for annual periods beginning on or after January 1, 2018 and are required to be applied in accordance with the standard.

- IFRS 9 - Financial Instruments ("IFRS 9") will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 was amended by the IASB in October 2010 to provide guidance on the classification and reclassification of financial liabilities, their measurement and the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss ("FVTPL"). When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Trust has assessed the impact of IFRS 9 to its consolidated financial statements and has concluded that there is no significant impact to the consolidated financial statements as a result of adopting this new standard.

- IFRS 15 - Revenue from Contracts with Customers ("IFRS 15"). In May 2014, the IASB issued IFRS 15, which replaces IAS 11 - Construction Contracts, IAS 18 - Revenue and IFRIC 13 - Customer Loyalty Programs, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. IFRS 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. The Trust has assessed the impact of IFRS 15 to its consolidated financial statements and has concluded that the pattern of revenue recognition will remain unchanged upon adoption of the standard.

- IFRS 16 - Leases ("IFRS 16"). IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The Trust is currently assessing the impact of IFRS 16 to its consolidated financial statements. Based on a preliminary assessment of the standard, the Trust does not expect this standard to have a significant impact on its consolidated financial statements as leases with tenants are expected to be accounted for as operating leases in the same manner they currently are.

SUBSEQUENT EVENTS

The following are events that occurred subsequent to December 31, 2017:

- On January 15, 2018, the Trust distributed monthly cash distributions of $0.036666 per Trust Unit to Unitholders of record at the close of business on December 29, 2017. On February 15, 2018, and March 15, 2018, the Trust distributed monthly cash distributions of $0.038333 per Trust Unit to Unitholders of record at the close of business on January 31, 2018 and February 28, 2018, respectively.

- On February 1, 2018, the Trust closed an overnight marketed public offering of 2.1 million trust units of the Trust. The offered units which were issued at a price of $6.25 per offered unit for gross proceeds to the Trust of $13.1 million.

- On February 1, 2018, the Trust closed a non-brokered private placement whereby 370,000 trust units of the Trust were issued at a price of $6.25 per unit for gross proceeds of $2.3 million.

- On March 21, 2018, the Trust announced that it has declared and approved monthly distributions in the amount of $0.038333 per Trust Unit for Unitholders of record on April 30, 2018, May 31, 2018 and June 29, 2018 payable on or about May 15, 2018, June 15, 2018 and July 16, 2018.

RISKS AND UNCERTAINTIES

The Trust is faced with the following ongoing risk factors, among others, that would affect Unitholders' equity and the Trust's ability to generate returns. All real property investments are subject to elements of risk. General economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors affect such investments. The Trust's properties are located across Canada. As a result, our properties are impacted by factors specifically affecting their respective real estate markets. These factors may differ from those affecting the real estate markets in other regions of Canada.

- *LIQUIDITY & GENERAL MARKET CONDITIONS*
  The Trust faces the risk associated with general market conditions and their potential consequent effects. Current general market conditions may include, among other things, the insolvency of market participants, tightening lending standards and decreased availability of cash, and changes in unemployment levels, retail sales levels, and real estate values along with access to capital. These market conditions may affect occupancy levels and FCPT's ability to obtain credit on favourable terms or to conduct financings through the public market.
- *REAL PROPERTY OWNERSHIP AND TENANT RISKS*
  Real property investments are relatively illiquid. This illiquidity will tend to limit the ability of the Trust to respond to changing economic or investment conditions. If the Trust were to be required to liquidate assets quickly, there is a risk the proceeds realized from such sale would be less than the book value of the assets or less than what could be expected to be realized under normal circumstances. By specializing in certain types of real estate, the Trust is exposed to adverse effects on that segment of the real estate market and does not benefit from a broader diversification of its portfolio by property class.

  All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. The properties generate revenue through rental payments made by the tenants thereof. The ability to rent unleased space in properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. Cash available for distribution will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms. If properties do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, this could have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

  Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the Trust's properties or revenues to be derived therefrom. Reported estimates of market rent can be seasonal and the significance of any variations from quarter to quarter would materially affect the Trust's annualized estimated gain-to-lease amount. There can be no assurance that upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues and it may take a significant amount of time for market rents to be recognized by the Trust due to internal and external limitations on its ability to charge these new market-based rents in the short term.
- *COMPETITION*
  Many of the sectors in which the Trust operates are highly competitive. The Trust faces competition from many sources, including from other buildings in the immediate vicinity of the properties and the broader geographic areas where the Trust's properties are and will be located. In addition, overbuilding in the geographic areas where the Trust's properties

are located may increase the supply of competing properties and may reduce occupancy rates and rental revenues of the Trust and could have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

The Trust's ability to make real estate investments in accordance with the Trust's objectives and investment policies depends upon the availability of suitable investments and the general economy and marketplace. Increased competition for acquisitions in the geographies in which the Trust operates from other acquirers of real estate may impact the availability of suitable investments and achievable investment yields for the Trust.

- *CHANGES IN APPLICABLE LAWS*
  The Trust's operations will have to comply with numerous federal, provincial and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include zoning laws, building codes, landlord tenant laws and other laws generally applicable to business operations. Non-compliance with laws could expose the Trust to liability.

  Lower revenue growth or significant unanticipated expenditures may result from the Trust's need to comply with changes in applicable laws, including (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions, (ii) rent control or rent stabilization laws or other landlord/tenant laws, or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the Trust's properties, including changes to building codes and fire and life-safety codes.
- *UNEXPECTED COSTS OR LIABILITIES RELATED TO ACQUISITIONS*
  Risks associated with real property acquisitions are that there may be an undisclosed or unknown liability concerning the acquired properties, and the Trust may not be indemnified for some or all of these liabilities. Following an acquisition, the Trust may discover that it has acquired undisclosed liabilities, which may be material. The Trust conducts what it believes to be an appropriate level of investigation in connection with its acquisition of properties and seeks through contract to ensure that risks lie with the appropriate party.
- *ACCESS TO CAPITAL*
  The real estate industry is highly capital intensive. The Trust will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that the Trust will have access to sufficient capital or access to capital on terms favourable to the Trust for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the Trust may not be able to borrow funds due to the limitations set forth in the Declaration of Trust.

  In addition, global financial markets have experienced a sharp increase in volatility during recent years. This has been, in part, the result of the re-valuation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as governments continue attempts to restore liquidity to the global economy, no assurance can be given that the combined impact of the significant re-valuations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world in the near to medium term. These market conditions and unexpected volatility or illiquidity in financial markets may inhibit the Trust's access to long-term financing in the Canadian capital markets. As a result, it is possible that financing which the Trust may require in order to grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular property owned by the Trust or otherwise, may not be available or, if it is available, may not be available on favourable terms to the Trust. Failure by the Trust to access required capital could have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

- *INTEREST RATE & DEBT FINANCING RISK*
  The Trust will be subject to the risks associated with debt financing. There can be no assurance that the Trust will be able to refinance its existing indebtedness on terms that are as or more favourable to the Trust as the terms of existing indebtedness. The inability to replace financing of debt on maturity would have an adverse impact on the financial condition and results of FCPT.
- *ENVIRONMENTAL RISK*
  Environmental and ecological related policies have become increasingly important in recent periods. Under various federal, provincial and municipal laws, an owner or operator of real property could become liable for the cost of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The existence of such a liability can have a negative impact on the value of the underlying real property.

  It is our policy to obtain a Phase I environmental audit conducted by a qualified environmental consultant prior to acquiring any additional property, who has the appropriate insurance coverage. In addition, where appropriate, tenant leases generally specify that the tenant will conduct its business in accordance with environmental regulations and be responsible for any liabilities arising out of infractions to such regulations.
- *LEGAL RISK*
  In the normal course of the Trust's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Trust and as a result, could have a material adverse effect on the Trust's assets, liabilities, business, financial condition and results of operations. Even if the Trust prevails in any such legal proceeding, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the Trust's business operations, which could have a material adverse effect on the Trust's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.
- *LEASE ROLLOVER RISK*
  The value of investment properties and the stability of cash flows derived from those properties are dependent upon the level of occupancy and lease rates in those properties. Upon expiry of any lease, there is no assurance that a lease will be renewed on favourable terms, or at all; nor is there any assurance that a tenant can be replaced. A contraction in the Canadian economy would negatively impact demand for space in our properties, consequently increasing the risk that leases expiring in the near term will not be renewed.
- *INCOME TAX RISK*
  On December 22, 2007, the SIFT Rules were enacted. Under the SIFT Rules, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income,

and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to the tax.

The SIFT Rules do not apply to a “real estate investment trust" that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions”). The Trust has reviewed the REIT Conditions and has assessed their interpretation and application to the Trust’s assets and liabilities. The Trust believes that it has met the REIT Conditions throughout the relevant periods ended. There can be no assurances, however, that the Trust will continue to be able to satisfy the REIT Conditions in the future such that the Trust will not be subject to the tax imposed by the SIFT Rules.

- *FIXED COSTS AND INCREASED EXPENSES*

  The failure to maintain stable or increasing average monthly rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the Trust’s business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the Trust is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee’s exercise of its rights of foreclosure or sale.

  The Trust is also subject to utility and property tax risk relating to increased costs that the Trust may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of re-valuations of properties and their adherent tax rates. In some instances, enhancements to properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Trust cannot charge back to the tenant may have a material adverse effect on the Trust’s business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

  The timing and amount of capital expenditures by the Trust will affect the amount of cash available for distributions to holders of Trust Units. Distributions may be reduced, or even eliminated, at times when the Trust deems it necessary to make significant capital or other expenditures.

- *UNITHOLDER RISK*

  There is a risk that FCPT’s Unitholders could become subject to liability. The Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as Trustee or carrier shall be held to have any personal liability as such, and no resort shall be had to, nor shall recourse or satisfaction be sought from, the private property of any Unitholder or annuitant for any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Trust property or the affairs of the Trust, including, without limitation, for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Trust or of the Trustees or any obligation which a Unitholder or annuitant would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such, but rather the assets of the Trust only are intended to be liable and subject to levy or execution for satisfaction of such liability. Each Unitholder and annuitant under a plan of which a Unitholder acts as Trustee or carrier shall be entitled to be reimbursed out of the assets of the Trust in respect of any payment of a Trust obligation made by such Unitholder or annuitant. The Declaration of Trust further provides that, whenever possible, any written instrument creating an obligation which is or includes the granting by the Trust of a mortgage, and to the extent management of the Trust determines to be practicable, any written instrument which is, in the judgment of management of the Trust, a material obligation, shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the Trustees, Unitholders, annuitants under a plan of which a Unitholder acts as a Trustee or carrier, or Officers, employees or agents of the Trust, but that only property of the Trust or a specific portion thereof shall be bound; the Trust, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the Trust upon the acquisition of real property.

Certain provinces have legislation relating to Unitholder liability protection, including British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec. To FCPT's knowledge, certain of these statutes have not yet been judicially considered and it is possible that reliance on such statute by a Unitholder could be successfully challenged on jurisdictional or other grounds.

- *DEPENDENCE ON FCRPI AND FCRPI*

  The Trust's earnings and operations are impacted by FCRPI's ability to source appropriate real estate investments that provide sufficient yields for investors and FCRPI to maintain these real estate investments. The Trust has also entered into long-term contracts with FCRPI and FCRPI, as more particularly described in the "Asset Management Agreement" and "Property Management Agreement" both dated November 20, 2012 as posted on SEDAR (www.SEDAR.com). The Trust is exposed to adverse developments in the business and affairs of FCRPI and FCRPI, since the day to day activities of the Trust are run by FCRPI and FCRPI and since all of the Trust's real estate investments are originated by FCRPI.
- *RETURN RISK*

  There is no guarantee as to the return an investment in Trust Units of the Trust will generate.
- *POTENTIAL CONFLICTS OF INTEREST*

  The Trust is subject to various potential conflicts of interest because the Asset Manager and Property Manager are entities indirectly related to certain trustees and management of the Trust. Further, the Trustees and Officers may co-invest in property acquisitions and investments alongside the Trust. In addition, the Trustees and Officers of the Trust may from time to time deal with parties with whom the Trust may be dealing with, or may be seeking investments similar to those desired by the Trust. Certain Trustees and Officers of the Trust are also employed by entities directly and/or indirectly related to the Asset Manager and Property Manager and are involved in varying real estate related activities including, but not limited to acquisitions, divestitures and management of real estate and real estate related debt and equities.

  The Declaration of Trust does not restrict Trustees or Officers of the Trust, the Asset Manager, the Property Manager and/or its affiliates from being engaged (directly or indirectly) in real estate and business transactions in which their individual interests are actually, or are perceived to be, in conflict with the interests of the Trust. Accordingly, there can be no guarantee that the Trustees and Officers of the Trust, when acting in a capacity other than a Trustee or Officer of the Trust will act in the best interests of the Trust.

- *RELIANCE ON KEY PERSONNEL AND TRUSTEES*
  In assessing the risk of an investment in the Trust Units, potential investors should be aware that they will be relying on the good faith, experience and judgment of the Trustees. Although investments made by the Trust are carefully chosen by the Trustees, there can be no assurance that such investments will earn a positive return in the short or long-term or that losses may not be suffered by the Trust from such investments.
- *DILUTION*
  The number of Trust Units the Trust is authorized to issue is unlimited. The Trustees have the discretion to issue additional Trust Units in other circumstances, including under the Unit Option Plan. Any issuance of Trust Units may have a dilutive effect to existing Unitholders.
- *OPERATIONAL RISKS*
  Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. Management endeavours to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are reviewed and if deemed necessary improvements are implemented.
- *RISK RELATED TO INSURANCE RENEWALS*
  Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When the Trust’s current and future insurance policies expire, the Trust may encounter difficulty in obtaining or renewing property or casualty insurance on its properties at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the Trust is able to renew its policies at levels and with limitations consistent with its current policies, the Trust cannot be sure that it will be able to obtain such insurance at premiums that are reasonable. If the Trust is unable to obtain adequate insurance on its properties for certain risks, it could cause the Trust to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require the Trust to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur, or if the Trust were unable to obtain adequate insurance, and its properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Trust’s business, cash flows, financial condition and results of operations and ability to make distributions to holders of Trust Units.

OUTLOOK

We expect to see an increase in interest rates for 2018 with the overnight rate rising to 1.5% by the end of 2018. The Trust expects that this rising rate environment with the current elevated levels of household debt will moderate the level of growth in 2018 vs the 3.0% GDP growth in 2017.

We believe that the Trust is well positioned for growth with a strong balance sheet. The Trust continues to maintain cash liquidity to take advantage of opportunities as they arise. The Trust continues to target industrial, flex industrial, net lease convenience retail, multi-residential, core service provider and healthcare professional office assets across Canada. We expect to grow predominately through external acquisitions through 2018 with a focus on multi-tenant industrial and convenience retail. We will continue to assess each acquisition to ensure they meet our investment objectives but will not grow the portfolio only for the sake of growth. In addition to growth generated by acquisitions, the Trust's growth is expected to come from within the portfolio, through a combination of leasing and build out of existing excess density when feasible over the next several years.

Overall, the Trust anticipates that real estate fundamentals in Canada will remain stable in 2018 and that our properties will perform in line with the growth expectations of our markets. We will continue to focus our acquisition program towards off market and partial interest transactions as we anticipate they will provide the Trust with the best investment opportunities. The Trust will also continue to focus on organic growth and value creation opportunities by extracting value from our portfolio, redevelopment and repositioning of select assets through property improvement projects, expansion of existing portfolio properties, recycling capital and capitalizing on new development opportunities.