IGA – Faubourg Des Prairies
12295 – 12401 Boulevard Rodolphe-Forget, Montreal, QC

SKYLINE

SKYLINE RETAIL REIT 2019

ANNUAL REPORT TO UNITHOLDERS, DECEMBER 31 2019

Starbucks – Red Deer Village
6320 – 6380 50th Avenue, Red Deer, AB

CONTENTS

OVERVIEW

$1.11 B	**4.3 MM**	**82.7%**
Fair Value of Investment Properties (13.9% increase)	Gross Leasable Area (sq.ft)	FFO Payout Ratio
$13.50	**$0.996**	**7.38%**
Current Unit Value (As at April 30, 2020)	Annual Distribution per Unit (As at April 30, 2020)	Annual Distribution Yield (As at April 30, 2020)
15.00%	**14.78%**	**13.24%**
Annualized Return 1 yr (As at April 30, 2020)	Annualized Return 5 yr (As at April 30, 2020)	Annualized Return Since Inception (As at April 30, 2020)

LCBO
351 – 431 Talisman Dr, 155 & 225 Edward Street, Gravenhurst, ON

AWARDS

Best Managed Companies - Gold Standard Winner 2019

Sponsored by Deloitte, CIBC, Canadian Business, Smith School of Business, TMX, and MacKay CEO Forums, Canada's Best Managed Companies program measures more than financial performance. Applicants are assessed by a panel of judges made up of the program sponsors. Emphasis is placed on people, culture, overall business performance, innovation, and sustained growth.

FRPO 2019 MAC Awards - Winner, Environmental Excellence

Skyline accepted top recognition in the category of Environmental Excellence, recognizing a rental housing provider who has demonstrated excellence in environmental practices. Skyline also received a Top-3 nomination in two other categories: Property Manager of the Year and Community Service Award of Excellence.

Growth 500 - Winner, 2019

Skyline Group of Companies ranked No. 332 on the 30th annual Growth 500, the definitive ranking of Canada's Fastest-Growing Companies. Produced by Canadian Business publication, the Growth 500 has been Canada's most respectable and influential ranking of entrepreneurial achievement.

Globe and Mail's Canada's Top Growing Companies

Skyline Group of Companies ranked no. 369 on the inaugural The Globe and Mail Report on Business ranking of Canada's Top Growing Companies. The Canada's Top Growing Companies ranking program aims to celebrate entrepreneurial achievement in Canada by identifying and amplifying the success of growth-minded, independent businesses in Canada.

Our Purpose

We exist to create meaningful value and an exceptional experience for each of our stakeholders, and to develop strong, supportive communities.

Our Values

Professionalism
Respect
Integrity
Drive
Efficiency

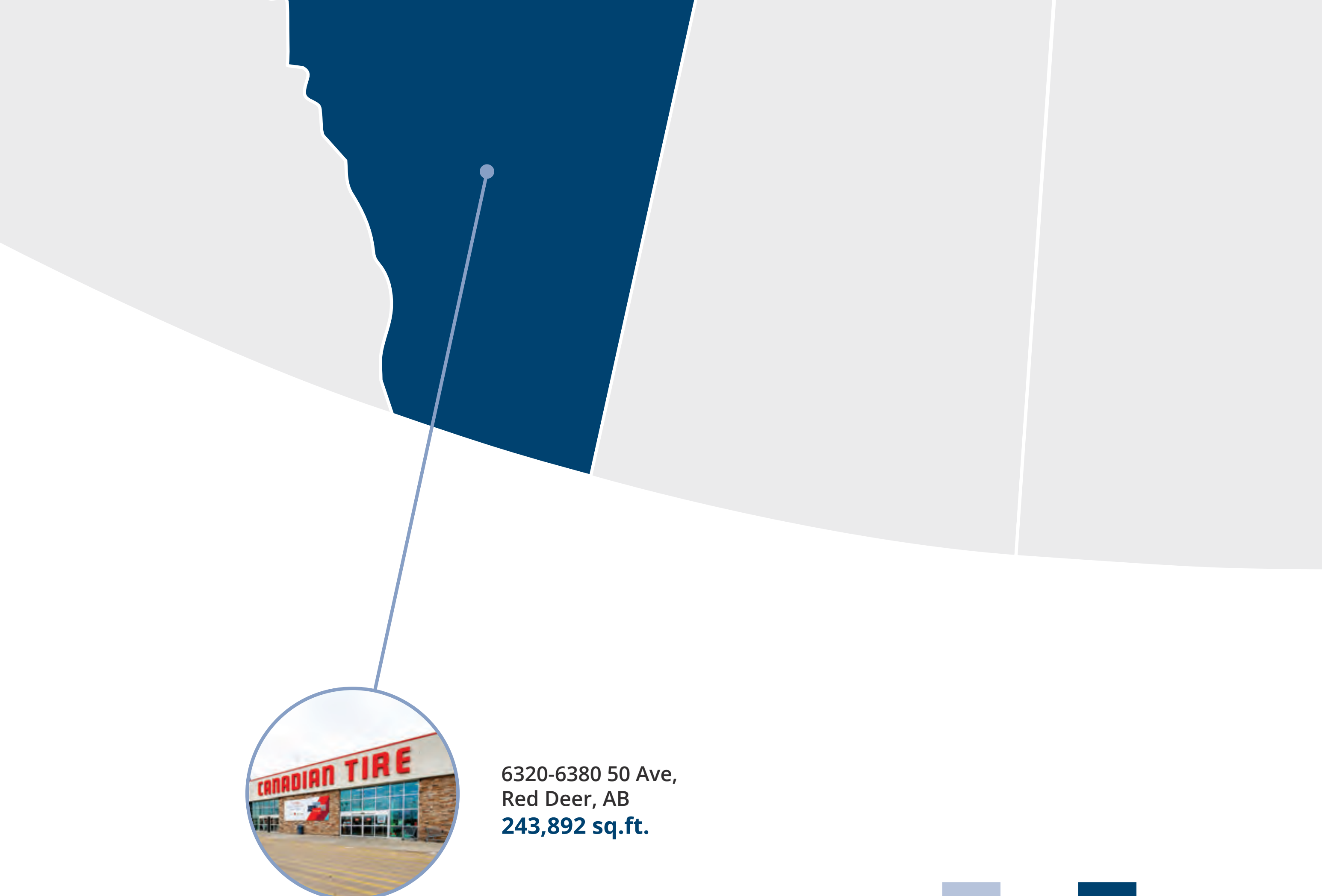
Our Mission

We bring passion, energy, and determination to make a positive impact with every interaction.

Grounded in real estate, **powered** by people and **growing** for the future...

Shoppers Drug Mart
1171 – 1183 16th Street East, Owen Sound, ON

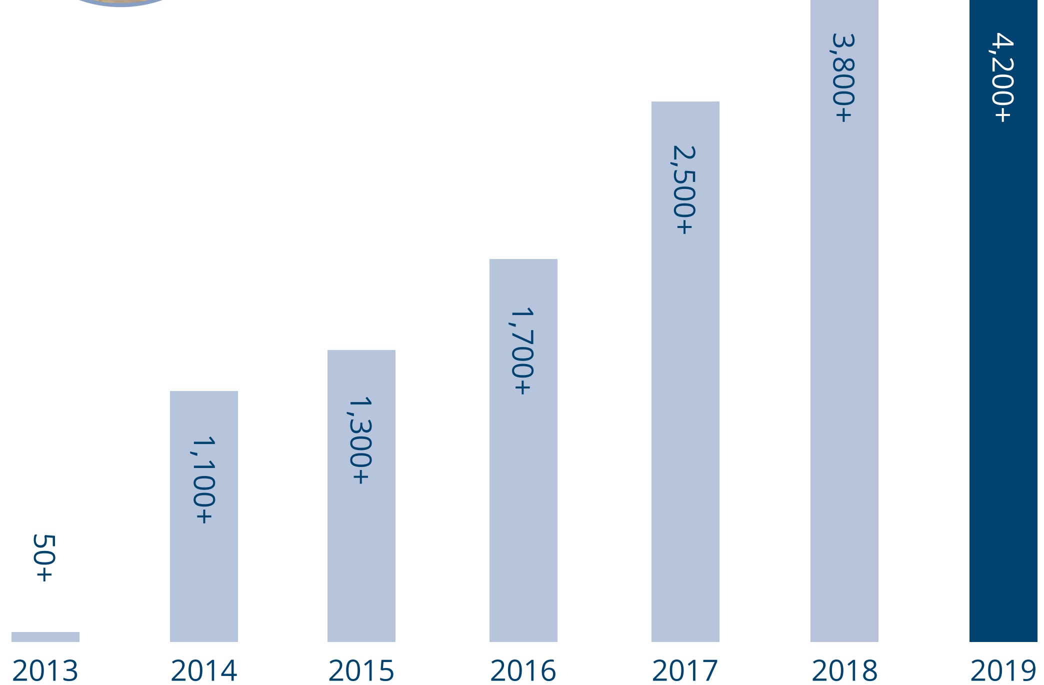
2019 TRANSACTIONS



6320-6380 50 Ave,
Red Deer, AB
243,892 sq.ft.

859 Fort William Road,
Thunder Bay, ON
44,566 sq.ft.

351-431 Talisman Drive &
155-225 Edward Street,
Gravenhurst, ON
149,549 sq.ft.



Total Rentable Square Feet Per Year

Skyline Retail REIT focuses on trusted National Brand retail tenants with long-term leases.

The portfolio focuses on tenants anchored in "everyday essential" services such as grocery and pharmacy, in strong and growing secondary and tertiary markets.

Our engagement and enthusiasm stems from our knowledge that we have the best people in the industry helping us create and improve our systems, protocols, and sub-strategies to optimize revenue generation and growth.

From left to right: **Martin Castellan,** Co-Founder & Chief Administrative Officer; **Jason Castellan,** Co-Founder & Chief Executive Officer; **R. Jason Ashdown,** Co-Founder & Chief Sustainability Officer; **Wayne Byrd,** Chief Financial Officer.

CEO ADDRESS TO UNITHOLDERS

With yet another year behind us, and 2020 ahead, we are approaching our 15th Annual General Meeting as a business offering a REIT investment product. Further, it has now been more than 20 years since our first Syndication that was formed to hold a 15-unit apartment building, and more than 28 years since our rental business was first developed. That translates into approximately 340 months; or, as we call it, 340 rent cycles and bill payments. Although we have adapted and evolved our business over the years, our fundamentals have remained intact through all 340 months. To be clear, this does not translate to the idea that our work is monotonous. Our engagement and enthusiasm stems from our confidence that we have the best people in the industry helping us create and improve our systems, protocols, and sub-strategies to optimize revenue generation and growth. Maintaining the balance of minimizing our expenses and maintaining our assets for longevity is a challenge to which we rise every day.

For Skyline Apartment REIT, Skyline Commercial REIT, and Skyline Retail REIT, 2019 brought continuous improvement on the quality of assets within each portfolio through new acquisitions, strategic dispositions, and, in the case of the Skyline Apartment REIT, new build development. By selling assets at a premium to what we considered market value, and subsequently redeploying the capital for the benefit of each REIT, we saw stronger performance across each portfolio. However, growth is our mandate, and with interest rates at (yet again) historic lows, we have been able to add value to the REIT portfolios and thus improve the payout ratios to our investors. This strategy provides us with the ability to make decisions from a position of strength at all times.

This year also brought a distinct learning opportunity in that the historical stability and successful performance of the REITs made it difficult to raise capital for Skyline Mortgage Investment Trust (the "Trust"). In a low-interest rate environment, the REITs enjoy an advantageous position; at the same time, this environment hinders the ability to secure borrowers that are willing to pay interest rates that match our distribution payout levels. Taking this into consideration, along with the full taxation of the interest payments, the Trust was unable to effectively attract a meaningful level of investment. In late 2019, we began an orderly wind-up of the Trust, and all investors were subsequently paid out in full. We thank all investors who participated in Skyline Mortgage Investment Trust; although the investment was a success, it did not achieve an amount of growth at which we could continue to justify spending our resources.

In regard to Skyline Clean Energy Fund (the "Fund"), 2019 brought substantial growth, as an increasing number of investors sought alternative investment products that offer growth opportunities alongside sustainable, future-conscious practices. Skyline Clean Energy Fund's structure and management strategy allow the Fund to effectively offer each of these benefits.

While the assets within the Fund are backed with long-term government contracts, they also continue to benefit from the continuously improving technology in the clean energy sector. Through strategic adoption of this technology, where it provides the most value to the Fund, we have seen continuous improvement of the Fund's revenue streams. Additionally, we are seeing a global shift toward the decentralization of power production. In other words, there is a demand to move away from large centralized power generation facilities, and instead toward local energy production systems that offer more efficiency, customization, and control to the respective communities they serve. With Skyline Clean Energy Fund, Skyline is not only positioned to service the communities in which the Fund currently owns assets, but also in any community that uses power.

Since the Fund's performance depends on a resource that is virtually infinite—the sun—the growth opportunity for the Fund is effectually limitless, thus making it a bright opportunity for investors. By adopting the same general model and foundational strategies that we apply to the REITs (owning hard assets that produce monthly revenue), we can continuously optimize the Fund both for the short term and long term.

Overall, 2019 was a year of constant hard work that translated into improvement on a multitude of fronts: balance sheets, payout ratios, borrowing costs, and revenue generation, just to name a few. There was not a moment during the past year in which Skyline's operations companies or Funds sat idle; to the contrary, in 2019, the group of companies worked harder than ever before. Although we can look back with pride on a successful year, it is never an excuse to pause; we will continue to identify value-add opportunities, employ the strategies that allow us to flourish, and reshape those that do not. Our growth in 2019 has positioned us well to navigate 2020 with strength and fortitude.

Jason Castellan

Co-Founder, Chief Executive Officer & Trustee,
Skyline Retail REIT.

No Frills – Wharncliffe Centre
1, 7, 11 Baseline Road East, London, ON

PRESIDENT'S REPORT

Skyline Retail REIT (the "REIT") continues to enjoy significant success across virtually all of the important industry metrics, demonstrating high performance in terms of occupancy, payout ratio, portfolio appreciation, and distributable income. Our experienced team continues to work diligently towards maintaining and improving upon this success as the REIT continues to deliver stable distributions to its many investors.

Through 2019, the effect of e-commerce on retailers became better understood. As the threat of a contraction waned, competition for best-in-class retail assets grew fierce. Our institutional and private investor competitors bid deeply for well-anchored retail centres in secondary and tertiary markets.

The REIT continues to benefit from a growing reputation for high performance and for the ability to acquire off-market and competitively bid for retail opportunities.

While 2019 yielded fewer acquisitions than the previous year, we are very pleased with the quality and future prospects of the centres we purchased. Despite the highly competitive landscape, our acquisitions team maintained discipline in terms of evaluating the pricing and quality of assets. We will always insist on acquiring high quality, dominant, and accretive retail centres in strong retail trade areas. The REIT continues to benefit from a growing reputation for high performance and for the ability to acquire off-market and competitively bid for retail opportunities.

In 2019, the REIT undertook its first new-build developments, adding important new tenants (RBC, Tim Hortons) to strengthen the tenant base in existing centres in the portfolio. In addition, the REIT is well advanced on achieving entitlements for the addition of new retail, apartment, and hotel density to our Gravenhurst, ON asset acquired in early 2019. The addition of density to our existing portfolio is expected to be an important driver of portfolio value going forward.

Notwithstanding all of the positive outcomes in 2019, retail real estate is not without its challenges. As consumer behaviour evolves, retail businesses change their positioning accordingly, and the retail real estate landscape evolves in turn. Our largest advantage is the strength, experience, and creativity of our Skyline Retail team. We prioritise staying on top of the constantly-changing retail market trends, through both formal education and communication with industry-leading retailers and retail analysts. No matter what the market landscape, we understand the importance of supporting our existing and future tenants with the best possible environment to propel their success.

It is the Skyline Retail team's pleasure to work on behalf of Skyline Retail REIT's investors and Board of Trustees to continue to grow what has become a REIT recognized for the quality and stability of its real estate assets. We sign off on 2019 well-positioned to capitalize on future opportunities.

Gordon Driedger
President,
Skyline Retail REIT

SENIOR MANAGEMENT

Jason Castellan
Co-Founder &
Chief Executive Officer,
Skyline Group
of Companies

Martin Castellan
Co-Founder &
Chief Administrative
Officer, Skyline Group
of Companies

R. Jason Ashdown
Co-Founder &
Chief Sustainability Officer,
Skyline Group
of Companies

Wayne Byrd, CPA, CMA
Chief Financial Officer,
Skyline Group
of Companies

Gordon Driedger
President,
Skyline Retail REIT

Maria Duckett
Vice President,
Skyline Commercial
Management Inc.

Krish Vadivale
Vice President,
Finance
Skyline Group of Companies

Mike Bonneveld
Vice President,
Skyline Asset
Management Inc.

Pete Roden
Vice President,
Skyline Mortgage
Financing Inc.

Karyn Sales
General Counsel,
Skyline Group of
Companies

INDEPENDENT TRUSTEES

George Schott

George Schott has more than 35 years experience in the Real Estate sector holding positions as President and COO of Morguard Investment Limited; Founder, President and CEO of Osmington Inc.; and Chairman and CEO of Redcliff Realty. Previously, he has held various senior management titles with Bramalea as EVP, Markborough as SRVP and Oxford as VP Development. Mr Schott has been a long-standing director of EllisDon since joining in 2003 and has been a director of Key REIT, advisor to 20 Vic Management and former Chairman of the investment committee of Aurion Capital.

Perry Katz

Perry Katz has almost 25 years of experience practicing law in the real estate sector in Canada. He is presently a senior partner at Miller Thomson LLP, and is involved in high-profile transactions focusing on the acquisition, disposition, development, leasing, and financing of commercial real estate. He has also acted for a number of REITs and income funds. He is called to the bar in Ontario, Quebec, New York and Massachusetts, and is ranked in The Best Lawyers in Canada as a leading expert in Commercial Leasing and Real Estate Law. Mr. Katz's clients include some of Canada's leading retailers, investors and developers.

Jonathan Halpern

Jonathan Halpern, CPA, CA, is currently the President of Metropolitan Equities Limited, a privately owned family office and real estate investment company. Prior thereto, Mr. Halpern was a senior manager with an international accounting firm specializing in real estate and small business. Mr. Halpern has also served on the management committee of a national commercial flooring distributor. Mr. Halpern is a member of Chartered Professional Accountants of Ontario and Manitoba, and holds a Bachelor of Commerce (Honours) degree with Distinction with the University of Manitoba. Mr. Halpern also sits on the Board of Trustees of Skyline Commercial REIT.

Gary Finkelstein

Gary Finkelstein has more than 30 years of experience in the commercial real estate investment and development industry. He is presently Chief Investment Officer and Senior Vice President of Acquisitions/Development at Terracap Group of Companies. His previous roles include Vice President of Commercial Solutions at a residential and commercial title insurance firm, and President at a real estate development and consulting firm where he was responsible for strategic commercial growth initiatives and project management for some of Canada's most prestigious retailers. His experience also includes being a member of the International Council of Shopping Centres (ICSC) and a member of RealPAC (Real Property Association of Canada). Gary is passionate about being part of an organization that always strives to deliver on its promise to both customers and employees alike.

Rexall
537 – 547 Frederick St, Kitchener, ON

Dollarama
878 – 894, 900 Tower Street South, Fergus, ON

Food Basics – Commissioners Court Plaza
509 – 511 Commissioners Road West, London, ON

Canadian Tire – Red Deer Village
6320 – 6380 50th Avenue, Red Deer, AB

FINANCIAL REPORTING

Forward-Looking Disclaimer

The following Management's Discussion and Analysis ("**MD&A**") of the results of operations and financial conditions for the year ended December 31, 2019 should be read in conjunction with Skyline Retail Real Estate Investment Trust's ("**Skyline Retail REIT**" or the "**REIT**") consolidated audited financial statements. Certain statements in this MD&A could be considered forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the REIT's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions; and interest rates.

The information in this MD&A is based on information available to management as of April 30, 2020, except where otherwise noted. Skyline Retail REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Certain figures presented for comparative purposes have been reclassified to conform to the current year's presentation.

In some instances, forward-looking information can be identified by the use of terms such as "may", "should", "expect", "will", "anticipate", "believe", "intend", "estimate", "predict", "potentially", "starting", "beginning", "begun", "moving", "continue", or other similar expressions concerning matters that are not historical facts. Forward-looking statements in this MD&A include, but are not limited to, statements related to acquisitions or dispositions, development activities, future maintenance expenditures, financing and the availability of financing, tenant incentives, and occupancy levels.

Non-IFRS Measures

Skyline Retail REIT releases audited consolidated annual financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). In this MD&A, as a complement to results provided in accordance with IFRS, Skyline Retail REIT also discloses and discusses certain financial measures not recognized under IFRS and that do not have standard meanings prescribed by IFRS. These include net operating income ("**NOI**"), Funds From Operations ("**FFO**"), Adjusted Funds from Operations ("**AFFO**") and applicable per Unit amounts and payout ratios (collectively, the "**Non-IFRS Measures**").

These Non-IFRS Measures are further defined and discussed in the "Key Performance Indicators" and "Funds from Operations" sections of this MD&A. Since NOI, FFO and AFFO are not measures recognized under IFRS, they may not be comparable to similarly titled measures reported by other issuers. Skyline Retail REIT has presented the Non-IFRS measures because Management believes these Non-IFRS measures are relevant measures of the ability of Skyline Retail REIT to earn revenue and to evaluate Skyline Retail REIT's performance. A reconciliation of the Non-IFRS measures is provided in the "Payout Ratios" section. The Non-IFRS measures should not be construed as alternatives to net income (loss) or cash flows from operating activities determined in accordance with IFRS as indicators of Skyline Retail REIT's performance or the sustainability of our distributions.

MD&A Overview

This MD&A focuses on key areas from the consolidated financial statements and pertains to major known risks and uncertainties relating to the real estate industry in general, and the Trust's business, in particular. This discussion should not be considered comprehensive as it excludes changes that may occur in general economic, political, and environmental conditions. Additionally, other elements may or may not occur, which could affect the organization in the future. To ensure that the reader is obtaining the best overall perspective, this discussion should be read in conjunction with material contained in the audited consolidated financial statements for the years ended December 31, 2019 and 2018, along with all other information regarding Skyline Retail REIT posted publicly by the REIT and its affiliates. It is not our intent to reproduce information that is located in these other reported documents, but rather to highlight some of the key points and refer you to these documents for more detailed information.

Business Overview

Skyline Retail Real Estate Investment Trust is an unincorporated open-ended investment trust created by a Declaration of Trust effective as of October 8, 2013, amended and restated as of December 1, 2016 (the "**Declaration of Trust**" or "**DOT**") and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. Skyline Retail REIT earns income from investments in a diversified portfolio of retail properties.

Management Strategy

As managers to Skyline Retail REIT; Skyline Retail Asset Management Inc. (the "**Asset Manager**"), Skyline Wealth Management Inc. (the "**Wealth Manager**") and Skyline Commercial Management Inc. (the "**Property Manager**") will implement their values and strategies as they fulfill their responsibilities. The REIT's mandate is clear and focused on the following strategies:

- **Maximize Revenues** - The ability to maximize revenues for Skyline Retail REIT is dependent upon four factors:

  a. Increases to base rental rates upon lease expiries and at lease renewal based on regularly updated, localized, competitive market data;
  b. Improvements in occupancy rates;
  c. Reductions in operating expenses as it relates to overall tenant occupancy cost; and
  d. Development or expansion of rentable space.

- **Reduce Expenses** - Prudently managing expenses at the property level is critical for improving the profitability of each property and of the portfolio as a whole. Skyline Commercial Management Inc. has developed strategies to reduce and control expenses through a variety of programs, capital projects, and diligent consumption monitoring:

  a. Manage consumption through tenant education and implementation of energy-saving initiatives (including through capital investment);
  b. Reduce maintenance costs through competitive bidding and tendering requirements;
  c. Competitive negotiation and re-negotiation of critical service contracts with constant consideration for economies of scale, along with diligent and responsible tracking of billing;
  d. Ensuring that only costs related to shared services are charged to common area costs ("CAM") versus costs that are tenant-specific and should be charged back directly to a tenant according to lease provisions;
  e. Preventative and proactive maintenance and capital expenditure planning;
  f. Future planning – Bulk purchasing, internalization of current supplier services, etc;
  g. Ensuring that standard leases clearly delineate Landlord versus Tenant responsibilities for repair and replacement, including recovery via amortization of major repairs, and moving tenants onto the current lease format at renewal; and
  h. Ongoing training of Portfolio Managers in an effort to educate them on available cost saving measures, as well as on general maintenance.

It is Skyline Commercial Management Inc.'s strategy to aggressively work toward expense reduction and control. In the competitive marketplace of Canadian retail real estate, Skyline Commercial Management Inc. has committed to regularly review expenses and reduce them wherever possible without sacrificing service levels and tenant satisfaction. Striving to reach this goal also begins the progress towards the third goal of improving portfolio quality and improving the overall asset base.

- **Improve Portfolio Quality -** The retail property sector is as competitive as the retail businesses which tenant the assets. It is imperative to maintain a superior location within which businesses can retain and attract customers to ensure tenant success. Especially in a competitive market, major tenants understand their strength and are often encouraged to relocate to other real estate opportunities in a given market. We vet acquisition opportunities to ensure that they represent good quality locations to support quality tenants over the very long-term. Healthy anchor tenants, in turn, attract smaller national, regional and independent tenants which serve to improve the overall attractiveness and financial strength of the assets. Capital expenditures are made to continually support this initiative.

Key Performance Indicators

To meet its objectives and evaluate the success of its strategies, Skyline Retail REIT uses several key operating and performance indicators:

- **Distributions.** During 2019, Skyline Retail REIT was paying monthly distributions to Unitholders of $0.083 per unit, or $0.996 on an annual basis. At December 31, 2019, approximately 39.5% of the Investment Units (REIT and LP) were enrolled in the Distribution Re-Investment Plan ("**DRIP**").
- **Occupancy.** Management is focused on achieving occupancy levels that exceed the overall averages for the geographic regions in which Skyline Retail REIT exists, without sacrificing the maximization of rental income. At December 31, 2019, overall occupancy was 96.3%.
- **In-Place Rental Rates.** Through ongoing and active management, the portfolio's in-place base rents will always be evaluated against market rents for similar assets, in order to achieve the most accretive gain (or least impactful loss, in the case of softer markets) when space is renewed, remerchandised and/or newly leased.
- **Leasing and Tenant Profile.** Through the management of the key indicators of 'occupancy' and 'in place rental rates', Management will evaluate and optimize the overall average remaining lease term in order to spread vacancy risk over a longer term.
- **Net Operating Income ("NOI").** This is defined as operating revenues less operating expenses, and is a key measure of operating performance. It is a key non-International Financial Reporting Standards ("IFRS") financial measure of the operating performance of Skyline Retail REIT. Management is focused on maintaining or increasing same-asset NOI year over year. For the year 2019, Skyline Retail REIT's NOI margin was 65.8%.
- **Same Property Net Operating Income.** This is defined as operating revenues less operating expenses for properties which were owned for the full years of 2017, 2018 and 2019. Management was focused on maintaining or increasing same property NOI year over year. For the year 2019, same property NOI was $26.9 million, an increase of 0.8% over the prior year.
- **Funds from Operations ("FFO").** FFO is a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. For the year 2019, Skyline Retail REIT generated $37.2 million in FFO.
- **Adjusted Funds From Operations ("AFFO").** AFFO is a measure of performance taking into consideration regular maintenance capital expenditures and regular leasing expenditures that a prudent owner must maintain from operating cash flows. For the year 2019, Skyline Retail REIT generated $31.8 million in AFFO.
- **Payout Ratio.** To ensure that Skyline Retail REIT retains sufficient cash to meet its capital improvement and leasing objectives, Management strives to maintain appropriate FFO and AFFO payout ratios over the year. Management is targeting an 85% FFO payout ratio and a 95% AFFO payout ratio. For the year 2019, Skyline Retail REIT's FFO payout ratio was 82.7% and AFFO payout ratio was 96.8%.
- **Financing.** Management is continually managing and planning its financing strategies for the portfolio. This ensures that the portfolio is well positioned to mitigate interest rate uncertainty as well as to responsibly ladder the maturities of the portfolio's mortgages over the long-term.
- **Loan to Value ("LTV").** The portfolio is regularly evaluated based upon key leverage ratios, comprised of mortgage debt, total indebtedness, historical cost and fair value in accordance with IFRS 13 – Fair Value ("IFRS 13"). Loan to value ratios are shown on both a historical cost and market value basis. The Declaration of Trust requires that the overall leverage ratio not exceed 70% Loan to Fair Value. However, it is Management's objective to keep the portfolio at a more conservative level of approximately 65% leverage based upon fair value. At the close of 2019, Skyline Retail REIT's portfolio leverage ratio on total debt was 64.54% against historical cost and 63.70% against fair value.

Goals And Objectives Of Skyline Retail REIT

In accordance with the Declaration of Trust, the goals and objectives of Skyline Retail REIT are:

1. To provide REIT Unitholders with stable and growing cash distributions, payable monthly and, to the extent reasonably possible, tax deferred, from investments in a diversified portfolio of income-producing retail properties located in Canada;
2. To maximize REIT Unit value through the ongoing management of Skyline Retail REIT's assets and through the acquisition of additional properties; and
3. To maintain a REIT that satisfies the REIT exception under the Specified Investment Flow Through ("**SIFT**") legislation in order provide certainty to Unitholders with respect to taxation of distributions.

2019 Highlights

- The REIT grew its portfolio of investment properties from $971.8 million to $1.11 billion (13.9%) over the course of 2019 through a combination of strategic acquisitions and growing value within the existing portfolio.
- As of November 15, 2019, the value of REIT units grew from $12.65 to $13.50 per unit (a 6.7% year-over-year increase).
- Base Rent per sq.ft increased from $17.17 to $17.73 in 2019 (a 3.3% increase).
- Year-over-year FFO grew $0.08 (7.14%) on a per unit basis, from $1.12 to $1.20. As a result, the REIT's FFO Payout ratio improved from 84.8% to 82.7% for the year ended December 31, 2019.

Financial Highlights **($ thousands, except where noted)**	**2019**	**2018**
Property revenues	$99,452	$72,700
Operating expenses	(33,986)	(24,056)
Net operating income ("NOI")	**$65,466**	**$48,644**
Net income	**$45,744**	**$3,107**
Funds from operations ("FFO")	**$37,199**	**$27,328**
Adjusted funds from operations ("AFFO")	**$31,796**	**$24,447**
Weighted average REIT units and LP units outstanding	30,888,582	24,356,909
FFO per unit (weighted average)	**$1.20**	**$1.12**
FFO payout ratio	**82.7%**	**84.8%**
AFFO per unit (weighted average)	**$1.03**	**$1.00**
AFFO payout ratio	**96.8%**	**95.0%**
Total distributions declared to REIT and LP unitholders	$30,574	$22,498
Distributions per unit	$0.996	$0.95

Property Portfolio

At December 31, 2019, through active portfolio management; the portfolio consisted of 4,281,547 rentable square feet across 111 retail properties geographically diversified through 65 communities in Alberta, British Columbia, Manitoba, Ontario and Quebec.

Skyline Retail REIT's property portfolio represents retail properties located in strategic locations that meet the investment strategy. The properties are currently well-maintained, close to full occupancy, with a market level of tenant leases that expire over the next 8 years. The in-place rents are believed to be at or near current market levels. The REIT continues to look at further expanding and enhancing the portfolio in existing and new urban markets across Canada.

Portfolio Average Monthly Base Rent & Occupancy (As at December 31, 2019)	**GLA (sq ft)**	**%**	**Occupancy Rate**	**Base Rent (psf)**
Retail	4,226,837	98.7%	96.6%	$17.78
Office	54,710	1.3%	74.2%	13.40
	4,281,547	**100%**	**96.3%**	**$17.73**

Acquisitions And Dispositions

Acquisitions Completed During the Year Ended December 31, 2019
($ thousands, except where noted)

Purchase Date	**GLA**	**Region**	**Type**	**Acquisition Costs**	**Mortgage Funding**
20-Feb-19	149,549	Ontario	Retail	$30,000	$22,500
14-Nov-19	44,566	Ontario	Retail	15,000	11,250
20-Dec-19	243,892	Western Canada	Retail	66,665	51,000
Total	**438,007**			**$111,666**	**$84,750**

There were no property dispositions during 2019.

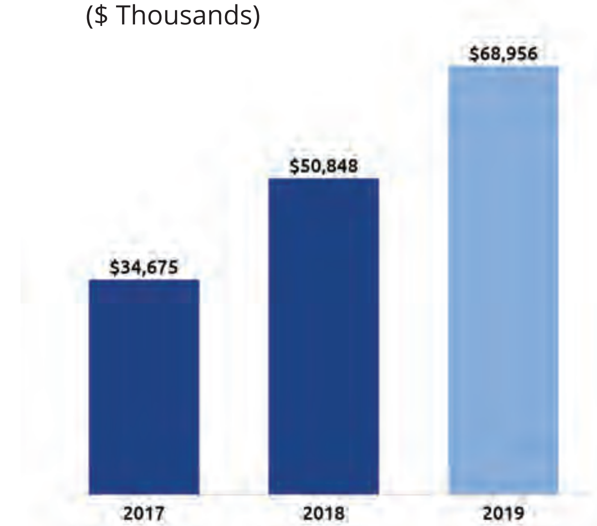
2019 Operating Highlights

Operating Results ($ thousands, except where noted)	**2019**	**%***	**2018**	**%***
Property revenues				
Minimum rent	$68,956	69.3%	$50,848	69.9%
Cost recoveries	30,496	30.7%	21,852	30.1%
Total property revenues	**$99,452**	**100%**	**$72,700**	**100.0%**
Direct property expenses				
Realty taxes	21,517	21.6%	16,048	22.1%
Other direct property costs	8,781	8.8%	5,228	7.2%
Utilities	1,294	1.3%	1,031	1.4%
Management fees	2,394	2.4%	1,749	2.4%
Total direct property expenses	**$33,986**	**34.2%**	**$24,056**	**33.1%**
Net operating income ("NOI")	**$65,466**	**65.8%**	**$48,644**	**66.9%**

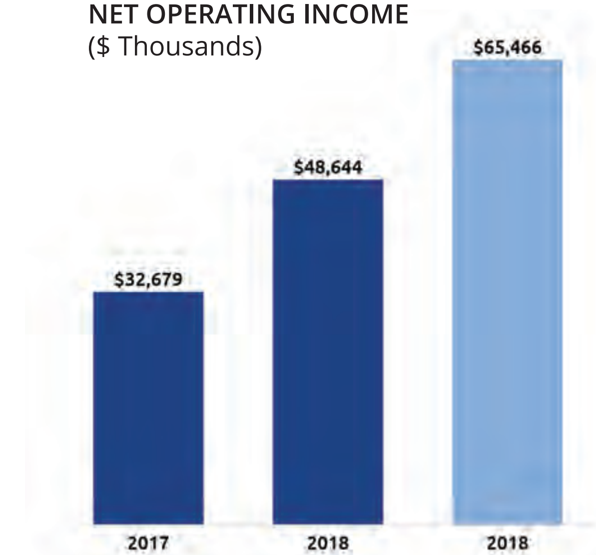
*As a percentage of total property revenues

Other operational metrics				
Total occupancy %		96.3%		97.6%
In place base rent (per sq.ft)		$17.73		$17.17

MINIMUM RENT
($ Thousands)



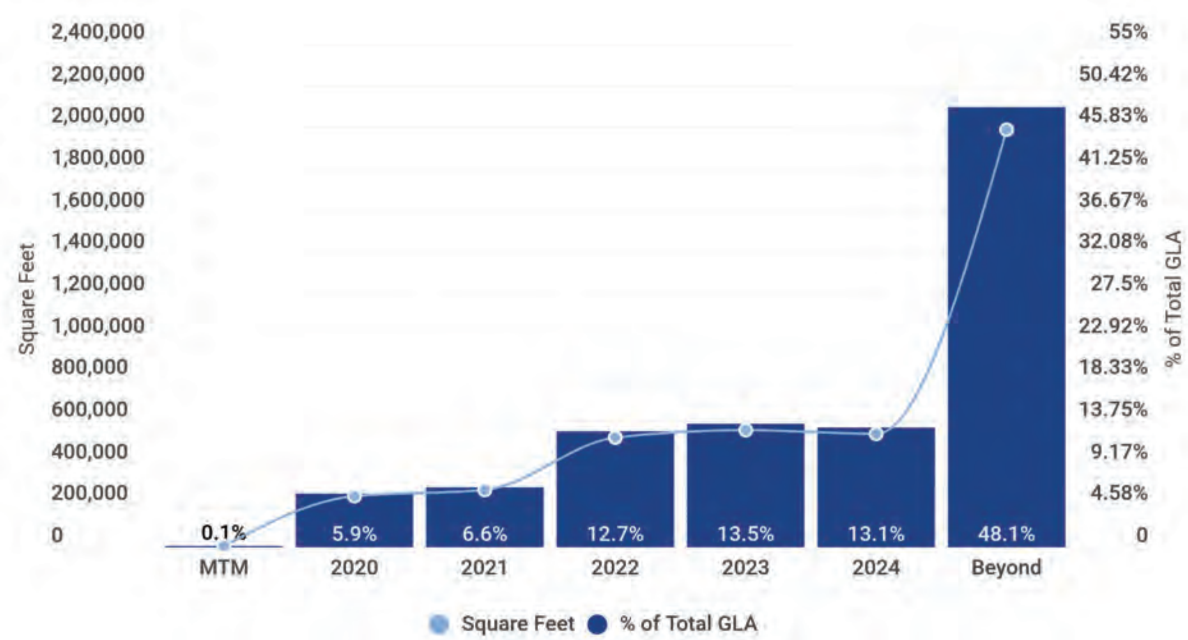
NET OPERATING INCOME
($ Thousands)



Regional Highlights ($ thousands, except where noted)	2019		2018		Increase (Decrease)		
Portfolio	**NOI**	**NOI Margin**	**NOI**	**NOI Margin**	**Revenue Change**	**Expense Change**	**NOI Change**
Ontario	**$50,926**	**77.8%**	**$39,921**	**67.2%**	29.7%	34.1%	27.6%
Quebec	**7,580**	**11.6%**	**7,409**	**65.4%**	7.9%	20.9%	1.0%
Western Canada	**6,960**	**10.6%**	**1,364**	**71.3%**	428.2%	474.0%	410.3%
Total	**$65,466**	**65.8%**	**$48,694**	**67.0%**	36.8%	41.9%	34.2%

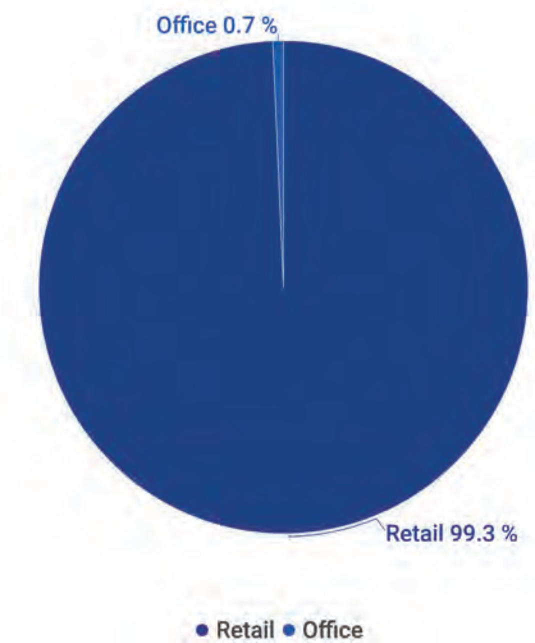
Occupancy/Vacancy Schedule

At the close of 2019, the portfolio had 158,602 square feet of vacant space, of which 28,937 square feet is committed for future occupancy. With respect to future expiries, Management has already renewed or leased 183,527 square feet. The following bar graph shows the percentage of lease expiries over the next 5 years and beyond, 48.1% of maturities are over 5 years. Over the course of 2020 Management plans to commence early renewal discussions with larger tenants to proactively manage the expiries occurring in the next 5 years.



Leasing and Tenant Profile

The REIT's tenant profile consists of a diversified base of quality tenants. At December 31, 2019, with 644 tenants, risk exposure to any single tenant was 15.6%. The following chart shows the tenant mix for the Properties on the basis of the percentage of base rent.



Funds From Operations

FFO is a measure of operating performance based on the funds generated by the business before reinvestment or provision for other capital needs. This non-IFRS measure is a commonly used performance measure for assessing real estate operations. However, it does not have a standardized industry definition; therefore, it may not be relied upon as a comparable indicator to other REITs that use a similar term.

Adjusted Funds From Operations

Management believes that AFFO is an important measure of the REIT's economic performance and is indicative of the ability to pay distributions. This non-IFRS measure is a commonly used performance measure for assessing real estate performance. However, it does not have a standardized industry definition; therefore, it may not be relied upon as a comparable indicator to other REITs that use a similar term.

Payout Ratios

Payout ratios compare total and net distributions declared to these non-IFRS measures. Management considers these ratios to also be important measures of the sustainability of distributions.

A reconciliation of net income to FFO and AFFO is as follows:

FFO & AFFO Payout Ratios ($ thousands, except where noted)	2019	2018
Profit & loss		
Property revenues	$99,452	$72,700
Operating expenses	(33,986)	(24,056)
Net operating income ("NOI")	**$65,466**	**$48,644**
Finance costs	(28,801)	(22,782)
REIT & other expenses	(3,871)	(2,922)
Interest income	51	156
Fair value gain (loss)	12,899	(19,989)
Net income	**$45,744**	**$3,107**
Non-cash add-backs:		
LP distributions included in finance costs	$3,727	$3,877
Fair value gain (loss)	(12,899)	19,989
Amortization of leasing costs	130	75
Amortization of tenant inducement	497	280
Funds from operations ("FFO")	**$37,199**	**$27,328**
AFFO adjustments:		
Deferred maintenance	$(661)	$(539)
Other capital expenditures	(3,340)	(477)
Amortization of tenant inducement	(497)	(280)
Amortization of leasing costs	(130)	(75)
Amortization of straight-line rents	(775)	(1,510)
Adjusted funds from operations ("AFFO")	**$31,796**	**$24,447**
Weighted average REIT units and LP units outstanding	30,888,582	24,356,909
Total distributions declared to REIT and LP unitholders	$30,574	$22,498

(table continued on next page)

	2019	2018
FFO per unit (weighted average)	**$1.20**	**$1.12**
AFFO per unit (weighted average)	**$1.03**	**$1.00**
Distributions per unit	$0.996	$0.95
FFO payout ratio	**82.7%**	**84.8%**
AFFO payout ratio	**96.8%**	**95.0%**

Distributions to Unitholders

During 2019, Skyline Retail REIT paid monthly distributions to unitholders of $0.083 per Unit, or $0.996 per Unit on an annual basis. As at December 31, 2019, approximately 39.5% of the REIT Units were enrolled in the Distribution Reinvestment Plan. Distributions made to REIT and LP Unitholders during 2019 amounted to $30.6 million of which $12.1 million was retained through the DRIP.

In order to maintain a consistent cycle of monthly distributions, the REIT may, from time to time, use proceeds from dispositions and refinancings as well as funds from the operating line of credit. It is Management's long-term objective to continually reduce its reliance on disposition proceeds and to eliminate its reliance on refinancing proceeds for supplementing distribution cash flows.

Distribution Sources ($ thousands, except where noted)	2019	2018
Total distributions declared	**$30,574**	**$22,498**
Funded by:		
Income	100.00%	100.00%
Building dispositions	-	-
Refinance proceeds	-	-

Investment Properties

Since the adoption of IFRS reporting, this method of reporting impacts the consolidated financial statements of Skyline Retail REIT and its subsidiary most significantly in the areas of Investment Properties and Amortization.

Under IFRS, management considers its properties to be Investment Properties under International Accounting Standard 40 Investment Property ("**IAS-40**"). Investment Properties are properties held to earn rental income or for capital appreciation, or both. Management has elected the Fair Market Model to measure its investment properties on the balance sheet and record any unrealized gain (or loss) on the income statement.

The following is Management's approach to the Fair Market Value of the portfolio's investment properties:

- Group the Portfolio into segments that identify geographic locations as well to group the portfolio by property characteristics. This will allow Management to apply the same metrics to similar properties.

- Engage third party market appraisals for a portion of its Portfolio which comprises at least 20% of the number of properties, excluding acquisitions during the year, which makes up at least 25% of the gross book value of the portfolio. The balance of the properties not externally appraised will undergo an internal valuation which will be verified by a comparative appraisal and audited by RLB LLP (the Retail REIT's auditor).
- Properties must be appraised by a third party at least once every five years.
- Properties will not be appraised by a third party within 12 months of acquisition (unless it is necessary for mortgage financing).

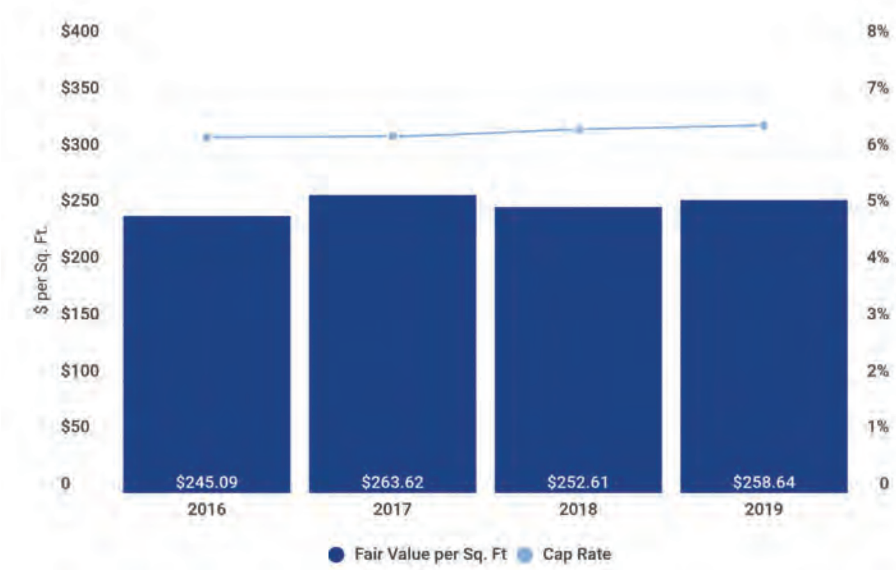
2019 saw the cumulative fair value adjustment on investment properties increase $16.2 million:

Fair Value of Investment Properties (under IFRS 13) **($ thousands, except where noted)**	**2019**	**2018**
Balance, beginning of year	**$971,755**	**$673,750**
Acquisitions through purchase of assets	111,666	309,596
Additions through capital expenditures on existing investment properties	10,365	6,306
Amortization of leasing costs and straight-line rents	672	1,435
Investment properties held for sale	(3,250)	-
Fair value adjustment on investment properties	16,152	(19,332)
Balance, end of year	**$1,107,360**	**$971,755**

The following table and graph summarize the REIT's growth in asset value on a trending basis over the past three years, along with the impact that NOI growth and the capitalization rate ("**CAP Rate**") movement has had on that value.

Trending Fair Value Details **($ thousands, except where noted)**	**2019**	**2018**	**2017**	**2016**
Fair value of investment properties	**$1,107,360**	**$971,755**	$673,750	$429,480
Total rentable square footage at year end	**4,281,547**	**3,846,900**	2,555,765	1,752,347
Fair value per square foot	**$258.64**	**$252.61**	**$263.62**	**$245.09**
Increase (decrease) in fair value per square foot (%)	**2.39%**	**(4.18%)**	**7.56%**	**(1.17%)**
Weighted average capitalization rate	**6.49%**	**6.43%**	6.30%	6.29%
Increase (decrease) in cap rate (year-over-year) (%)	0.93%	2.06%	0.16%	(0.32%)
Net operating income ("NOI")	**$65,466**	**$48,644**	$32,679	$25,436
Increase in NOI (year-over-year) (%)	34.58%	48.85%	28.48%	28.57%
NOI (% of revenue)	65.83%	66.91%	68.16%	71.43%

Trending Fair Value per Sq. Ft.



Capital Expenditures

During 2019, Skyline Retail REIT acquired 438,007 rentable square feet of retail space through the acquisition of 3 properties for a total investment of $111.7 million.

Skyline Retail REIT is purchasing quality, well-tenanted income producing retail properties on an accretive basis. Skyline continues to increase the value of these assets by actively managing the tenant mix, and by investing in select capital expenditure initiatives and other programs to improve the overall quality and value of the properties.

In doing so, high overall occupancy rates shall be maintained which also enhances income producing potential and superior tenant experiences across the portfolio.

During the year, Management invested $10.4 million in structural improvements, common area improvements, and utility efficiency programs throughout the portfolio. These capital initiatives are completed with the intention of increasing revenues, reducing expenses, maintaining occupancy levels, and increasing overall tenant satisfaction.

Management is committed to the ongoing future maintenance and enhancement of the portfolio.

Capital Structure

'Capital' is defined as the aggregate of debt and Unitholders' equity. Management's objectives with respect to Capital is to maintain its ongoing ability to fund its distributions to Unitholders, to meet its repayment obligations under mortgages and other credit facilities, and to ensure there are sufficient funds available to meet the capital requirements of the portfolio.

Skyline Retail REIT's Declaration of Trust permits the maximum amount of total debt to 70% of the gross book value of the REIT's assets. Despite the REIT reporting under IFRS methods, Management continues to evaluate LTV ratios on both a market value basis and a traditional historical cost basis, whereby historical cost is defined as the acquisition cost of the properties plus the capital improvements expended thereon.

The total Capital of Skyline Retail REIT as at December 31, 2019 is summarized in the following chart.

Mortgage Summary **($ thousands, except where noted)**	**2019**	**2018**
Mortgages payable	$696,863	$617,414
Line of credit	8,505	2,211
Convertible debentures payable	-	3,740
Total Debt	**705,368**	**623,365**
Unitholders' equity	351,365	297,344
Class B and C LP units	51,483	51,289
Total Capital	**$1,108,216**	**$971,998**
Mortgage debt to historical cost	63.76%	64.33%
Mortgage debt to fair value	62.93%	63.54%
Total debt to historical cost (including convertible debentures)	64.54%	64.95%
Total debt to fair value (including convertible debentures)	63.70%	64.15%
Weighted average mortgage interest rate	3.89%	3.89%
Weighted average mortgage term to maturity	5.77 yrs	5.74 yrs

Mortgages Payable **($ thousands, except where noted)**	**Future minimum principal payments**	**% of total mortgages**
2020	$30,628	4.4%
2021	59,269	8.5%
2022	101,636	14.6%
2023	123,408	17.7%
2024	60,932	8.7%
Thereafter	320,990	46.1%
Total Mortgages Payable	**$696,863**	**100.0%**

Investment Summary

During 2019, Units of Skyline Retail REIT were issued under the accredited investor exemption, and under two Confidential Offering Memorandums, dated May 10, 2019 and December 10, 2019. During the year, the REIT received net proceeds of $39.4 million through new REIT and LP investments and DRIP enrolment, net of all redemptions.

REIT Unitholders - Investment Activity **($ thousands, except where noted)**	**2019**		**2018**	
	Number of Units	**Amount ($)**	**Number of Units**	**Amount ($)**
REIT units outstanding, beginning of year	**25,941,758**	**$308,540**	**17,414,221**	**$200,682**
Proceeds from REIT units issued	4,537,496	58,641	9,901,715	125,253
Exchange of LP units	536,577	6,799	191,621	2,400
Units issued through DRIP	939,087	12,086	592,836	7,487
Units issued through debenture conversion	-	-	-	-
Redemptions - REIT units	(2,743,259)	(35,088)	(1,967,014)	(24,881)
Redemptions - REIT units (exchanged LP units)	(536,577)	(6,799)	(191,621)	(2,400)
REIT units outstanding, end of year	**28,675,082**	**$347,948**	**25,941,758**	**$308,540**
Weighted average REIT units outstanding	**27,152,967**		**20,281,348**	
Number of new investors [1]		**155**		**338**
Number of repeat investors [2]		**194**		**274**
Number of redemptions		**74**		**71**
New investment average ($)		**$132**		**$234**
Re-investment average ($)		**209**		**169**
Redemption average ($)		**(474)**		**(350)**

[1] Excluding EUPP - Employee Unit Purchase Plan
[2] Excluding DRIP - Distribution Reinvestment Plan

(table continued on next page)

LP Unitholders - Investment Activity ($ thousands, except where noted)	2019		2018	
	Number of Units	Amount ($)	Number of Units	Amount ($)
LP units outstanding, beginning of year	**4,054,477**	**$51,289**	**4,246,098**	**$53,076**
Proceeds from LP units issued	295,651	3,769	-	-
Units issued through DRIP	-	-	-	-
Redemptions - LP units (exchanged to REIT units)	(536,577)	(6,799)	(191,621)	(2,400)
Change in fair value	-	3,224	-	613
LP units outstanding, end of year	**3,813,551**	**$51,483**	**4,054,477**	**$51,289**
Weighted average LP units outstanding	**3,735,615**		**4,075,561**	
Number of redemptions		**4**		**2**
Redemption average ($)		**(1,699)**		**(1,200)**

Unitholder Taxation

For taxable Canadian residents, Unitholder distributions are treated as follows for tax purposes:

	2019
Other Income	---
Capital Gains	---
Return of Capital	100%
TOTAL	**100%**

Related Party Transactions

The Executive Officers of Skyline Retail REIT do not receive direct salary compensation from the REIT. Rather, Skyline Retail Real Estate GP Inc., as General Partner of the Trust has a 20% deferred interest in the properties of the Trust's subsidiary ("**GP Sharing**"). Additionally, the executive officers receive compensation from the management companies to the REIT and Limited Partnership. ("**Management Services**").

GP Sharing

Distributions under the GP Sharing commence once the equivalent of the total investors' equity has been effectively distributed on a property by property basis. Once triggered, any future cash-flows are shared at a ratio of 20% to the GP: 80% to the LP (which indirectly means its investors). In addition, on any disposition, the GP is entitled to 20% of the equity growth of the property net of any outstanding amounts owing to investors. The GP Sharing calculation is done on a per property basis, which incents management to ensure that each property is performing optimally.
To date, no GP Sharing distributions have triggered.

GP Sharing ($ thousands, except where noted)	2019	2018
	$-	$-

Management Services

Fees paid during the past two years are as follows:

Management Fees ($ thousands, except where noted)	2019	2018
Property management fees	$2,394	$1,749
Asset management fees	1,951	1,429
Wealth management fees	1,316	1,024
Underwriting management fees	659	1,080
Lease documentation fees	76	-
Total Management Fees	**$6,396**	**$5,282**

The Property Management Agreement provides for the payment of an annual property management fee to the Property Manager during the term in an amount up to 3.5% of the base rental income of the properties, which will be calculated and payable monthly. Under the Property Management Agreement, the Property Manager will be responsible for employment expenses of its personnel, rent and other office expenses, and miscellaneous administrative expenses relating to its functions under the Property Management Agreement.

The Asset Management Agreement provides for the payment of an annual asset management fee to the Asset Manager during the term in an amount equal to 2% of the adjusted gross revenues of the properties, which will be calculated and payable monthly. Under the Asset Management Agreement, the Asset Manager is responsible for employment expenses of its personnel, rent and other office expenses of the Asset Manager, and the expenses of the non-Independent Trustees and officers of Skyline Retail REIT who are directors, officers or employees of the Asset Manager or of an affiliate of the Asset Manager (except expenses incurred while attending meetings of the Board of Trustees).

The Exempt Market Dealer (**"EMD"**) Agreement provides for the payment of a wealth management fee, payable monthly, equal to 1/12 of 0.3% of Skyline Commercial REIT's equity under management (calculated as the product of the outstanding REIT units multiplied by the then-market value of one REIT unit). The EMD will also be entitled to an equity raise fee equal to a maximum of 1.0% on the capital raised in offerings of REIT units, subject to adjustment. Under the EMD Agreement, the EMD is responsible for employment expenses of its personnel, rent and other office expenses of the EMD in connection with providing services to Skyline Retail REIT under the EMD Agreement.

There is an underwriting services arrangement with Skyline Mortgage Financing Inc. (the "Underwriting Manager") Pursuant to such arrangement, the Underwriting Manager provides consulting services to Skyline Retail REIT, Skyline Retail Real Estate LP and its Subsidiaries to assist them in obtaining mortgage financing for the properties upon terms and at rates that are commercially competitive. Skyline Retail Real Estate LP pays the Underwriting Manager the following fees for providing these consulting services 1) for assumptions of mortgages on acquisitions: $5,000 and 2) for all other mortgages: 50 bps on the mortgage principal. Under the terms of the arrangement, the Underwriting Manager is responsible for employment expenses of its personnel, rent and other office expenses of the Underwriting Manager incurred in connection with providing its consulting services.

Risks And Uncertainties

Skyline Retail REIT must adhere to specific operating and investment guidelines as set out in the Declaration of Trust. These guidelines are established to limit to the best extent possible the risks and uncertainties that exist.

COVID-19 Coronavirus Pandemic

The COVID-19 coronavirus pandemic may adversely affect trade and local, national or global economies, and could result in a general or acute decline in economic activity in the markets in which Skyline Retail REIT operates.

While the vast majority of Skyline Retail REIT's income is derived from large national, stable retailers offering essential services (grocery, drugstores, financial institutions, drive-thru and take out restaurants), smaller independent tenants, especially restauranteurs, have been impacted significantly by government closure mandates, which may impact the ability of some tenants to pay rent. The failure of Skyline Retail REIT's tenants to meet their rental payments could have a material and adverse effect on Skyline Retail REIT.

In some cases, the REIT has entered into deferral arrangements (not rent abatement) with vulnerable tenants to permit them to weather the closure and re-open strong. While the REIT enjoys a high occupancy, productivity on existing vacancy within the portfolio has been low owing to tenants re-focusing their business internally. As a result, leasing of new space is expected to be tempered in the next quarter.

Additionally, fluctuation in interest rates or other financial market volatility may adversely affect Skyline Retail REIT's ability to refinance existing indebtedness on its maturity or on terms that are as favourable as the terms of existing indebtedness, which may impact negatively on Skyline Retail REIT's performance, or may adversely affect the ability of Skyline Retail REIT to complete acquisitions on financially desirable terms.

The extent to which COVID-19 impacts Skyline Retail REIT will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others. If the outbreak of COVID-19 and related developments lead to a prolonged or significant impact on global, national or local markets or economic growth, Skyline Retail REIT's cash flows, financial condition or results of operations, its ability to raise additional financing and its ability to make cash distributions to Unitholders may be materially and adversely affected. Further, the COVID-19 coronavirus pandemic may cause disruptions to Skyline Retail REIT's business and operational plans. These disruptions may severely impact Skyline Retail REIT's ability to carry out its business plans for 2020 in accordance with the Use of Available Funds section above.

Real Property Ownership

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, demand for retail premises, competition from other retail premises and various other factors.

Certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If Skyline Retail REIT 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.

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

Skyline Retail REIT will be subject to the risks associated with debt financing, including the risk that existing mortgage indebtedness secured by the Properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

Tenant Terminations and Financial Stability

Skyline Retail REIT's Distributable Income would be adversely affected if a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the Existing Properties and any additional properties in which Skyline Retail REIT acquires an interest were not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Skyline Retail REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting Skyline Retail REIT's investment may be incurred. Furthermore, at any time, a tenant of any of Skyline Retail REIT's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to Skyline Retail REIT. The ability to rent unleased space in the properties in which Skyline Retail REIT will have an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to property required by a new tenant. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on Skyline Retail REIT's financial condition.

Revenue Producing Properties

The Properties generate income through rental payments made by the tenants thereof. Upon the expiry of any lease, there can be no assurance that such lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Skyline Retail REIT than the existing lease.

Competition for Real Property Investments

Skyline Retail REIT competes for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those desired by Skyline Retail REIT. A number of these investors may have greater financial resources than those of Skyline Retail REIT, or operate without the investment or operating restrictions of Skyline Retail REIT or according to more flexible conditions. An increase in the availability of investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Competition for Tenants

The real estate business is competitive. Numerous other developers, managers and owners of properties compete with Skyline Retail REIT in seeking tenants. The existence of competing developers, managers and owners and competition for Skyline Retail REIT's tenants could have an adverse effect on Skyline Retail REIT's ability to lease space in its properties and on the rents charged.

Interest Rates

It is anticipated that the market price for the REIT Units at any given time may be affected by the level of interest rates prevailing at that time. A rise in interest rates may have a negative effect on the market price of the REIT Units. Changes in interest rates may also have effects on vacancy rates, rent levels, refurbishing costs and other factors affecting Skyline Retail REIT's business and profitability.

General Economic Conditions

Skyline Retail REIT is affected by general economic conditions, local real estate markets, competition from other available rental premises, including new developments, and various other factors. The existence of competing developers, managers and owners and competition for Skyline Retail REIT's tenants could have an adverse effect on Skyline Retail REIT's ability to lease space in its properties and on the rents charged, increased leasing and marketing costs and increased refurbishing costs necessary to lease and release space, all of which could adversely affect Skyline Retail REIT's revenues and, consequently, its ability to meet its obligations. In addition, any increase in the supply of available space in the markets in which Skyline Retail REIT operates or may operate could have an adverse effect on Skyline Retail REIT.

General Uninsured Losses

Skyline Retail REIT carries comprehensive general liability, fire, flood, extended coverage, rental loss and pollution insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars) which are either uninsurable or not insurable on an economically viable basis. Skyline Retail REIT has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if economical to do so. Should an uninsured or underinsured loss occur, Skyline Retail REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its Properties, but Skyline Retail REIT would continue to be obligated to repay any recourse mortgage indebtedness on such Properties.

Availability of Cash Flow

Distributable income may exceed actual cash available to Skyline Retail REIT from time to time because of items such as principal repayments of debt, tenant inducements, leasing commissions and capital expenditures, if any. Skyline Retail REIT may be required to use part of its debt capacity or reduce distributions in order to accommodate such items.

Access to Capital

The real estate industry is highly capital intensive. Skyline Retail REIT 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 is no assurance that capital will be available when needed or on favourable terms.

Environmental and Climate Change Risk

Environmental and ecological legislation and policies have become increasingly important, and generally restrictive, in recent years. Under various laws, Skyline Retail REIT could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs. Environmental laws and regulations may change and Skyline Retail REIT may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on Skyline Retail REIT's business, financial condition or results of operation. It is the Asset Manager's policy that where a property is purchased and new financing is obtained, Phase I Environmental Assessments are performed by an independent and experienced environmental consultant. In the case of mortgage assumption, the vendor will be asked to provide a satisfactory Phase I and/or Phase II Environmental Assessment that the Asset Manager will rely upon and/or determine whether an update is necessary. Skyline Retail REIT is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Properties or any pending or threatened claims relating to environmental conditions at the Properties.

Natural disasters and severe weather such as floods, blizzards and rising temperatures may result in damage to the Properties. The extent of Skyline Retail REIT's casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. Skyline Retail REIT is also exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of Skyline Retail REIT's buildings. In addition, climate change, to the extent it causes changes in weather patterns, could have effects on Skyline Retail REIT's business by increasing the cost of property insurance, and/or energy at the Properties. As a result, the consequences of natural disasters, severe weather and climate change could increase the Skyline Retail REIT's costs and reduce Skyline Retail REIT's cash flow.

Unitholder Liability

Because of uncertainties in the law relating to investment trusts, there is a risk, which is considered by counsel to be remote in the circumstance, that a REIT Unitholder could be held personally liable for obligations of Skyline Retail REIT (to the extent that claims are not satisfied by Skyline Retail REIT) in respect of contracts which Skyline Retail REIT enters into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trustees intend to cause Skyline Retail REIT's operations to be conducted in such a way as to minimize any such risk including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of Skyline Retail REIT contain an express disavowal of liability against Unitholders.

Dependence on Key Personnel

The management of Skyline Retail REIT depends on the services of certain key personnel. The termination of employment by the Asset Manager or the Property Manager of any of these key personnel could have a material adverse effect on Skyline Retail REIT.

Potential Conflicts of Interest

Skyline Retail REIT may be subject to various conflicts of interest because of the fact that the Trustees and senior officers of Skyline Retail REIT and the senior officers of the Managers are engaged in a wide range of real estate and other business activities. Skyline Retail REIT may become involved in transactions which conflict with the interests of the foregoing.

The Trustees may from time to time deal with persons, firms, institutions or corporations with which Skyline Retail REIT may be dealing, or which may be seeking investments similar to those desired by Skyline Retail REIT. The interests of these persons could conflict with those of Skyline Retail REIT. In addition, from time to time, these persons may be competing with Skyline Retail REIT for available investment opportunities.

The Skyline Retail REIT Declaration of Trust contains "conflicts of interest" provisions requiring Trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon.

Tax Related Risks

There can be no assurance that income tax laws and the treatment of mutual fund trusts will not be changed in a manner which adversely affects Skyline Retail REIT or the Unitholders.

In addition, REIT Unitholders may become subject to provincial taxes, such as Ontario Land Transfer Tax, in respect of their REIT Units.

If Skyline Retail REIT fails or ceases to qualify as a mutual fund trust for purposes of the Tax Act, the tax consequences described under Item 6 "Income Tax Consequences and RRSP Eligibility" would in some respects be materially and adversely different. Such adverse differences would include that if Skyline Retail REIT did not qualify as a mutual fund trust throughout a taxation year, it would be subject to a special tax under Part XII.2 of the Tax Act for such taxation year to the extent that its designated income (which includes income from real property) is distributed to a designated beneficiary (which includes non-resident persons and certain tax-exempt persons).

If investments in Skyline Retail REIT become publicly listed or traded, there can be no assurances that Skyline Retail REIT will not be subject to the SIFT Rules, as described under "Income Tax Consequences and RRSP Eligibility – SIFT Rules", at that time.

Skyline Retail REIT or its subsidiaries may be reassessed for taxes from time to time. Such reassessments together with associated interest and penalties could adversely affect Skyline Retail REIT.

Since the net income of Skyline Retail REIT will be distributed on a monthly basis, a purchaser of a REIT Unit may become taxable on a portion of the net income of Skyline Retail REIT accrued or realized by Skyline Retail REIT in a month before the time the REIT Unit was purchased but which was not paid or made payable to Unitholders until the end of the month and after the time the REIT Unit was purchased. A similar result may apply on an annual basis in respect of a portion of capital gains accrued or realized in a year before the time the REIT Unit was purchased, but which is paid or made payable to Unitholders at year-end and after the time the REIT Unit was purchased.

The LRE Rules could potentially apply to Skyline Retail REIT if a person (or group of persons) was to acquire more than 50% of the fair market value of the REIT Units, with the consequences described under Item 6 "Income Tax Consequences and RRSP Eligibility – Taxation of Skyline Retail REIT".

Dilution

The number of REIT Units that Skyline Retail REIT is authorized to issue is unlimited. The Skyline Retail REIT Trustees have the discretion to issue additional REIT Units in other circumstances, pursuant to Skyline Retail REIT's various incentive plans. Any issuance of additional REIT Units may have a dilutive effect on the holders of REIT Units.

Liquidity

An investment in REIT Units is an illiquid investment. There is currently no market through which REIT Units may be sold and redemptions are subject to restrictions imposed in the Declaration of Trust and applicable securities regulation. Skyline Retail REIT is not a "reporting issuer" in any jurisdiction, and a prospectus has not qualified the issuance of REIT Units. Accordingly, investors will be unable to sell their REIT Units, subject to some limited exceptions. See Item 10 – Resale Restrictions. Consequently, holders of REIT Units may not be able to liquidate their investment in a timely manner.

Restrictions on Potential Growth and Reliance on Credit Facilities

The payout by Skyline Retail REIT of a substantial part of its operating cash flow could adversely affect Skyline Retail REIT's ability to grow unless it can obtain additional financing. Such financing may not be available, or renewable, on attractive terms or at all. In addition, if current credit facilities were to be cancelled or could not be renewed at maturity on similar terms, Skyline Retail REIT could be materially and adversely affected.

Financing

Skyline Retail REIT is subject to the risks associated with debt financing, including the risk that Skyline Retail REIT may be unable to make interest or principal payments or meet loan covenants, the risk that defaults under a loan could result in cross defaults or other lender rights or remedies under other loans, and the risk that existing indebtedness may not be able to be refinanced or that the terms of such refinancing may not be as favourable as the terms of existing indebtedness. A portion of the Acquisition and Operating Facility is at floating interest rates, and accordingly, changes in short-term borrowing will affect Skyline Retail REIT's costs of borrowing.

Nature of REIT Units

The REIT Units are not the same as shares of a corporation. As a result, the Unitholders will not have the statutory rights and remedies normally associated with share ownership, such as the right to bring "oppression" or "derivative" actions.

The REIT Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that act or any other legislation. Furthermore, Skyline Retail REIT is not a trust company and, accordingly, it is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unexpected Costs or Liabilities Related to Acquisitions

A risk associated with acquisitions is that there may be an undisclosed or unknown liability concerning the acquired property, and Skyline Retail REIT may not be indemnified for some or all of these liabilities. Following an acquisition, Skyline Retail REIT may discover that it has acquired undisclosed liabilities, which may be material. The due diligence procedures performed by the Asset Manager are designed to address this risk. The Asset Manager performs what it believes to be an appropriate level of investigation in connection with the acquisition of properties by Skyline Retail REIT and seeks through contract to ensure that risks lie with the appropriate party.

Cybersecurity Risk

The efficient operation of Skyline Retail REIT's business is dependent on computer hardware and software systems. Information systems are vulnerable to cybersecurity incidents. A cybersecurity incident is considered to be any material adverse event that threatens the confidentiality, integrity or availability of Skyline Retail REIT's information resources. A cybersecurity incident is an intentional attack or an unintentional event including, but not limited to, malicious software, attempts to gain unauthorized access to data or information systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Skyline Retail REIT's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with tenants, the disclosure of confidential information including personally identifiable information, potential liability to third parties, loss of revenue, additional regulatory scrutiny and fines, as well as litigation and other costs and expenses. Skyline Retail REIT has cybersecurity insurance in place to mitigate cybersecurity risk. These measures, as well as its increased awareness of a risk of a cyber incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

Subsequent Events

Subsequent to year end, Skyline Retail REIT acquired three properties in Montreal, Quebec at a cost of $48,400. The properties were partially financed with mortgages of $34,000, with fixed interest rates ranging from 2.92% to 3.07% and maturing in 2028. There is a deposit of $1,300 on the properties at year end.

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. This global pandemic has disrupted economic activities and has resulted in many organizations implementing system-wide closure of programming and services. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on the organization's cash flows and assets.

In response to the effects of COVID-19 mentioned above, on March 19, 2020 the Board of Trustees agreed to apply a monthly redemption limit of $50k for all requests received, as outlined in Skyline Retail REIT's Declaration of Trust, in an effort to safeguard the capital of Skyline Retail REIT, and mitigate its liquidity risk.

Subsequent to year end, the following investment activity occurred:

REIT Unitholders - 2020 Investment Activity (to date) **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
REIT units outstanding, January 1, 2020	**28,675,082**	**$344,179**
Proceeds from REIT units issued	2,541,027	34,304
Exchange of LP units	31,888	430
Units issued through DRIP	339,091	4,578
Redemptions - REIT units	(1,011,320)	(13,653)
Redemptions - REIT units (exchanged LP units)	(31,888)	(430)
REIT units outstanding, April 30, 2020	**30,543,880**	**$369,408**
Weighted average REIT units outstanding	**29,071,633**	

LP Unitholders - 2020 Investment Activity (to date) **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
LP units outstanding, January 1, 2020	**3,813,553**	**$51,483**
Proceeds from LP Units issued	-	-
Units issued through DRIP	-	-
Redemptions - LP Units	(31,888)	(430)
Change in fair value	-	-
LP units outstanding, April 30, 2020	**3,781,665**	**$51,053**
Weighted average LP units outstanding	**3,948,708**	

SKYLINE RETAIL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019

SKYLINE RETAIL REAL ESTATE INVESTMENT TRUST

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of: Skyline Retail Real Estate Investment Trust

Opinion
We have audited the accompanying financial statements of Skyline Retail Real Estate Investment Trust, which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statements of income and comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Skyline Retail Real Estate Investment Trust as at December 31, 2019 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis of Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Skyline Retail Real Estate Investment Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Skyline Retail Real Estate Investment Trust's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate Skyline Retail Real Estate Investment Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Skyline Retail Real Estate Investment Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at RLB LLP’s website at: www.rlb.ca/additional-auditor-responsibilities-consolidated. This description forms part of our auditor's report.

RLB LLP

Guelph, Ontario
March 25, 2020

Chartered Professional Accountants
Licensed Public Accountants

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SKYLINE RETAIL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

(in thousands of Canadian dollars)

	2019	2018 (note 22)
ASSETS		
Investment properties (note 6)	$ 1,107,360	$ 971,755
Assets held for sale (note 7)	3,286	0
Other assets (note 8)	2,806	1,206
Tenant loans receivable (note 9)	892	942
Accounts receivable (note 16)	2,058	1,108
Cash	6,264	6,176
	$ 1,122,666	$ 981,187
LIABILITIES AND UNITHOLDERS' EQUITY		
Mortgages payable (notes 10, 16)	$ 696,863	$ 617,414
Convertible debentures (notes 11, 16)	0	3,740
Class B and C LP units (note 20)	51,483	51,289
Tenant deposits	5,162	4,160
Liabilities related to assets held for sale (note 7)	16	0
Accounts payable and accrued liabilities (note 16)	8,272	5,029
Investor deposits	1,000	0
Revolving credit facility (note 16)	8,505	2,211
	771,301	683,843
Unitholders' equity (page 5)	351,365	297,344
	$ 1,122,666	$ 981,187

Trustee

Trustee

See notes to the consolidated financial statements

SKYLINE RETAIL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

(in thousands of Canadian dollars)

	2019	2018
OPENING BALANCE	$ 297,344	$ 206,097
Proceeds from units issued (note 19)	58,641	125,253
Units issued through distribution reinvestment plan (note 19)	12,086	7,487
Issuance costs (note 12)	(515)	(1,098)
Redemptions (note 19)	(35,088)	(24,881)
Income and comprehensive income for the year	45,744	3,107
Distributions paid	(26,847)	(18,621)
CLOSING BALANCE	$ 351,365	$ 297,344

See notes to the consolidated financial statements

SKYLINE RETAIL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

(in thousands of Canadian dollars)

	2019	2018
PROPERTY REVENUES		
Minimum rent	$ 68,956	$ 50,848
Cost recoveries from tenants	30,496	21,852
	99,452	72,700
DIRECT PROPERTY EXPENSES		
Property taxes	21,517	16,048
Other direct property costs	8,781	5,228
Utilities	1,294	1,031
Property management fees (note 12)	2,394	1,749
	33,986	24,056
NET PROPERTY INCOME	65,466	48,644
OTHER INCOME AND EXPENSES		
Financing costs (note 13)	28,801	22,782
Administrative expenses	528	469
Lease documentation fees (note 12)	76	0
Asset management fees (note 12)	1,951	1,429
Wealth management fees (note 12)	1,316	1,024
Interest earned	(51)	(156)
	32,621	25,548
INCOME BEFORE UNDERNOTED	32,845	23,096
Fair value gain (loss) (note 14)	12,899	(19,989)
INCOME AND COMPREHENSIVE INCOME for the year	$ 45,744	$ 3,107

See notes to the consolidated financial statements

SKYLINE RETAIL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

(in thousands of Canadian dollars)

	2019	2018 (note 22)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Income and comprehensive income for the year	$ 45,744	$ 3,107
Items not requiring an outlay of cash		
Amortization of leasing commission and straight-line rents (note 13)	(672)	(1,435)
Amortization of financing costs (notes 10, 13)	540	0
Financing costs in operations (note 13)	28,261	22,782
Fair value (gain) loss (notes 6, 14, 15)	(12,899)	19,989
	60,974	44,443
Changes in non-cash working capital		
Accounts receivable	(986)	1,625
Other assets	(1,600)	(18)
Accounts payable and accrued liabilities	3,246	955
Tenant deposits	1,015	2,201
	62,649	49,206
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Mortgages payable (net repayments and advances) (note 10)	78,909	204,564
Interest on mortgages payable (note 10)	(24,145)	(18,188)
Distributions paid on Class B and C LP units (notes 13, 19)	(3,727)	(3,877)
Interest paid on debentures (notes 11, 13)	(92)	(156)
Interest paid on revolving credit facilities (note 13)	(297)	(561)
Net revolving credit facility proceeds (repayments) (note 16)	6,294	2,211
Proceeds from units issued (net of distribution reinvestment plan) (note 19)	58,641	125,253
Investor deposits	1,000	0
Distributions paid (net of distribution reinvestment plan) (page 5)	(14,761)	(11,134)
Redemptions of units (page 5)	(35,088)	(24,881)
Redemptions of Class B and C LP units (note 19)	(6,799)	(2,400)
Issuance costs (note 12)	(515)	(1,098)
	59,420	269,733
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to investment properties (note 6)	(122,031)	(315,902)
Tenant loans receivable	50	69
	(121,981)	(315,833)
INCREASE IN CASH for the year	88	3,106
CASH, beginning of year	6,176	3,070
CASH, end of year	$ 6,264	$ 6,176

See notes to the consolidated financial statements

1. NATURE OF BUSINESS

Skyline Retail Real Estate Investment Trust (''Skyline Retail REIT'') is an unincorporated, open-ended private real estate investment trust established under the laws of the Province of Ontario that was created pursuant to a Declaration of Trust dated October 8, 2013. During the year, Skyline Retail REIT issued 5,476,583 (2018 - 10,494,551) units for an aggregate issue price of $70,727 (2018 - $132,740). The proceeds were used to invest in Skyline Retail Real Estate Limited Partnership ("RRELP"). RRELP used part of the proceeds it received on the subscription of its partnership units together with mortgage financing to invest in retail investment properties. As of December 31, 2019, RRELP owned one hundred and eleven (2018 - one hundred and eight) retail investment properties, all of which are located in Canada

RRELP was created on October 8, 2013 as a limited partnership under the laws of the Province of Ontario. The general partner is Skyline Retail Real Estate GP Inc. and the majority limited partner is Skyline Retail REIT.

Skyline Retail REIT is domiciled in Ontario, Canada. The address of Skyline Retail REIT's registered office and its principal place of business is 5 Douglas Street, Suite 301, Guelph, Ontario, N1H 2S8.

2. BASIS OF PRESENTATION

(a) STATEMENT OF COMPLIANCE

The financial statements of Skyline Retail REIT for the year ended December 31, 2019 (including comparatives) are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise judgment in applying Skyline Retail REIT's accounting policies.

The financial statements are presented in accordance with International Accounting Standard "IAS" 1 - Presentation of Financial Statements. Skyline Retail REIT has elected to present the Statement of Income and Comprehensive Income in one statement.

The financial statements for the year ended December 31, 2019 (including comparatives) were approved for issue by the Board of Trustees on March 25, 2020.

(b) BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost basis modified to include the fair value measurement of investment properties and certain financial instruments, as set out in the relevant accounting policies.

2. BASIS OF PRESENTATION (continued)

(c) FUNCTIONAL CURRENCY AND PRESENTATION

The financial statements are presented in Canadian dollars, which is also Skyline Retail REIT's functional currency.

Skyline Retail REIT presents its statement of financial position based on the liquidity method, where all assets and liabilities are presented in the ascending order of liquidity.

(d) USE OF ESTIMATES

The preparation of these financial statements requires Skyline Retail REIT to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimates are revised and the revision affects both current and future periods.

Significant estimates and assumptions include the fair values assigned to investment properties and allowances for doubtful accounts. Valuation of investment properties is one of the principal estimates and uncertainties of these financial statements. Refer to note 6 for further information on estimates and assumptions made in the determination of the fair value of investment properties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with IFRS and include the following significant accounting policies (and any changes thereto):

Accounting standards implemented in 2019

Effective January 1, 2019, Skyline Retail REIT has adopted IFRS 16 - Leases ("IFRS 16") which replaces existing lease guidance in IAS 17 - Leases and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability for all leases, with exception for short-term leases and leases of low value assets. The requirements for lessor accounting have been carried forward substantially unchanged from IAS 17. The adoption of IFRS 16 was applied using the modified retrospective approach and, thus, there was no restatement of comparative information. Instead, the cumulative effect of applying this standard was recognized at the date of initial application, January 1, 2019. There was no material impact from the adoption of IFRS 16.

Significant accounting policies

(a) INVESTMENT PROPERTIES

Investment properties are properties held to earn rental income and are accounted for using the fair value model in accordance with IFRS 13 - Fair Value Model ("IFRS 13"). Rental income and operating expenses from investment properties are reported within 'revenue' and 'expenses' respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

Properties that are held for long term rental yields or for capital appreciation or both, and that are not occupied by Skyline Retail REIT, are classified as investment properties in accordance with IAS 40 - Investment Properties.

In accordance with IFRS 3 - Business Combinations, when Skyline Retail REIT acquires properties or a portfolio of properties and does not take on or assume employees or does not acquire an operating platform, it classifies the acquisition as an asset acquisition.

In accordance with IAS 40, investment properties are measured initially at their cost, including related transaction costs. After initial recognition, investment properties are carried at fair value. Fair value is determined using a combination of external valuation processes and internal valuation techniques that are in accordance with IFRS 13. For properties purchased within one year of the reporting date, the purchase price is considered fair value, unless significant events or changes have occurred to the property that would significantly alter its fair value. Properties appraised by qualified third party appraisers within the past twelve months are not revalued, unless significant changes or events have occurred to the property since the appraisal date. All other properties are valued internally, using market supported financial metrics, that are in accordance with IFRS 13, in tandem with current property details including, among other things, rent rolls from current leases and assumptions about rental income from future leases in light of current market conditions, and, any cash outflows that could be expected in respect of the property except for those outflows that relate to liabilities recognized on the statement of financial position. Skyline Retail REIT also uses extensive market comparable sales to support valuation capitalization rates for different types of assets in different markets. These valuations form the basis for the carrying amounts in the financial statements.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Investment properties that are being redeveloped for continuing use as investment property or for which the market has become less active continue to be measured at fair value.

Subsequent expenditures are capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to Skyline Retail REIT and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Costs incurred for repairs and maintenance in excess of $10,000 (not in thousands of dollars) per annum per building may be allocated from repairs and maintenance to be capitalized to the cost of the respective building as it is assumed that a future economic benefit will likely be realized from this level of expenditure.

Changes in fair values are recognized in the statement of income and comprehensive income. Investment properties are derecognized when they have been disposed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

Where Skyline Retail REIT disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income within the fair value adjustment on investment property.

Investment properties are reclassified to "Assets Held for Sale" when the criteria set out in IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations ("IFRS 5") are met (see note 3(b)).

As investments are measured at fair value, they are implicitly tested for impairment annually. There is no specific impairment test relating to investment properties other than the fair value methodology.

The initial cost of properties under development includes the acquisition cost of the property, direct development costs, realty taxes and borrowing costs attributable to the development. The amount of capitalized borrowing costs is determined by reference to borrowings specific to the project. Borrowing costs are capitalized from the commencement of the development until the date of practical completion where the property is substantially ready for its intended use. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Practical completion is when the property is capable of operating in the manner intended by Management. Generally, this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. If Skyline Retail REIT has pre-leased space at or prior to the property being substantially ready for its intended use, and the lease requires tenant improvements which enhance the value of the property, practical completion is considered to occur when such improvements are completed.

(b) ASSETS HELD FOR SALE

In accordance with IFRS 5, non-current assets comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. For this purpose, a sale is highly probable if Management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan.

At the date when an investment property ceases to be classified as held for sale, it is measured at the lower of its carrying amount before it was classified as held for sale, adjusted for any amortization or revaluations that would have been recognized had the investment property not been classified as held for sale, and its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of estimated future cash flows expected to arise from the continuing use and eventual disposal of the investment property.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) REVENUE RECOGNITION

Rental revenue includes rents from tenants under leases, property tax and operating cost recoveries, parking income and incidental income. Skyline Retail REIT has retained substantially all the risks and rewards of ownership of its investment properties and accounts for its rents from tenants as operating leases. Revenue from operating leases is recognized on a straight line basis over the term of the lease.

Tenant inducements are recognized at fair value at the inception of the lease and are amortized through revenue on a straight line basis over the life of the lease.

(d) FINANCIAL INSTRUMENTS

Skyline Retail REIT's financial instruments and their respective classification and measurement characteristics, are as follows:

Asset/Liability	Classification/Measurement
Cash	Amortized cost
Accounts receivable	Amortized cost
Tenant loans receivable	Amortized cost
Mortgages payable	Amortized cost
Convertible debentures	Fair value through profit or loss
Class B and C LP units	Fair value through profit or loss
Revolving credit facility	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Financial Assets

Financial assets are classified at initial recognition, as either financial assets at FVTPL or amortized cost. Financial assets that give rise to specified payments of principal and interest are carried at amortized cost when they are held to collect contractual cash flows. All other financial assets are carried at fair value through profit or loss. When financial assets are recognized initially, they are measured at fair value, plus directly attributable transaction costs for those financial assets not subsequently measured at fair value.

Skyline Retail REIT’s financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or substantially all of the risks and rewards of ownership are transferred.

Skyline Retail REIT's financial assets are all classified as amortized cost and include cash, accounts receivable and tenant loans receivable. They are initially recognized at fair value and subsequently measured at amortized cost less provision for impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) FINANCIAL INSTRUMENTS (continued)

Financial Assets (continued)

Provision for impairment is made based on the simplified expected credit loss ("ECL") model. Under the simplified ECL model, Skyline Retail REIT estimates lifetime expected losses for its receivables at each statement of financial position date based on available information. To measure the expected losses, amounts receivables are grouped based on days past due. The results of the simplified ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized through the profit and loss. Bad debt write-offs occur when Skyline Retail REIT determines collection is not possible. If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring in the subsequent period, the impairment loss is reversed to no more than its previous carrying amount by adjusting the allowance. The reversal is recognized through profit and loss. Impaired receivables are derecognized when they become uncollectible.

Financial Liabilities
Financial liabilities are classified at initial recognition as either financial liabilities at fair value through profit and loss, or amortized cost, as appropriate. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Skyline Retail REIT’s financial liabilities classified as amortized cost include mortgages payable, accounts payable and accrued liabilities and the revolving credit facility. These financial liabilities are measured initially at fair value and subsequently at amortized cost. The fair value of a non-interest bearing liability is its discounted payment amount. If the due date of the liability is less than one year, discounting is omitted.

Skyline Retail REIT's mortgages payable consists of the legal liabilities owing pursuant to loans secured by mortgages and premiums and discounts recognized on loans assumed on acquisition of properties, netted against the transaction costs, and the effective interest method of amortization is applied to the premiums, discounts and transaction costs.

Skyline Retail REIT's financial liabilities classified as financial liabilities at fair value through profit or loss include convertible debentures payable and Class B and C LP Units. These financial liabilities are measured initially and subsequently at fair value and any gains or losses arising on remeasurement are recognized in net income

(e) CLASS B AND C LP UNITS

The Class B and Class C LP Units are exchangeable into Trust Units at the option of the holder. The ability to exchange Class B and C LP Units for Trust Units implies that a liability element exists as it imposes an unavoidable obligation to deliver units of the Trust (i.e. financial instrument of another entity). Therefore, Class B and C LP Units are classified as financial liabilities on the consolidated statement of financial position.

(f) DISTRIBUTIONS TO CLASS B AND C LP UNITHOLDERS

Distributions declared to Class B and C LP Unitholders are classified as financing costs for reporting purposes because the units are treated as financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) INCOME TAXES

Skyline Retail REIT is taxed as a 'Mutual Fund Trust' for income tax purposes. Skyline Retail REIT, pursuant to its Declaration of Trust, distributes substantially all of its taxable income to unitholders and does not deduct such distributions or designations for income tax purposes. Accordingly, no provision for income taxes has been made. Income tax obligations relating to the distributions of Skyline Retail REIT are the obligation of unitholders.

(h) FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. In estimating the fair value of an asset or a liability, Skyline Retail REIT considers the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Assets and liabilities measured at fair value in the statement of financial position, or disclosed in the notes to the financial statements are categorized by level according to the significance of the inputs used in making the measurements. The levels of inputs are defined as follows:

Level 1 inputs
Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs
Inputs other than quoted prices (included within Level 1) that are observable for the asset or the liability, either directly or indirectly.

Level 3 inputs
Unobservable inputs for the asset or liability.

Skyline Retail REIT's policy is to recognize transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

(i) DISTRIBUTION REINVESTMENT PLAN

Unitholders may elect to participate in a distribution reinvestment plan whereby distribution payments are invested in additional units of Skyline Retail REIT. There are no special terms such as premiums on distribution rates for plan participants.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) PROVISIONS

Provisions are recognized when Skyline Retail REIT has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date. Provisions are measured at their present value by discounting the future cash flows from the expected date the obligation is to be settled. The discount rate used reflects current market assessments of the time value of money adjusted by the risk factor specific to the obligation. The unwinding of the discount due to the passage of time is recognized as interest expense.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of Skyline Retail REIT's consolidated financial statements are disclosed below. Skyline Retail REIT intends to adopt these standards, if applicable, when they become effective.

In March 2018 the IASB issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework). Definitions of financial statement elements were updated, and a new disclosure and presentation section was added. The revised Conceptual Framework is effective for annual periods beginning on or after January 1, 2020.

The IASB issued Definition of Material (Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors) in October 2018. The amendments clarify the definition of "material" and provide guidance to improve consistency for the application of materiality. The amended definition includes the concept of "obscuring" material information and clarifies that materiality is assessed for primary users of general purpose financial statements about a specific reporting entity. Amendments are effective for annual periods beginning January 1, 2020 and are applied prospectively with earlier application permitted.

In October 2018 the IASB issued Definition of a Business (Amendments to IFRS 3 – Business Combinations). The amendments provide guidance to help companies determine if an acquisition is of a business or a group of assets. The amendments confirm that an acquired set of activities and assets must include both an input and a process that contribute to the ability to create outputs but clarify that the process must be substantive. The amendments also introduce an optional concentration test that facilitates determination of whether a company has acquired a business. The amendments apply prospectively to acquisitions that occur on or after January 1, 2020. Earlier application is permitted.

Skyline Retail REIT does not expect any significant impact as a result of these amendments.

(in thousands of Canadian dollars, except per unit amounts)

5. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Skyline Retail REIT and its subsidiary, RRELP.

Subsidiaries are entities over which Skyline Retail REIT has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Subsidiaries are fully consolidated from the date control is transferred to Skyline Retail REIT, and are de-consolidated from the date control ceases. Intercompany transactions between subsidiaries are eliminated on consolidation. All subsidiaries have a reporting date of December 31.

6. INVESTMENT PROPERTIES

Changes to the carrying amounts of investment properties presented in the consolidated statement of financial position can be summarized as follows:

	2019	2018
Balance at beginning of the year (note 22)	$ 971,755	$ 673,750
Acquisitions through purchase of assets	111,666	309,596
Additions through capital expenditures on existing investment properties	10,365	6,306
Amortization of leasing cost and straight-line rents	672	1,435
Investment properties held for sale (note 7)	(3,250)	0
Fair value adjustment on investment properties (note 14)	16,152	(19,332)
Balance at end of the year	$ 1,107,360	$ 971,755

Asset acquisitions:

During the year ended December 31, 2019, Skyline Retail REIT acquired three (2018 - twenty-two) investment properties. The results of these acquisitions are included in these consolidated financial statements from the date of acquisition. The following table outlines the cost, plus the transaction costs of the assets acquired and the associated liabilities and units issued entered into as a result of these acquisitions:

	2019	2018
Acquisition cost of investment properties	$ 111,666	$ 309,596
Mortgages	(84,750)	(205,106)
Total identifiable net assets settled by cash	$ 26,916	$ 104,490

(in thousands of Canadian dollars, except per unit amounts)

6. INVESTMENT PROPERTIES (continued)

Future rental income:

Investment properties are subject to operating leases with tenants. Lease contracts are all typically non-cancelable for periods ranging from one to twenty years from the commencement of the lease. Future minimum rental income from these agreements is as follows:

	2019	2018
Less than one year	$ 72,746	$ 64,649
Between one and three years	129,612	117,166
More than three years	250,330	258,827
	$ 452,688	$ 440,642

Fair value disclosure:

Skyline Retail REIT uses an income approach to perform internal valuation calculations for the purposes of determining the fair market value of investment properties. The same approach is used for those properties with independent third party appraisals. Significant assumptions used for the valuation of the properties include the capitalization rate and the revenue and expenses for each property. As at December 31, 2019, all of Skyline Retail REIT's investment properties were Level 3 inputs. There were no transfers into or out of Level 3 fair value measurements for investment properties held as at December 31, 2019 and December 31, 2018.

Skyline Retail REIT categorizes its investment properties by region, and each region has a different range of capitalization rates, depending on the specific risk factors for each property in that region. The weighted average capitalization rate for the retail properties is 6.49% (2018 - 6.43%). Overall, the capitalization rates for the retail properties fall between:

	2019	2018
Minimum	5.32%	5.50%
Maximum	8.13%	8.54%

Assumptions related to property revenue and expenses are based on the most recent annual results of each property, and where necessary, industry benchmarks.

In 2019, Skyline Retail REIT valued $585,620 of its investment properties (including properties held for sale) internally (2018 - $546,115). The remainder of the investment property fair value was obtained through third party appraisals, not including those properties acquired during the year. In the year, this amounted to $414,355 (2018 - $186,290). Actual results may differ from these estimates and may be subject to material adjustment within the next year.

Fair value sensitivity:

Skyline Retail REIT's investment properties are classified as Level 3 under the fair value hierarchy, as the inputs in the valuations of these investment properties are not based on observable market data. The following table provides a sensitivity analysis for the weighted average capitalization rate applied as at December 31, 2019:

(in thousands of Canadian dollars, except per unit amounts)

6. INVESTMENT PROPERTIES (continued)

As of December 31, 2019

Capitalization Rate Sensitivity Increase (Decrease)	Overall Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(1.00)%	5.49 %	$1,309,065	$ 201,705	18.21 %
December 31, 2019	6.49 %	$1,107,360	$ 0	0.00 %
1.00 %	7.49 %	$ 959,515	$ (147,845)	(13.35)%

7. ASSETS HELD FOR SALE

As at December 31, 2019, there was one property held for sale (December 31, 2018 - no properties held for sale). The assets and liabilities associated with the investment property held for sale are as follows:

	2019	2018
ASSETS		
Investment properties	$ 3,250	$ 0
Accounts receivable	36	0
	3,286	0
LIABILITIES		
Tenant deposits	13	0
Accounts payable and accrued liabilities	3	0
	16	0
NET ASSETS HELD FOR SALE	$ 3,270	$ 0

8. OTHER ASSETS

The components of other assets are as follows:

	2019	2018 (note 22)
Funds held in trust	$ 930	$ 398
Deposits on investment properties	1,300	150
Prepaid expenses	576	658
	$ 2,806	$ 1,206

9. TENANT LOANS RECEIVABLE

The tenant loans receivable are receivable in blended monthly instalments of $11 (2018 - $11) with interest charged ranging from 4.00% to 6.62% (2018 - 4.00% to 6.62%). The loans are due between 2022 and 2028. The portion receivable within one year is $78 (2018 - $73).

(in thousands of Canadian dollars, except per unit amounts)

10. MORTGAGES PAYABLE

The mortgages payable are secured by real estate assets and letters of credit, in some cases. Mortgages bearing fixed interest with a contractual weighted average rate of 3.89% (2018 - 3.89%) per annum are $696,863 (2018 - $617,414). There are no variable interest rate mortgages. Mortgages have maturity dates ranging between 2020 and 2030. Included in mortgages payable is $13,906 (2018 - $14,393) of second mortgages. All mortgages are denominated in Canadian dollars.

Future minimum payments on mortgage obligations are as follows:

2020	$ 30,628
2021	59,269
2022	101,636
2023	123,408
2024	60,932
Thereafter	320,990
	$ 696,863

A reconciliation of movements in mortgages payable to cash flows arising from financing activities is as follows:

	2019	2018
Mortgages payable, beginning of year	$ 617,414	$ 412,850
Proceeds from refinanced and new mortgages	144,932	243,906
Repayment of existing mortgages	(64,020)	(38,483)
Transaction costs related to mortgages	(2,003)	(859)
Total changes from financing cash flows	78,909	204,564
Amortization of financing costs	540	0
Financing costs in operations	24,145	18,188
Interest paid	(24,145)	(18,188)
Total liability-related changes	540	0
Mortgages payable, end of year	$ 696,863	$ 617,414

(in thousands of Canadian dollars, except per unit amounts)

11. CONVERTIBLE DEBENTURES

The components of convertible debentures payable are as follows:

	2019	2018
2019 Convertible Debentures	$ 0	$ 3,740

On June 2, 2016, as part of an of acquisition of investment property, RRELP issued 3,400 Convertible Debentures for proceeds of $3,400. The Convertible Debentures are unsecured, mature on June 2, 2021 and bear interest at 5.00%. During the year, they were redeemed into RRELP's Class B LP Units, at a conversion price of $11.50, being the ratio of 86.96 RRELP's Class B LP Units per $1,000 of principal amount of Convertible Debentures.

A reconciliation of movements in debentures payable to cash flows arising from financing activities is as follows:

	2019	2018
Debentures payable, beginning of year	$ 3,740	$ 3,696
Changes in fair value (note 14)	30	44
Interest expense	92	156
Interest paid	(92)	(156)
Total liability-related changes	0	0
Debentures converted to units	(3,770)	0
Debentures payable, end of year	$ 0	$ 3,740

12. RELATED PARTY TRANSACTIONS

Skyline Retail Real Estate GP Inc. is the general partner of RRELP and is entitled to 20% of distributions after the limited partners have received returns equivalent to their adjusted contribution value. Transactions are measured at fair value. A provision for the future distributions payable to Skyline Retail Real Estate GP Inc. has not been recorded since the timing and amount of the distributions payable cannot be reasonably estimated. Based on the fair value of the investment properties as at December 31, 2019, a distribution would be payable if the investment properties were sold. However, there were no distributions payable at December 31, 2019 (2018 - $nil).

Skyline Retail REIT has an asset management agreement with Skyline Asset Management Inc., a property management agreement and a lease documentation services agreement with Skyline Commercial Management Incorporated, and a wealth management agreement with Skyline Wealth Management Inc. Skyline Retail Real Estate GP Inc., Skyline Asset Management Inc., Skyline Commercial Management Incorporated, and Skyline Wealth Management Inc. are controlled by the same shareholders.

12. RELATED PARTY TRANSACTIONS (continued)

Fees payable under the asset management agreement are 2% of adjusted gross revenue. Fees payable under the property management agreement average 3.5% of base rental income. Fees payable under the lease documentation services agreement are payable at a fixed rate ranging from $200 to $1,000 (not in thousands of Canadian dollars) per lease. Fees payable under the wealth management agreement include wealth management fees of 0.3% of unitholders' equity, and equity raise fees ranging from 0.5% to 1% of proceeds from units issued and redeemed during the year. Equity raise fees of $504 (2018 - $952) were paid during the year and are included in issuance costs. Fees paid during the years are as follows:

	2019	2018
Asset management fees	$ 1,951	$ 1,429
Property management fees	2,394	1,749
Lease documentation fees	76	0
Wealth management fees	1,316	1,024
	$ 5,737	$ 4,202

13. FINANCING COSTS

During the year, Skyline Retail REIT incurred the following financing costs:

	2019	2018
Mortgage interest	$ 24,145	$ 18,189
Deferred financing costs	540	0
Interest expense on debentures	92	156
Interest expense on credit facilities	297	560
Distribution paid on Class B and C LP Units	3,727	3,877
	$ 28,801	$ 22,782

14. FAIR VALUE GAIN (LOSS)

The components of the fair value gain (loss) were as follows:

	2019	2018
Fair value gain (loss) on investment properties (note 6)	$ 16,152	$ (19,332)
2019 Convertible Debentures (note 10)	(30)	(44)
Class B and C LP Units (note 19)	(3,223)	(613)
	$ 12,899	$ (19,989)

(in thousands of Canadian dollars, except per unit amounts)

15. FAIR VALUE MEASUREMENT

Assets and liabilities measured at fair value

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the statement of financial position is as follows:

As at	December 31, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment properties	$ 0	$ 0	$1,107,360	$ 0	$ 0	$ 971,755
Assets held for sale	0	0	3,286	0	0	0
	$ 0	$ 0	$1,110,646	$ 0	$ 0	$ 971,755
Liabilities						
Convertible Debentures	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,740
Class B and C LP Units	0	0	51,483	0	0	51,289
	$ 0	$ 0	$ 51,483	$ 0	$ 0	$ 55,029
Liabilities for which fair values are disclosed						
Mortgages payable	$ 0	$ 709,144	$ 0	$ 0	$ 617,414	$ 0

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. For assets and liabilities measured at fair value as at December 31, 2019 and December 31, 2018, there were no transfers between Level 1, Level 2 and Level 3 assets and liabilities.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using year end market rates for debt of similar terms and credit risks. The fair value of the mortgages payable approximate their carrying amounts for the year ended December 31, 2018.

16. FINANCIAL RISK MANAGEMENT

Financial risks are risks arising from the financial instruments to which Skyline Retail REIT is exposed during or at the end of the reporting period. Financial risk comprises market risk, credit risk and liquidity risk. Skyline Retail REIT considers real estate risk as a financial risk as well, even though investment property is not classified as a financial instrument.

Risk management is carried out by Management and the Board of Trustees of Skyline Retail REIT. Management identifies and evaluates financial risks and the Board provides oversight on overall risk management, including specific areas such as interest rate risk, liquidity and investing policies.

Key financial risk management reports are produced on a monthly basis and key indicators are reviewed by Management and the Board of Trustees of Skyline Retail REIT.

i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Skyline Retail REIT's market risks arise from open positions in interest bearing assets and liabilities, to the extent that these are exposed to market fluctuations.

(in thousands of Canadian dollars, except per unit amounts)

16. FINANCIAL RISK MANAGEMENT (continued)

a. Interest rate risk

Skyline Retail REIT is exposed to interest rate risk arising from its fixed rate mortgages payable. As fixed rate debt matures and as Skyline Retail REIT uses additional floating rate debt under revolving credit facilities, Skyline Retail REIT will be further exposed to cash flow risk.

As part of its risk management policies, Skyline Retail REIT uses fixed rate mortgages for the majority of its borrowings to allow for better cash flow planning. Skyline Retail REIT attempts to stagger mortgage renewals at appropriate intervals to mitigate significant interest rate shocks in a given year.

The following table illustrates the sensitivity of income and equity to a reasonably possible change in interest rates of +/- 1%.

As of December 31, 2019

	Carrying Amount	Income -1%	Partners' Equity -1%	Income +1%	Partners' Equity +1%
Revolving credit facility	$ 8,505	$ 85	$ 85	$ (85)	$ (85)
Long term debt, maturing within 1 year	11,988	120	120	(120)	(120)
	$ 20,493	$ 205	$ 205	$ (205)	$ (205)

As of December 31, 2018

	Carrying Amount	Income -1%	Partners' Equity -1%	Income +1%	Partners' Equity +1%
Revolving credit facility	$ 2,211	$ 22	$ 22	$ (22)	$ (22)
Long term debt, maturing within 1 year	33,495	335	335	(335)	(335)
	$ 35,706	$ 357	$ 357	$ (357)	$ (357)

b. Price risk

Skyline Retail REIT has no significant exposure to price risk with respect to financial instruments as it does not hold any equity securities or commodities.

c. Foreign exchange risk

Skyline Retail REIT is not subject to foreign exchange risk. All of its financial instruments are denominated in Canadian dollars.

(in thousands of Canadian dollars, except per unit amounts)

16. FINANCIAL RISK MANAGEMENT (continued)

ii) Credit risk

Credit risk is a risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from the possibility that Skyline Retail REIT's tenants may experience financial difficulty and be unable to meet their lease obligations. Currently, a significant portion (24%, 2018 - 26%) of Skyline Retail REIT's property revenue is derived from two major tenants. As a result, Skyline Retail REIT's revenues will be dependent on the ability of the tenants to meet their rent obligations and Skyline Retail REIT's ability to collect rent from these tenants.

An allowance for doubtful accounts is recognized for estimated losses resulting from tenant default on lease obligations. Skyline Retail REIT actively reviews receivables and determines the potentially uncollectible accounts on a per-tenant basis. An accounts receivable is written down to its estimated recoverable value when there is reason to believe that the tenant will not be able to fulfil their obligations under the lease agreement. The movement in the allowance for doubtful accounts is reconciled as follows:

	2019	2018
Allowance for doubtful accounts beginning of year	$ 2	$ 9
Provision for impairment of accounts receivable	134	8
Reversal of provision for impairment	(5)	(15)
Allowance for doubtful accounts end of year	$ 131	$ 2

Credit risk is managed by reviewing the credit quality of the tenant through credit ratings and references. The maximum exposure to credit risk at the reporting date is equal to the carrying value of each class of financial asset.

iii) Liquidity risk

Liquidity risk management entails maintaining sufficient cash and credit facilities available to close out market positions. Skyline Retail REIT ensures flexibility in funding by keeping committed credit lines available and raising capital from partners when needed.

Skyline Retail REIT’s liquidity position is monitored on a regular basis by Management. A summary table with maturity of financial assets and liabilities presented below is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of the balances due within twelve months generally equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

Skyline Retail REIT has access to an operating line of credit to a maximum of $18,000 with interest charged at prime + 2.0%, of which $8,505 is utilized by Skyline Retail Real Estate Trust at December 31, 2019 (2018 - $2,211). The line of credit is secured by a general security agreement over some of the income producing properties of Skyline Retail REIT.

(in thousands of Canadian dollars, except per unit amounts)

16. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)
Under a financing agreement, Skyline Retail REIT is required to maintain a debt service ratio of 1.20 or higher, an interest coverage ratio of 2.00 or higher and unitholder equity minimum of $75,000 plus 75% of contributions received during each subsequent fiscal year. The combined group is also required to maintain a funds from operations effective pay-out ratio not exceeding 100% and a total debt to gross book value ratio not exceeding 70%. At December 31, 2019, the combined group was in compliance with the covenants.

Skyline Retail REIT's long term debt consists of mortgages payable bearing interest rates ranging from 2.83% to 6.07% per annum (2018 - 2.83% to 6.07%), payable in monthly instalments of principal and interest of approximately $3,866 (2018 - $3,392), maturing from 2020 to 2030, and are secured by specific charges against specific properties. All interest rates are fixed for the term of the respective mortgage. In 2018, Skyline Retail REIT's long term debt also consisted of unsecured debentures payable bearing interest at 5.00% per annum, payable in monthly instalments of interest of approximately $14. During 2019, they were converted into RRELP's Class B LP Units. See note 10.

Financial liabilities and their maturities are as follows:

December 31, 2019	On demand	Less than one year	One to five years	More than five years	**Total**
Mortgages payable	$ 0	$ 30,628	$ 345,245	$ 320,990	$ 696,863
Accounts payable and accrued liabilities	0	8,272	0	0	8,272
Revolving credit facility	8,505	0	0	0	8,505
	$ 8,505	$ 38,900	$ 345,245	$ 320,990	$ 713,640

December 31, 2018	On demand	Less than one year	One to five years	More than five years	**Total**
Mortgages payable	$ 0	$ 49,281	$ 262,234	$ 305,899	$ 617,414
Debentures payable	0	0	3,740	0	3,740
Accounts payable and accrued liabilities	0	5,029	0	0	5,029
Revolving credit facility	2,211	0	0	0	2,211
	$ 2,211	$ 54,310	$ 265,974	$ 305,899	$ 628,394

iv) Real estate risk
Skyline Retail REIT has identified risks associated with the real estate portfolio. The greatest risk is with respect to the fair values of the portfolio due to changes in real estate market conditions, the macro economic climate and overall financial health of its tenants.

(in thousands of Canadian dollars, except per unit amounts)

17. CAPITAL RISK MANAGEMENT

Skyline Retail REIT’s objectives when managing capital are to safeguard the entity’s ability to continue as a going concern in order to provide returns for unitholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Skyline Retail REIT has the ability to adjust the amount of distributions paid to partners, return capital to partners, issue additional units, refinance existing debt, or sell investment property to reduce debt.

Skyline Retail REIT monitors capital primarily using a loan to value ratio, which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio. As of December 31, 2019, the loan to value ratio was 63% (2018 - 64%), which is within Skyline Retail REIT’s stated policy of 70% or lower. Subsequent to December 31, 2019, Skyline Retail REIT is in compliance with the policy.

During the years, Skyline Retail REIT did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

Effective February 6, 2019, the annualized per unit distribution changed from $0.95 to $0.996.

18. SEGMENTED DISCLOSURE

All of Skyline Retail REIT's assets and liabilities are in, and its revenues are derived from, Canadian retail real estate. Skyline Retail REIT's investment properties are, therefore, considered by Management to have similar economic characteristics. Thus, Skyline Retail REIT has one reportable segment for disclosure purposes. One tenant represents 15.6% (2018 - 17.2%) and another represents 8.0% (2018 - 8.8%) of Skyline Retail REIT's property revenue.

19. UNITHOLDERS' EQUITY

Skyline Retail REIT is authorized to issue unlimited number of trust units. Skyline Retail REIT units are entitled to distributions as and when declared by the Board of Trustees. Effective February 6, 2019, the issue price per unit for newly issued and units to be redeemed changed to $12.75 and effective November 15, 2019, the issue price per unit for newly issued and units to be redeemed changed to $13.50. (2018 - $12.65 per unit) The units issued and outstanding are as follows:

	2019 Units	2018 Units
Units outstanding, beginning of years	25,941,758	17,414,221
Units issued	4,537,496	9,901,715
Units issued (Distribution reinvestment plan)	939,087	592,836
Redemptions during the year	(2,743,259)	(1,967,014)
Units outstanding, end of years	28,675,082	25,941,758

(in thousands of Canadian dollars, except per unit amounts)

20. CLASS B AND C LP UNITS

The Class B and C LP Units are units issued by RRELP as partial consideration of investment properties. The Class B and C LP Units can be exchanged for Trust Units at any time at the option of the holder. Prior to such exchange, distributions will be made on these exchangeable units in an amount equivalent to the distributions which would have been made had the units been exchanged for Skyline Retail REIT units. Each Class B and C LP unit holder is entitled to vote at all meetings of Skyline Retail REIT.

As at December 31, 2019, there were 2,965,180 (2018 - 3,206,106) Class B LP units, and 848,371 (2018 - 848,371) Class C LP units issued and outstanding.

A reconciliation of movements in Class B and C LP units to cash flows arising from financing activities is as follows:

	2019	2018
Class B and C LP units, beginning of the year	$ 51,289	$ 53,076
Proceeds from issue of Class B LP units	3,769	0
Redemptions of Class B LP units	(6,799)	(2,400)
	(3,030)	(2,400)
Distribution interest expense	3,727	3,877
Distribution interest paid	(3,727)	(3,877)
Total liability-related changes	0	0
Changes in fair value	3,224	613
Class B and C LP units, end of year	$ 51,483	$ 51,289

21. SUBSEQUENT EVENTS

Subsequent to year end, Skyline Retail REIT acquired three properties in Montreal, Quebec at a cost of $48,400. The properties were partially financed with mortgages of $34,000, with fixed interest rates ranging from 2.92% to 3.07% and maturing in 2028. There is a deposit of $1,300 on the properties at year end.

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. This global pandemic has disrupted economic activities and has resulted in many organizations implementing system-wide closure of programming and services. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. This may impact the timing and amounts realized on the organization's cash flows and assets.

In response to the effects of COVID-19 mentioned above, on March 19, 2020 the Board of Trustees agreed to apply a monthly redemption limit of $50 for all requests received, as outlined in Skyline Retail REIT's Declaration of Trust, in an effort to safeguard the capital of Skyline Retail REIT, and mitigate its liquidity risk.

22. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform to the current year's presentation. The deposits on investment properties have been included under other assets on the Statement of Financial Position. This has been reflected on the Statement of Cash Flows.

SKYLINE