ANNUAL REPORT TO UNITHOLDERS – DECEMBER 31, 2021

2021

SKYLINE
RETAIL REIT

SKYLINE RETAIL REIT

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

Back row from left to right: **Jean-François Thibault**, Senior Director, Skyline Retail Asset Management Inc.; **Julia Bowen**, Director of Leasing, Retail, Skyline Retail Asset Management Inc.; **R. Jason Ashdown,** Co-Founder & Chief Sustainability Officer; **Wayne Byrd,** Chief Financial Officer; **Jason Castellan,** Co-Founder & Chief Executive Officer; **Patrick Hunter,** Director, Skyline Retail Asset Management Inc.

Front row from left to right: **Maria Duckett**, Vice President, Skyline Commercial Management Inc.; **Madison Mulder**, Leasing Coordinator, Skyline Retail Asset Management Inc.; **Gordon Driedger**, President, Skyline Retail REIT; **Martin Castellan,** Co-Founder & Chief Administrative Officer.

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OVERVIEW

$1.3 B	4.6+ MM	87.90%
Fair Value of Investment Properties (11.76% increase) (As at December 31, 2021)	Gross Leasable Area (sq.ft) (As at December 31, 2021)	FFO Payout Ratio (As at December 31, 2021)
$15.25	**$0.996**	**6.53%**
Current Unit Value (As at April 30, 2022)	Annual Distribution per Unit (As at April 30, 2022)	Annual Distribution Yield (As at April 30, 2022)
21.73%	**12.16%**	**13.44%**
Annualized Return 1 yr (As at April 30, 2022)	Annualized Return 5 yr (As at April 30, 2022)	Annualized Return Since Inception (As at April 30, 2022)

Rexall
129 Trunk Road, Sault Ste. Marie, ON

SKYLINE GROUP OF COMPANIES AWARDS

Shelldale Family Gateway 2021 Volunteer of the Year – R. Jason Ashdown, Co-Founder & Chief Sustainability Officer, Skyline Group of Companies

Presented to a community member representing Shelldale Family Gateway's mission, making a substantial positive impact, and contributing to the betterment of the Shelldale Family Gateway community.

IPOANS 2021 Innovation & Excellence Awards – Winner, Property Manager of the Year (Ashley Morine) – Skyline Living

Recognizing an IPOANS member's Property Manager who demonstrates innovation, teamwork, leadership skills, and excellence by continuously going above and beyond their duties.

Best Managed Companies – Platinum Member – Skyline Group of Companies

Platinum Member Winners have retained their Best Managed Companies status for seven years. They demonstrate leadership in strategy, capabilities and innovation, culture and commitment, and financials.

CFAA 2021 Rental Housing Awards:
Winner, Off-Site Employee of the Year (Kevin McIntosh) – Skyline Living

Recognizing an individual employee nominated by their employer who has demonstrated excellence and professionalism in the rental housing industry.

Winner, Property Manager of the Year (Karolina Bagienski) – Skyline Living

Recognizing a staff member who solved a long-standing problem seen to be intractable or handled one or more difficult issues with great skill and tact.

RHB Magazine 2021 "The Annual" Edition – Canada's Top 10 REITs List (#5) – Skyline Apartment REIT

Skyline Apartment REIT ranked #5 in Canada (number of apartment suites owned and managed within its portfolio). RHB "The Annual" is "the complete market perspective for the Canadian rental housing industry."

Canadian Property Management Magazine 2021 "Who's Who" Ranking – Top 10 Apartment Owners & Managers (#7) – Skyline Apartment REIT

Skyline Apartment REIT ranked among Canada's Top 10 owners and managers of apartment real estate, based on total square footage within its portfolio.

2021 Canadian HR Awards – Finalist, Gallagher Award for HR Team of the Year (500+ employees) – Skyline Group of Companies

Skyline made the finals for this award recognizing a team that has excelled within the HR function and across their business by partnering with different business functions.

FRPO 2021 MAC Awards:
Winner, Environmental Excellence -Skyline Group of Companies

Presented to a rental housing provider that demonstrates excellence in the areas of energy and water conservation, waste management, net zero/ positive developments, or other sustainable initiatives.

Winner, Impact Award - Skyline Living

Recognizing a rental housing provider that has achieved extraordinary social outcomes related to one initiative or project in Ontario. 2021 was the inaugural year for the Impact Award category.

University of Guelph 2021 HeForShe Impact Award – Skyline Group of Companies

Recognizing a Guelph-Wellington region business that actively promotes and improves gender equality, resulting in positive change within the organization and greater community.

SUSTAINABILITY AT SKYLINE GROUP OF COMPANIES

2021 SUSTAINABILITY HIGHLIGHTS

Environmental

1,286 trees and shrubs planted
in partnership with Tree Canada, with 105 Skyline volunteers participating in tree planting events.

41,819 MWh[1]
in clean energy generated by Skyline-owned solar assets. Equivalent to electricity use by 3,645[2] homes for one year.

90,000 tonnes
of organic waste capable of being diverted from landfill and converted to nearly 25,000 MWh of clean energy annually at Skyline Clean Energy Fund's biogas facility acquired in 2021 (one of Canada's largest). Equivalent to electricity use by 2,179[2] homes for one year.

Social

$260,000+
raised through Coldest Night of the Year, annual Golf Tournament, and Season's Givings campaigns.

900+ hours
donated by Skyline staff by way of volunteerism or participation on external non-profit boards and the Kindle supportive housing project.

420 tenancies saved
through R.I.S.E. (Reach, Impact, Support, Elevate) program and provided a total of $55,467 in financial relief/grocery gift cards.

Governance

80 points achieved
in Investor Net Promoter Score (NPS) - a 16% improvement from 2020, indicating high satisfaction of investors with Skyline's business practices, including ESG practices.

10 awards won
in recognition of company ESG practices and apartment buildings designed with sustainable features.

Launched internal 15-member ESG Taskforce
responsible for strategic development and monitoring of Skyline's ESG goals across all levels of the organization.

[1]A megawatt-hour (MWh) is a unit of energy equal to one megawatt of power sustained for one hour.
[2]Calculated using Natural Resource Canada's Greenhouse Gas equivalencies calculator:
https://oee.nrcan.gc.ca/corporate/statistics/neud/dpa/calculator/ghg-calculator.cfm#results

OUR FOCUS AREAS FOR 2022

Environmental	Expand organic and ewaste diversion programs across our properties	Install 800+ EV chargers at Skyline properties	Establish a formal tree planting program across the group of companies
Social	Exceed our 2021 fundraising total	Reach 80% usage of Skyline's Volunteer Day	Increase visibility of our R.I.S.E. Tenant Assistance program
Governance	Develop a centralized ESG database	Establish an employee ESG Training Program	Prepare to submit to Global ESG Benchmark for Real Assets (GRESB) in 2023

OUR SUSTAINABILITY PARTNERS

Tenants
Rent from us

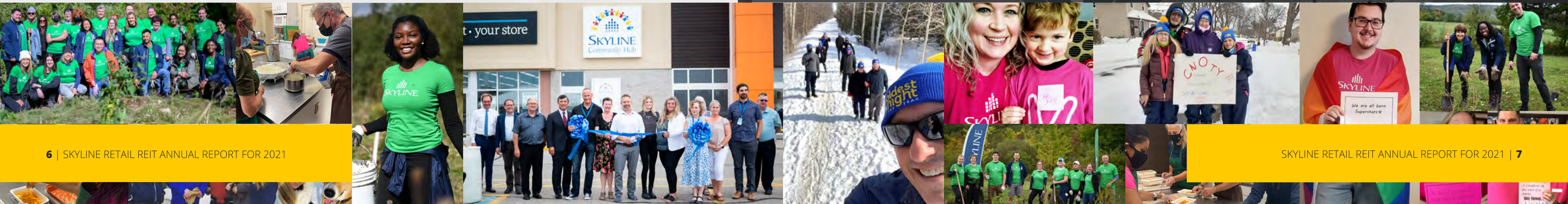
Employees
Work with us

Investors
Invest with us

Communities
Grow stronger with us

Suppliers
Build with us

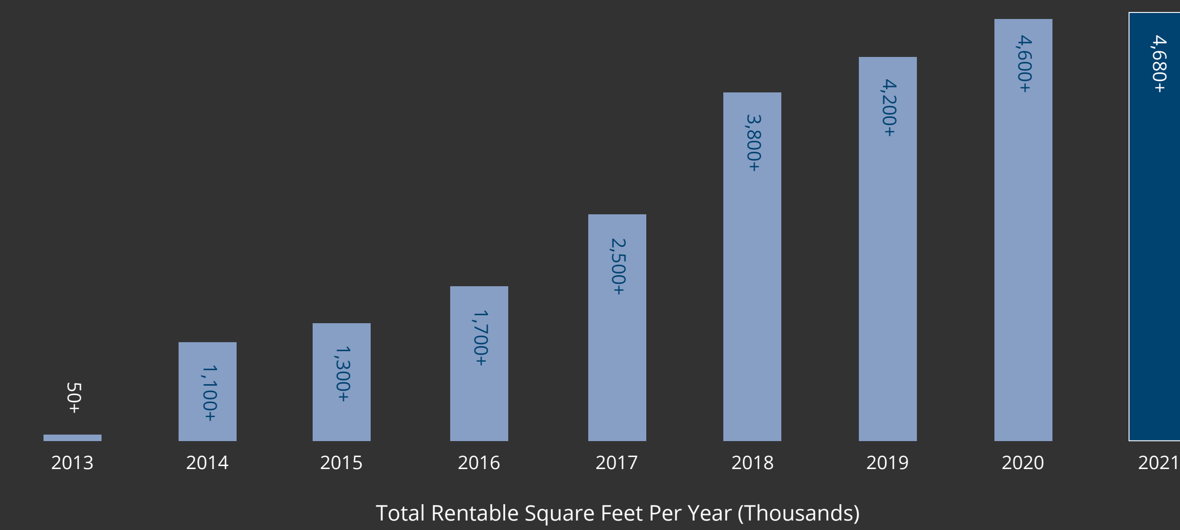
View Skyline's 2022 Sustainability Plan at
SkylineGroupOfCompanies.ca/Sustainability



2021 TRANSACTIONS

Skyline Retail REIT focuses on national name-brand retail tenants with long-term leases.

The portfolio is comprised of properties in secondary and tertiary markets, occupied primarily by tenants that offer essential goods and services, such as grocery and pharmacy retailers.



OUR PURPOSE

To provide meaningful value and an exceptional experience for each of our stakeholders, while developing strong, supportive, and sustainable communities.

OUR MISSION

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

OUR P.R.I.D.E. VALUES

Professionalism
Respect
Integrity
Drive
Efficiency

Sobeys
255 Edward Street, Gravenhurst, ON

CEO ADDRESS TO UNITHOLDERS

The year 2022 marks more than 30 years since my father helped my brother Martin and I buy our first student house in Guelph, ON. Shortly thereafter, at a party in that very house, we met our business partner, R. Jason Ashdown, and the rest is history.

In starting our real estate business, we agreed that our most substantial risk was interest rates. In the early days, we struggled with the choice between floating our interest rates or fixing them for the longer term. At that time, rates were decreasing, so floating would seemingly be the winning choice. However, we'd be able to sleep better knowing we had eliminated interest rate risk at the cost of marginal gains. We chose in favour of that peace of mind.

Fast forward to the past two years, which have seen the largest money printing period by both the Canadian and USA governments since we started this business. Inflation is upon us, and to an extent that we haven't seen before. Our biggest risk remains the same as it was more than 30 years ago: interest rates. However, our diligent strategizing in the past has trained us for these times.

We have always taken the stance that, as stewards of our investors' money, we must mitigate risk of things we cannot control; this includes interest rates as well as taxes, utilities, and other variables. We have spent our careers working diligently on those expenses; during the past two years we've especially focused on early "blending-and-extending" of our mortgages, pushing out the expiry of those terms as long as we can (usually 10 years). As an investor in one or more of Skyline's investments, you can be assured that we are prioritizing the mitigation of any potential risk accompanying the recent inflation we've seen.

Inflation may require a great deal of attention on the cost side, but there is plenty to be optimistic about, as inflation brings opportunity as well. Rents are one of our greatest hedges against inflation. Apartment rents are mostly protected by modest increases by tenants who stay; however, we can adjust the rent to market rates upon turnover when the tenant moves out. Retail and industrial rental rates are contractual obligations that may be fixed for longer terms than their residential counterparts, but as the market rent escalates for those retail and industrial units, the potential increases coil up and become realized once the terms on those rental contracts expire.

Within each of Skyline's three REITs, we have rents that are, in most cases, below what the market is currently achieving, but are being realized monthly upon turnover and renewal of leases. I know that I would rather own an investment with substantial growth opportunity than the opposite in a deflationary or stagnant environment—because rising rents bring rising property values to realization. The same holds true for our clean energy infrastructure assets within Skyline Clean Energy Fund; why not hedge against rising utility costs by investing in utility-scale assets? There, too, we will continually negotiate higher gas and electricity rates based on projects we buy at a fixed price today. As all the components that comprise a physical asset increase in value, so too does the approximately $7 billion enterprise value of the assets we hold across our four funds.

With the current market environment, now is an optimal time to own physical assets that will appreciate in value. Skyline's investments hedge against inflation due to the rents and rates that can be earned and present an opportunity for a rise in the assets' underlying value.

Through all the events, large and small, that we've seen over the 30-plus years we have owned and managed assets, we have continued our strategy to mitigate the risks we cannot control and capitalize on opportunities that present themselves. That strategy has stood us in great stead, and it is the reason why each of our four funds has provided historical growth and stability since its inception.

"As all the components that comprise a physical asset increase in value, so too does the approximately $7 billion enterprise value of the assets we hold across our four funds."

Jason Castellan

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

PRESIDENT'S REPORT

It's true what they say: time flies when you're having fun. 2021 has escaped us in what seems like a fleeting moment. The REIT has continued to perform exceptionally well on virtually every aspect of its business—occupancy, income growth, asset appreciation, and distributions. The groundwork we laid in prior years, and the REIT's support of our tenants through 2020 and 2021, has put the REIT in an excellent position to capitalize on future opportunities.

Retail leasing remained very strong through all of 2021. In most cases, new tenants represented an even stronger profile than expiring and vacating tenants. Led by growth in essential retail, including dollar stores, quick-service restaurants, pharmacy, pet stores, and medical services, the REIT's occupancy remains high, notwithstanding the challenges faced by some tenants through the remaining pandemic periods in 2021.

In addition to strong organic incremental income growth upon renewal of existing leases in the portfolio, the REIT continued tapping the incremental value associated with new-build retail within its existing portfolio. In 2021, construction commenced on a number of pad opportunities, including a large provincially owned liquor store in Quebec and a Rexall pharmacy and quick-service restaurants in Ontario. The REIT also obtained entitlements in 2021 to build several additional pads with construction slated for 2022. In all cases, these developments were fully leased prior to commencement and are being built on land acquired as part of the initial asset acquisition.

Throughout the year, the REIT continued to acquire retail assets meeting its strict acquisition criteria. Our discipline in acquiring only those assets which are well tenanted, well located, and dominant within its market has served us well in the years leading up to and including 2021.

The reliability and strength of the REIT's strategy has been reinforced by the wider retail real estate market, as investors both large and small have sought to acquire retail assets which have demonstrated resilience to the changes in the retail landscape. Accordingly, the REIT has enjoyed growth in the valuation of our existing portfolio due to its weighting in assets focused on essentials-based retailers; these assets have continued to be high-performing and resilient throughout the ebbs and flows of the retail market.

The REIT continues to invest in its people, its properties, and the communities within which we operate. We are proud of the role the REIT plays in these communities in terms of social and environmental sustainability, in alignment with Skyline Group of Companies' sustainability objectives. We will continue to invest in our communities going forward.

Like many industries, retail real estate is competitive. We must continually demonstrate our ability to provide the best business locations for our tenants. In doing so, we can continue to grow our portfolio and presence throughout Canada.

The REIT remains active in all facets of our business. We are active in new acquisitions as well as a small number of strategic dispositions. As we emerge from the challenging period of the past 24 months, we look forward to the future and continuing to provide stable and growing performance.

As always, none of this would be possible without the ongoing support of our investors, Trustees, retail partners, and other stakeholders. We appreciate the trust you have placed in us as we strive to provide a best-in-class investment product.

"The REIT has enjoyed growth in the valuation of our existing portfolio due to its weighting in assets focused on essentials-based retailers; these assets have continued to be high-performing and resilient throughout the ebbs and flows of the retail market."

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

Patrick Hunter
Director,
Skyline Retail Asset
Management Inc.

Pete Roden
Vice President,
Skyline Mortgage
Financing Inc.

Karyn Sales
General Counsel,
Skyline Group of
Companies

Jean-François Thibault
Senior Director,
Skyline Retail Asset
Management Inc.

Julia Bowen
Director of Leasing,
Retail,
Skyline Retail Asset
Management Inc.

INDEPENDENT TRUSTEES

George Schott

George Schott has more than 35 years of experience in the real estate sector. In prior years, he was the President and COO of Morguard Investment Limited, the founder, President and CEO of Osmington Inc., and former Chairman and CEO of Redcliff Realty. He has held a variety of senior management positions with Bramalea as EVP, Markborough as SRVP and Oxford as VP Development. Mr. Schott has been a director of EllisDon since 2003, and was also a former director of Key REIT, as well as a former advisor to 20 Vic Management and former Chairman of the investment committee of Aurion Capital.

Perry Katz

Perry Katz has more than 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 for Skyline Apartment REIT and Skyline Commercial REIT.

Gary Finkelstein

Gary Finkelstein has more than 30 years of experience in the commercial real estate investment and development industry and currently holds the position of Vice President of Real Estate for the White Owl Family Office Group. He started his career as a corporate commercial lawyer before following his entrepreneurial spirit towards real estate development. Some of his previous roles include being the CIO and Senior Vice President of Acquisitions & Development at a Toronto based boutique development firm, Regional VP for one of Canada's preeminent commercial REIT's, 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 prestigious retailers. He is also a member of the International Counsel of Shopping Centres and RealPAC (Real Property Association of Canada).

FINANCIAL REPORTING

LCBO
969 Fort William Road, Thunder Bay, ON

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, 2021, 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 the Management as of April 30, 2022, 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 the material contained in the audited consolidated financial statements for the years ended December 31, 2021, and 2020, 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 October 6, 2020 (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 "**Exempt Market Dealer**") 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 2021, Skyline Retail REIT was paying monthly distributions to Unitholders of $0.083 per unit, or $0.996 on an annual basis. At December 31, 2021, approximately 38.9% 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, 2021, overall occupancy was 96.2%.
- **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 2021, Skyline Retail REIT's NOI margin was 66.9%.
- **Same Property Net Operating Income.** This is defined as operating revenues less operating expenses for properties, which were owned for the full years of 2019, 2020, and 2021. Management was focused on maintaining or increasing same property NOI year over 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 2021, Skyline Retail REIT generated $41.9 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 2021, Skyline Retail REIT generated $36.7 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 2021, Skyline Retail REIT's FFO payout ratio was 87.9%, and the AFFO payout ratio was 100.3%.
- **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 2021, Skyline Retail REIT's portfolio leverage ratio on total debt was 62.08% against historical cost and 58.26% 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 to provide certainty to Unitholders with respect to taxation of distributions.

2021 Highlights

- The REIT grew its portfolio of investment properties from $1.17 billion to $1.31 billion (11.76%) over the course of 2021 through a combination of strategic acquisitions and growing value within the existing portfolio.

Financial Highlights **($ thousands, except where noted)**	**2021**	**2020**
Property revenues	$115,208	$114,506
Operating expenses	(38,581)	(41,924)
Net operating income ("NOI")	**$76,627**	**$72,582**
Net income	**$113,903**	**$27,546**
Funds from operations ("FFO")	**$41,875**	**$39,362**
Adjusted funds from operations ("AFFO")	**$36,688**	**$35,218**
Weighted average REIT units and LP units outstanding	36,937,920	34,440,800
FFO per unit (weighted average)	**$1.13**	**$1.14**
AFFO per unit (weighted average)	**$0.99**	**$1.02**
Distributions per unit	$0.996	$0.996
Forward FFO payout ratio	**87.9%**	**87.1%**
Forward AFFO payout ratio	**100.3%**	**97.4%**
Extraordinary costs related to Covid-19	$-	$4,115
Normalized FFO per unit (weighted average)	**$1.13**	$1.26
Normalized AFFO per unit (weighted average)	**$0.99**	$1.14

Property Portfolio

At December 31, 2021, through active portfolio management; the portfolio consisted of 4,680,315 rentable square feet across 112 retail properties geographically diversified through 67 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, 2021)	**GLA (sq ft)**	**%**	**Occupancy Rate**	**Base Rent (psf)**
Retail	4,615,369	98.6%	96.7%	$17.88
Office	64,946	1.4%	74.9%	13.95
	4,680,315	**100%**	**96.2%**	**$17.85**

Acquisitions And Dispositions

Acquisitions Completed During the Year Ended December 31, 2021
($ thousands, except where noted)

Purchase Date	**GLA**	**Region**	**Type**	**Acquisition Costs**	**Mortgage Funding**
12-Feb-21	72,659	Western Canada	Retail	$31,900	$21,261
30-Mar-21	62,347	Quebec	Retail	18,229	13,500
14-Apr-21	6,479	Ontario	Retail	4,600	-
15-Dec-21	3,300	Ontario	Retail	1,300	-
Total	**144,785**			**$56,029**	**$34,761**

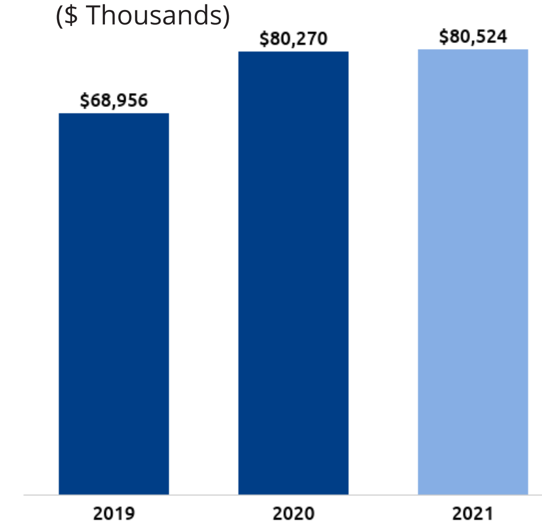
Dispositions Completed During the Year Ended December 31, 2021
($ thousands, except where noted)

Purchase Date	**GLA**	**Region**	**Type**	**Carrying Value**	**Equity**	**Mortgages Discharged**
16-Jun-21	46,294	Quebec	Retail	$6,320	$2,580	$3,740
Total	**46,294**			**$6,320**	**$2,580**	**$3,740**

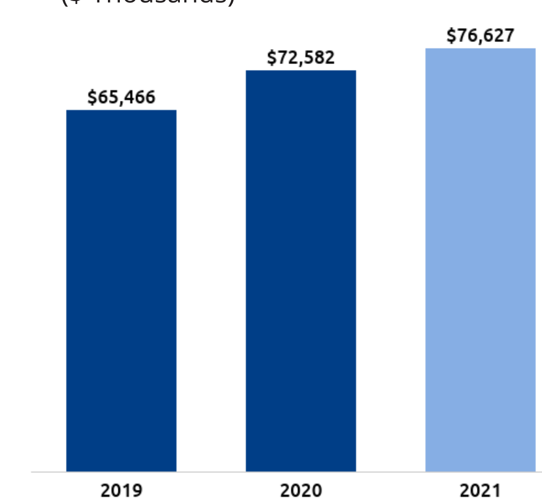
2021 Operating Highlights

Operating Results ($ thousands, except where noted)	**2021**	**%***	**2020**	**%***
Property revenues				
Minimum rent	$80,524	70.3%	$80,270	70.1%
Cost recoveries	34,684	30.3%	34,236	29.9%
Total property revenues	**$115,208**	**100.6%**	**$114,506**	**100.0%**
Direct property expenses				
Realty taxes	24,986	21.8%	24,637	21.5%
Other direct property costs	8,941	7.8%	13,203	11.5%
Utilities	1,783	1.6%	1,399	1.2%
Management fees	2,871	2.5%	2,685	2.3%
Total direct property expenses	**$38,581**	**33.7%**	**$41,924**	**36.6%**
Net operating income ("NOI")	**$76,627**	**66.9%**	**$72,582**	**63.4%**
*As a percentage of total property revenues				
Other operational metrics				
Total occupancy %		96.2%		96.3%
In place base rent (per sq.ft)		$17.85		$17.43

MINIMUM RENT
($ Thousands)



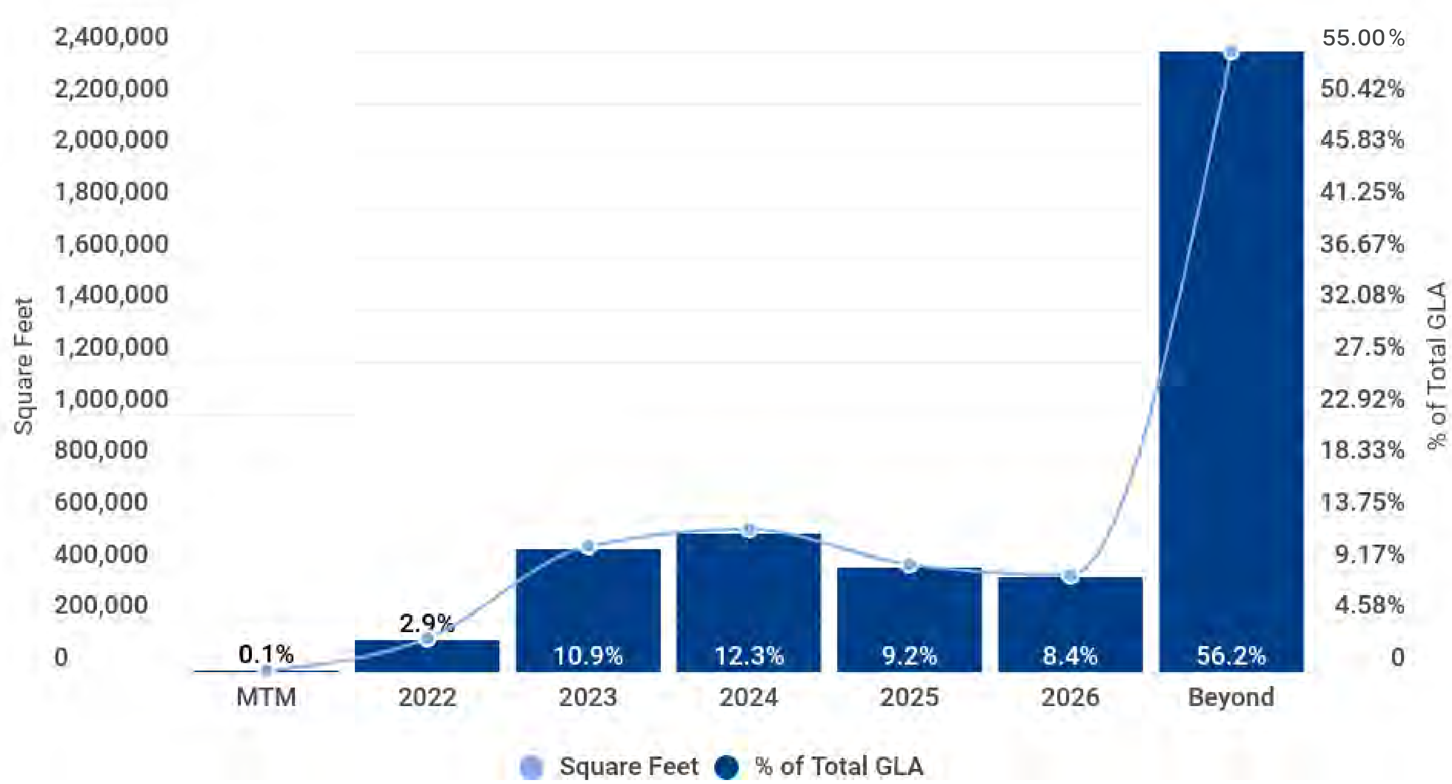
NET OPERATING INCOME
($ Thousands)



Regional Highlights ($ thousands, except where noted)	2021		2020		Increase (Decrease)		
Portfolio	**NOI**	**NOI Margin**	**NOI**	**NOI Margin**	**Revenue Change**	**Expense Change**	**NOI Change**
Ontario	$51,626	67.4%	$49,910	62.4%	-4.2%	0.8%	3.4%
Quebec	13,418	63.2%	11,132	62.0%	18.2%	20.2%	20.5%
Western Canada	11,583	66.8%	11,540	69.6%	4.5%	19.0%	0.4%
Total	$76,584	66.9%	$72,582	63.4%	0.6%	6.5%	5.6%

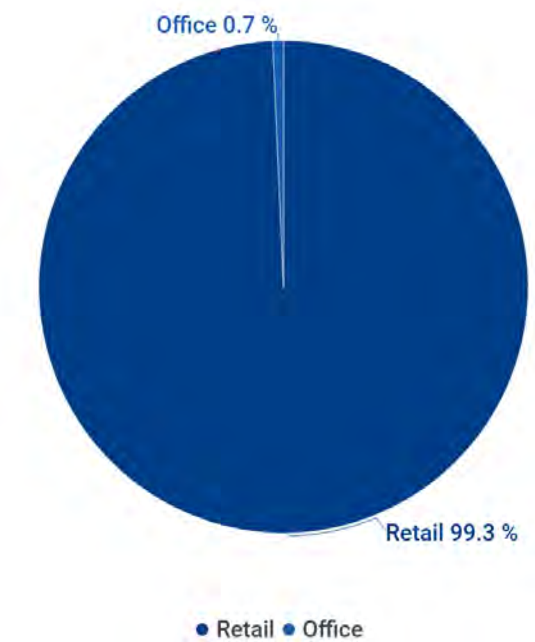
Occupancy/Vacancy Schedule

At the close of 2021, the portfolio had 176,772 square feet of vacant space, of which 41,968 square feet is committed for future occupancy. With respect to future expiries, Management has already renewed or leased 829,298 square feet. The following bar graph shows the percentage of lease expiries over the next 5 years and beyond, 56.2% of maturities are over 5 years. Over the course of 2022, 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, 2021, with 720 tenants, risk exposure to any single tenant was 14.0%. 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)	2021	2020
Profit & loss		
Property revenues	$115,208	$114,506
Operating expenses	(38,581)	(41,924)
Net operating income ("NOI")	**$76,627**	**$72,582**
Finance costs	($33,108)	($33,265)
REIT & other expenses	(5,718)	(5,242)
Interest income	540	15
Loss on deposit	0	(3,460)
Fair value (loss) gain	75,562	(3,084)
Net income	**$113,903**	**$27,546**
Non-cash add-backs:		
LP distributions included in finance costs	$2,576	$4,644
Loss on deposit	$-	$3,460
Fair value (loss) gain	(75,562)	3,084
Amortization of leasing costs	200	156
Amortization of tenant inducement	758	472
Funds from operations ("FFO")	**$41,875**	**$39,362**
AFFO adjustments:		
Deferred maintenance	$(670)	$(312)
Other capital expenditures	(3,276)	(392)
Amortization of tenant inducement	(758)	(472)
Amortization of leasing costs	(200)	(156)
Amortization of straight-line rents	(283)	(2,812)
Adjusted funds from operations ("AFFO")	**$36,688**	**$31,796**
Weighted average REIT units and LP units outstanding	36,937,920	34,440,800
Total distributions declared to REIT and LP unitholders	$37,325	$35,031

(table continued on next page)

	2021	2020
Less: General Partner sharing distributions	$(838)	$(887)
Total distributions declared to REIT and LP Unitholders	**$36,487**	**$34,144**
FFO per unit (weighted average)	**$1.13**	**$1.14**
AFFO per unit (weighted average)	**$0.99**	**$1.02**
Distributions per unit	$0.996	$0.996
Forward FFO payout ratio	**87.9%**	**87.1%**
Forward AFFO payout ratio	**100.3%**	**97.4%**

Distributions to Unitholders

During 2021, 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, 2021, approximately 38.9% of the REIT Units were enrolled in the Distribution Reinvestment Plan. Distributions made to REIT and LP Unitholders during 2021 amounted to $37.3 million, of which $14.5 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)	2021	2020
Total distributions declared	**$37,325**	**$35,031**
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).
- The Skyline Retail REIT externally appraises approximately 25% of the portfolio each quarter. The remaining 75%, having been appraised in a previous quarter, remain unchanged in assessed value unless management determines a material change in the asset itself or market conditions warrants an adjustment to value.

2021 saw the fair value of investment properties increase from $1.17 billion to $1.31 billion:

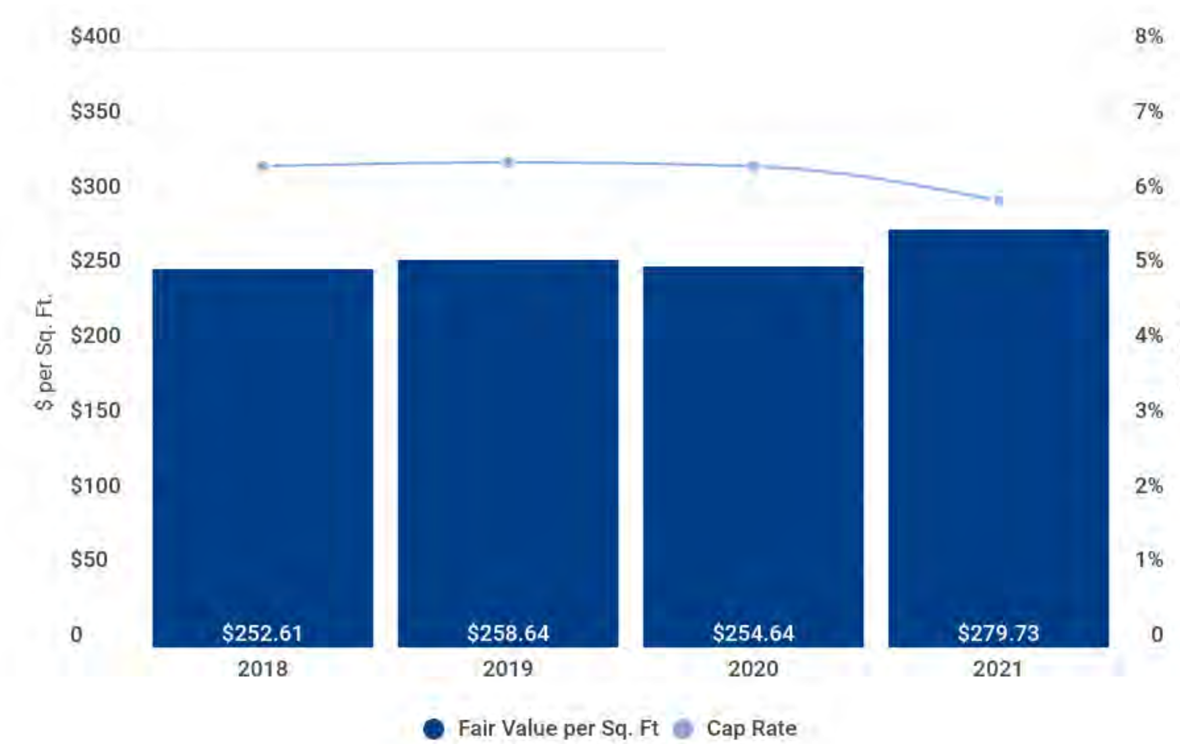
Fair Value of Investment Properties (under IFRS 13) **($ thousands, except where noted)**	**2021**	**2020**
Balance, beginning of year	**$1,171,435**	**$1,107,360**
Acquisitions through purchase of assets	56,029	81,412
Additions through capital expenditures on existing investment properties	18,010	7,297
Disposals through sale of investment properties	(2,995)	(17,991)
Amortization of leasing costs and straight-line rents	99	2,691
Investment properties held for sale	(10,250)	(6,250)
Fair value adjustment on investment properties	76,912	(3,084)
Balance, end of year	**$1,309,240**	**$1,171,435**

The Following table reconciles the cost base of investment properties to their fair value:

Fair Value of Investment Properties (under IFRS 13) **($ thousands, except where noted)**	**2021**	**2020**
Cost	$1,225,870	$1,161,722
Cumulative fair value adjustment	$83,370	$9,713
Fair Value	**$1,309,240**	**$1,171,435**

The following table and graph summarize the REIT's growth in asset value on a trending basis over the past four 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)**	**2021**	**2020**	**2019**	**2018**
Fair value of investment properties	**$1,309,240**	**$1,171,435**	**$1,107,360**	**$971,755**
Total rentable square footage at year end	**4,680,315**	**4,600,302**	**4,281,547**	**3,846,900**
Fair value per square foot	**$279.73**	**$254.64**	**$258.64**	**$252.61**
Increase (decrease) in fair value per square foot (%)	**9.85%**	**(1.54%)**	**2.39%**	**(4.18%)**
Weighted average capitalization rate	**5.98%**	**6.44%**	**6.49%**	**6.43%**
Increase (decrease) in cap rate (year-over-year) (%)	(7.14%)	(0.77%)	0.93%	2.06%
Net operating income ("NOI")	**$76,627**	**$72,582**	**$65,466**	**$48,644**
Increase in NOI (year-over-year) (%)	5.57%	10.87%	34.58%	48.85%
NOI (% of revenue)	66.92%	63.39%	65.83%	66.91%



Capital Expenditures

During 2021, Skyline Retail REIT acquired 144,785 rentable square feet of retail space through the acquisition of 6 properties for a total investment of $56 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 $18 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, 2021 is summarized in the following chart.

Mortgage Summary **($ thousands, except where noted)**	**2021**	**2020**
Mortgages payable	$761,051	$730,370
Line of credit	1,647	-
Total Debt	**762,698**	**730,370**
Unitholders' equity	528,281	390,846
Class B and C LP units	15,963	50,553
Total Capital	**$1,306,942**	**$1,171,769**
Mortgage debt to historical cost	62.08%	62.84%
Mortgage debt to fair value	58.13%	62.35%
Total debt to historical cost (including convertible debentures)	62.22%	62.84%
Total debt to fair value (including convertible debentures)	58.26%	62.35%
Weighted average mortgage interest rate	3.65%	3.79%
Weighted average mortgage term to maturity	4.68 yrs	5.07 yrs

Mortgages Payable **($ thousands, except where noted)**	**Future minimum principal payments**	**% of total mortgages**
2022	$70,894	9.3%
2023	130,880	17.2%
2024	66,821	8.8%
2025	63,819	8.4%
2026	120,346	15.8%
Thereafter	312,584	41.1%
Less: Mortgages related to assets held for sale	(4,293)	-0.6%
Total Mortgages Payable	**$761,051**	**100.0%**

Investment Summary

During 2021, Units of Skyline Retail REIT were issued under the accredited investor exemption, under one Confidential Offering Memorandum dated April 2020. During the year, the REIT received net proceeds of $58.9 million through new REIT investments and DRIP enrolment, net of all redemptions.

REIT Unitholders - Investment Activity **($ thousands, except where noted)**	**2021**		**2020**	
	Number of Units	**Amount ($)**	**Number of Units**	**Amount ($)**
REIT units outstanding, beginning of year	**31,852,470**	**$387,076**	**28,675,082**	**$344,179**
Proceeds from REIT units issued	4,974,350	67,623	4,318,204	58,296
Exchange of LP units	2,664,260	35,967	68,925	930
Units issued through DRIP	1,038,613	14,467	978,682	13,212
Redemptions - REIT units	(1,672,541)	(23,187)	(2,119,498)	(28,611)
Redemptions - REIT units (exchanged LP units)	(2,664,260)	(35,967)	(68,925)	(930)
REIT units outstanding, end of year	**36,192,892**	**$445,979**	**31,852,470**	**$387,076**
Weighted average REIT units outstanding	**35,346,964**		**30,705,185**	

(table continued on next page)

LP Unitholders - Investment Activity ($ thousands, except where noted)	2021		2020	
	Number of Units	Amount ($)	Number of Units	Amount ($)
LP units outstanding, beginning of year	**3,744,628**	**$50,553**	**3,813,553**	**$51,483**
Proceeds from LP units issued	-	-	-	-
Units issued through DRIP	-	-	-	-
Redemptions - LP units (exchanged to REIT units)	(2,664,260)	(35,967)	(68,925)	-930
Change in fair value	-	1,350	-	-
LP units outstanding, end of year	**1,080,368**	**$15,936**	**3,744,628**	**$50,553**
Weighted average LP units outstanding	**1,590,956**		**3,735,615**	

Unitholder Taxation

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

	2021
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 the Management to ensure that each property is performing optimally.

GP Sharing ($ thousands, except where noted)	2021	2020
General Partner sharing on income	$-	$-
General Partner sharing on dispositions	838	887
Total General Partner sharing on distributions	**$838**	**$887**

Management Services

Fees paid during the past two years are as follows:

Management Fees ($ thousands, except where noted)	2021	2020
Property management fees	$2,870	$2,685
Asset management fees	3,018	2,780
Wealth management fees	1,764	1,544
Underwriting management fees	661	284
Lease documentation fees	157	54
Total Management Fees	**$8,470**	**$7,347**

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 3.75% 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).

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.

The Exempt Market Dealer Agreement provides for the payment of a wealth management fee, payable monthly, equal to 1/12 of 0.3% of Skyline Retail 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 Exempt Market Dealer 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 Exempt Market Dealer Agreement, the Exempt Market Dealer is responsible for employment expenses of its personnel, rent and other office expenses of the Exempt Market Dealer in connection with providing services to Skyline Retail REIT under the Exempt Market Dealer Agreement.

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 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.

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 2022.

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 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 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. 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

Effective February 25, 2022, the price per unit for newly issued units and units to be redeemed increased to $15.25 from $14.75.

Subsequent to year end, SRRELP acquired one properties in St.Thomas, Ontario, and one property in Medicine Hat, Alberta with an aggregate cost of $71,100. SRRELP will be assuming mortgages of $48,231 on these acquisition.

Subsequent to year end, SRRELP sold one property in Barrie, Ontario for proceeds of $8,225.

Subsequent to year end, the following investment activity occurred:

REIT Unitholders - 2022 Investment Activity (to date) **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
REIT units outstanding, January 1, 2022	**36,192,892**	**$445,979**
Proceeds from REIT units issued	1,325,573	20,215
Exchange of LP units	-	-
Units issued through DRIP	354,455	5,318
Redemptions - REIT units	(673,944)	(10,251)
Redemptions - REIT units (exchanged LP units)	-	-
REIT units outstanding, April 30, 2022	**37,198,976**	**$461,261**
Weighted average REIT units outstanding	**36,218,449**	

LP Unitholders - 2022 Investment Activity (to date) **($ thousands, except where noted)**	**Number of Units**	**Amount ($)**
LP units outstanding, January 1, 2022	**1,080,368**	**$15,936**
Proceeds from LP Units issued	-	-
Units issued through DRIP	-	-
Redemptions - LP Units	-	-
Change in fair value	-	540
LP units outstanding, April 30, 2022	**1,080,368**	**$16,476**
Weighted average LP units outstanding	**1,080,368**	

SKYLINE RETAIL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021

SKYLINE RETAIL REAL ESTATE INVESTMENT TRUST

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of: Skyline Retail Real Estate Investment Trust

Opinion

We have audited the accompanying consolidated financial statements of Skyline Retail Real Estate Investment Trust, which comprise the consolidated statement of financial position as at December 31, 2021 and December 31, 2020 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 consolidated 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, 2021 and December 31, 2020 and the results of its operations 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 Consolidated 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 Consolidated 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.

GUELPH OFFICE 103-197 HANLON CREEK BLVD, GUELPH, ON • TEL: 519-822-9933 • FAX: 519-822-9212 • RLB.CA

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Skyline Retail Real Estate Investment Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Skyline Retail Real Estate Investment Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Skyline Retail Real Estate Investment Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RLB LLP

Guelph, Ontario
March 23, 2022

Chartered Professional Accountants
Licensed Public Accountants

SKYLINE RETAIL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

(in thousands of Canadian dollars)

	2021	2020
A S S E T S		
Investment properties (note 6)	$ 1,309,240	$ 1,171,435
Assets held for sale (note 7)	10,479	6,252
Other assets (note 8)	2,896	1,890
Tenant loans receivable (note 9)	492	546
Accounts receivable (note 15)	3,611	1,610
Cash	2,496	7,959
	$ 1,329,214	$ 1,189,692
L I A B I L I T I E S A N D U N I T H O L D E R S' E Q U I T Y		
Mortgages payable (notes 10, 15)	$ 761,051	$ 730,370
Limited partnership units (note 19)	15,936	50,553
Tenant deposits	6,644	5,518
Liabilities related to assets held for sale (note 7)	4,378	3,833
Due to related party (notes 11)	838	887
Accounts payable and accrued liabilities (note 15)	10,439	7,685
Revolving credit facility (note 15)	1,647	0
	800,933	798,846
Unitholders' equity (page 6)	528,281	390,846
	$ 1,329,214	$ 1,189,692

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, 2021

(in thousands of Canadian dollars)

	2021	2020
OPENING BALANCE	$ 390,846	$ 351,365
Proceeds from units issued (note 18)	67,623	58,296
Units issued through distribution reinvestment plan (note 18)	14,467	13,212
Issuance costs (note 11)	(622)	(575)
Redemptions (note 18)	(23,187)	(28,611)
Income and comprehensive income for the year	113,903	27,546
Distributions paid	(34,749)	(30,387)
CLOSING BALANCE	$ 528,281	$ 390,846

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, 2021

(in thousands of Canadian dollars)

	2021	2020
PROPERTY REVENUES		
Minimum rent	$ 80,524	$ 80,270
Cost recoveries from tenants	34,684	34,236
	115,208	114,506
DIRECT PROPERTY EXPENSES		
Property taxes	24,986	24,637
Other direct property costs (note 20)	8,941	13,203
Utilities	1,783	1,399
Property management fees (note 11)	2,871	2,685
	38,581	41,924
NET PROPERTY INCOME	76,627	72,582
OTHER INCOME AND EXPENSES		
Financing costs (note 12)		
Interest paid on debt	30,532	28,621
Distributions paid on partnership units	2,576	4,644
Administrative expenses	779	864
Lease documentation fees (note 11)	157	54
Asset management fees (note 11)	3,018	2,780
Wealth management fees (note 11)	1,764	1,544
Interest earned	(540)	(15)
	38,286	38,492
INCOME BEFORE UNDERNOTED	38,341	34,090
Loss on deposit	0	(3,460)
Fair value gain (loss) (note 13)	75,562	(3,084)
	75,562	(6,544)
INCOME AND COMPREHENSIVE INCOME for the year	$ 113,903	$ 27,546

See notes to the consolidated financial statements

SKYLINE RETAIL REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

(in thousands of Canadian dollars)

	2021	2020
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Income and comprehensive income for the year	$ 113,903	$ 27,546
Items not requiring an outlay of cash:		
Amortization of leasing commission and straight-line rents (note 6)	(99)	(2,691)
Amortization of financing costs (notes 10, 12)	1,627	604
Financing costs in operations (note 12)	31,481	32,661
Fair value loss on limited partnership units (note 13)	1,350	0
Fair value (gain) loss on investment properties (notes 6, 13, 14)	(74,180)	5,035
Fair value gain on disposal of properties (note 13)	(2,732)	(1,951)
	71,350	61,204
Changes in non-cash working capital		
Accounts receivable	(1,999)	482
Other assets	(1,006)	916
Accounts payable and accrued liabilities	2,774	(558)
Tenant deposits	1,152	350
	72,271	62,394
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Mortgages payable (net repayments and advances) (note 10)	33,793	43,989
Mortgages discarded due to the sale of investment properties (note 10)	(4,240)	(7,292)
Due to related party (note 11)	(49)	887
Interest on mortgages payable (note 10)	(28,267)	(27,623)
Distributions paid on partnership units (notes 12, 19)	(2,576)	(4,644)
Interest on revolving credit facilities (note 12)	(638)	(394)
Net revolving credit facility proceeds (repayments) (note 15)	1,647	(8,505)
Proceeds from units issued (net of distribution reinvestment plan) (note 18)	67,623	58,296
Investor deposits	0	(1,000)
Distributions paid (net of distribution reinvestment plan) (page 6)	(20,282)	(17,175)
Redemptions of units (page 6)	(23,187)	(28,611)
Redemptions of limited partnership units (note 18)	(35,967)	(930)
Issuance costs (note 11)	(622)	(575)
	(12,765)	6,423
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Additions to investment properties (note 6)	(74,039)	(88,709)
Tenant loans receivable	(175)	346
Proceeds on disposition of assets held for sale	6,250	3,250
Proceeds on disposition of investment properties (note 6)	2,995	17,991
	(64,969)	(67,122)
(DECREASE) INCREASE IN CASH for the year	(5,463)	1,695
CASH, beginning of year	7,959	6,264
CASH, end of year	$ 2,496	$ 7,959

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.

Skyline Retail Real Estate Limited Partnership ("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.

As of December 31, 2021, RRELP owned one hundred and sixteen (2020 - one hundred and thirteen) retail investment properties, all of which are located in Canada.

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, 2021 (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, 2021 (including comparatives) were approved for issue by the Board of Trustees on March 23, 2022.

(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.

(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.

2. BASIS OF PRESENTATION (continued)

(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):

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) INVESTMENT PROPERTIES (continued)

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. Current assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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.

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) REVENUE RECOGNITION (continued)

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.

Government subsidy income is recognized in the period the related expenditure occurs.

(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
Due to related party	Amortized cost
Limited partnership 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 fair value through profit or loss ("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 the entity loses control of all or part of the assets.

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, due to related party 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 limited partnership 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) LIMITED PARTNERSHIP UNITS

The limited partnership units are exchangeable into Trust Units at the option of the holder. The ability to exchange limited partnership 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, limited partnership units are classified as financial liabilities on the consolidated statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) DISTRIBUTIONS TO LIMITED PARTNERSHIP UNITHOLDERS

Distributions declared to limited partnership unitholders are classified as financing costs for reporting purposes because the units are treated as financial liabilities.

(g) INCOME TAXES

Skyline Retail REIT qualifies as a mutual fund trust and real estate investment trust pursuant to the Income Tax Act. Under current legislation, a real estate investment trust is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided its taxable income is fully distributed to unitholders. Skyline Retail REIT intends to continue to qualify as a real estate investment trust and to make distributions not less than the amount necessary to ensure the REIT will not be liable to pay income taxes. Accordingly, no provision for income taxes has been made.

(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:

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

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

<u>Level 3 inputs</u>
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.

IAS 1 - In February 2021, the IASB issued an amendment to IAS 1 - Presentation of financial statements which will be effective for years beginning on or after January 1, 2023. The amended standard will update the definition of accounting policy information. The company does not expect any significant impact from the adoption of this amended standard.

IAS 8 - In February 2021, the IASB issued an amendment to IAS 8 - Accounting policies, changes in accounting estimates and errors which will be effective for years beginning on or after January 1, 2023. The amended standard clarifies the difference between an accounting estimate and an accounting policy. The company does not expect any significant impact from the adoption of this amended standard.

IAS 16 - In May 2020, the IASB issued an amendment to IAS 16 - Property, Plant and Equipment which will be effective for years beginning on or after January 1, 2022. The amended standard will update the elements of the cost of property, plant and equipment as it refers to the costs of testing whether the asset is functioning properly and disclosures surrounding this.

IAS 28 - In May 2020, the IASB issued an amendment to IAS 28 - Investments in Associates and Joint Ventures. The amended standard will update the equity method procedures for recognizing the sale or contribution of assets between an investor and its associate or joint venture. The effective date has been deferred indefinitely.

IAS 37 - In May 2020, the IASB issued an amendment to IAS 37 - Provisions, contingent liabilities and contingent assets which will be effective for years beginning on or after January 1, 2022. The amended standard will be updated to include a definition of the costs associated with fulfilling the obligations of an onerous contract.

IFRS 9 - In May 2020, the IASB issued an amendment to IFRS 9 - Financial Instruments which will be effective for years beginning on or after January 1, 2022. The amended standard will update the definition of what constitutes substantially different when referring to the exchange of debt instruments.

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:

	2021	2020
Balance at beginning of the year	$ 1,171,435	$ 1,107,360
Acquisitions through purchase of assets	56,029	81,412
Additions through capital expenditures on existing investment properties	18,010	7,297
Disposals through sale of investment properties	(2,995)	(17,991)
Amortization of leasing cost and straight-line rents	99	2,691
Investment properties held for sale (note 7)	(10,250)	(6,250)
Fair value adjustment on investment properties (note 13)	76,912	(3,084)
Balance at end of the year	$ 1,309,240	$ 1,171,435

The following table reconciles the cost base of investment properties to their fair value:

	2021	2020
Cost	1,225,870	1,161,722
Cumulative fair value adjustment	83,370	9,713
Fair value	$ 1,309,240	$ 1,171,435

Asset acquisitions:

During the year ended December 31, 2021, Skyline Retail REIT acquired four (2020 - six) 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:

	2021	2020
Acquisition cost of investment properties	$ 56,029	$ 81,412
Mortgages	(34,761)	(57,060)
Total identifiable net assets settled by cash	$ 21,268	$ 24,352

(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:

	2021	2020
Less than one year	$ 80,602	$ 77,412
Between one and three years	140,601	136,355
More than three years	274,161	262,508
	$ 495,364	$ 476,275

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, 2021, 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, 2021 and December 31, 2020.

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 5.98% (2020 - 6.44%). Overall, the capitalization rates for the retail properties fall between:

	2021	2020
Minimum	3.91%	5.47%
Maximum	7.46%	8.24%

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

In 2021, Skyline Retail REIT valued $524,165 of its investment properties (including properties held for sale) internally (2020 - $814,220). 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 $739,820 (2020 - $283,300). In 2021, 46.4% (2020 - 69.4%) of the cost base of investment properties were valued internally and 53.6% (2020 - 30.6%) were valued externally. The acquisitions during 2021 were valued at $55,505 (2020 - $80,165). Actual results may differ from these estimates and may be subject to material adjustment within the next year.

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

6. INVESTMENT PROPERTIES (continued)

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, 2021:

As of December 31, 2021

Capitalization Rate Sensitivity Increase (Decrease)	Overall Capitalization Rate	Fair Value of Investment Properties	Fair Value Variance	% Change
(1.00)%	4.98%	$1,572,140	$ 262,900	20.08%
December 31, 2021	5.98%	$1,309,240	$ 0	0.00%
1.00%	6.98%	$1,121,670	$(187,570)	(14.33)%

7. ASSETS HELD FOR SALE

As at December 31, 2021, there are two properties held for sale (December 31, 2020 - one property held for sale). The assets and liabilities associated with the investment property held for sale are as follows:

	2021	2020
ASSETS		
Investment properties	$ 10,250	$ 6,250
Tenant loans receivable	229	0
Accounts receivable	0	2
	10,479	6,252
LIABILITIES		
Mortgages payable	4,293	3,794
Tenant deposits	33	7
Accounts payable and accrued liabilities	52	32
	4,378	3,833
NET ASSETS HELD FOR SALE	$ 6,101	$ 2,419

8. OTHER ASSETS

The components of other assets are as follows:

	2021	2020
Funds held in trust	$ 2,209	$ 850
Deposits on investment properties	89	366
Prepaid expenses	598	674
	$ 2,896	$ 1,890

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

9. TENANT LOANS RECEIVABLE

The tenant loans are receivable in blended monthly instalments of $11 (2020 - $11) with interest charged ranging from 4.00% to 6.62% (2020 - 4.00% to 6.62%). The loans are due between 2022 and 2028. The portion receivable within one year is $86 (2020 - $83).

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 3.65% (2020 - 3.79%) per annum are $765,344 (2020 - $734,164). There are no variable interest rate mortgages. Mortgages have maturity dates ranging between 2022 and 2031. Included in mortgages payable is $13,614 (2020 - $16,625) of second mortgages. Also included in mortgages payable is $399 (2020 - $6,548) of vendor take-back mortgages. All mortgages are denominated in Canadian dollars.

Future minimum payments on mortgage obligations are as follows:

	2022	$ 70,894
	2023	130,880
	2024	66,821
	2025	63,819
	2026	120,346
	Thereafter	312,584
		765,344
Less: Mortgages related to assets held for sale		(4,293)
		$ 761,051

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

	2021	2020
Mortgages payable, beginning of year	$ 730,370	$ 696,863
Proceeds from new and refinanced mortgages	127,557	67,075
Repayment of existing mortgages	(96,125)	(30,753)
Transaction costs related to mortgages	(1,879)	375
Total changes from financing cash flows	29,553	36,697
Change in mortgages payable on assets held for sale	(499)	(3,794)
Amortization of financing costs	1,627	604
Financing costs in operations	28,267	27,623
Interest paid	(28,267)	(27,623)
Total liability-related changes	1,128	(3,190)
Mortgages payable, end of year	$ 761,051	$ 730,370

11. 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, 2021, a distribution would be payable if the investment properties were sold. At December 31, 2021 there were distributions payable of $838 (2020 - $887) which is included in due to related party.

	2021	2020
Distributions paid to general partner	$ 838	$ 887

Skyline Retail REIT has an asset management agreement with Skyline Asset Management Inc. and its subsidiary, Skyline Retail Asset Management Inc. (which also includes leasing commissions), a property management agreement with Skyline Commercial Management Incorporated., and an exempt market dealer agreement with Skyline Wealth Management Inc. Skyline Retail Real Estate GP Inc., Skyline Asset Management Inc., Skyline Retail Asset Management Inc., Skyline Commercial Management Incorporated, Skyline Wealth Management Inc. and Skyline Real Estate Limited Partnership are controlled by the same shareholders.

Fees payable under the asset management agreement are 2.5% (2020 - 2.5%) 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 exempt market dealer 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 $620 (2020 - $550) were paid during the year and are included in issuance costs. Fees paid during the years are as follows:

	2021	2020
Asset management fees	$ 3,018	$ 2,780
Property management fees	2,870	2,685
Lease documentation fees	157	54
Wealth management fees	1,764	1,544
	$ 7,809	$ 7,063

Sale of assets to related companies
During the year, land was sold to Skyline Real Estate Limited Partnership at the exchange amount for $1,368. Included in fair value on disposed properties is a gain of $1,345 related to this transaction.

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

12. FINANCING COSTS

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

	2021	2020
Mortgage interest	$ 28,267	$ 27,623
Deferred financing costs	1,627	604
Interest expense on credit facilities	638	394
Distribution interest paid on limited partnership units	1,806	3,757
Distribution interest paid to general partner on sale of investment properties	770	887
	$ 33,108	$ 33,265

13. FAIR VALUE GAIN (LOSS)

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

	2021	2020
Fair value gain (loss) on investment properties (note 6)	$ 74,180	$ (5,035)
Fair value gain on disposed properties (note 6)	2,732	1,951
Limited partnership units (note 19)	(1,350)	0
	$ 75,562	$ (3,084)

14. 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, 2021			December 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment properties	$ 0	$ 0	$1,309,240	$ 0	$ 0	$1,171,435
Assets held for sale	0	0	10,479	0	0	6,252
	$ 0	$ 0	$1,319,719	$ 0	$ 0	$1,177,687
Liabilities						
Mortgages payable	$ 0	$ 793,995	$ 0	$ 0	$ 739,563	$ 0
Limited partnership units	$ 0	$ 0	$ 15,936	$ 0	$ 0	$ 50,553
	$ 0	$ 793,995	$ 15,936	$ 0	$ 739,563	$ 50,553

14. FAIR VALUE MEASUREMENT (continued)

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, 2021 and December 31, 2020, 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.

15. 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.

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.

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

15. FINANCIAL RISK MANAGEMENT (continued)

i) Market risk (continued)

a. Interest rate risk (continued)

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

As of December 31, 2021

	Carrying Amount	Income -1%	Partners' Equity -1%	Income +1%	Partners' Equity +1%
Revolving credit facility	$ 1,647	$ 16	$ 16	$ (16)	$ (16)
Long term debt, maturing within 1 year	49,429	494	494	(494)	(494)
	$ 51,076	$ 510	$ 510	$ (510)	$ (510)

As of December 31, 2020

	Carrying Amount	Income -1%	Partners' Equity -1%	Income +1%	Partners' Equity +1%
Revolving credit facility	$ 0	$ 0	$ 0	$ 0	$ 0
Long term debt, maturing within 1 year	41,411	414	414	(414)	(414)
	$ 41,411	$ 414	$ 414	$ (414)	$ (414)

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.

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 (22.5%, 2020 - 23.9%) 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.

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

15. FINANCIAL RISK MANAGEMENT (continued)

ii) Credit risk (continued)

The movement in the allowance for doubtful accounts is reconciled as follows:

	2021	2020
Allowance for doubtful accounts beginning of year	$ 203	$ 131
Provision for impairment of accounts receivable	135	290
Reversal of provision for impairment	(163)	(218)
Allowance for doubtful accounts end of year	$ 175	$ 203

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.

Under a financing agreement, Skyline Retail REIT has access to an operating line of credit to a maximum of $8,000 (2020 - $18,000) with interest charged at prime + 1.75%, of which $5 is utilized by Skyline Retail REIT at December 31, 2021 (2020 - $nil). The line of credit is secured by a general security agreement over some of the investment properties of Skyline Retail REIT.

Under another financing agreement, Skyline Retail REIT has access to an operating line of credit to a maximum of $30,000 (2020 - $25,000) with interest at prime + 1.35% or, at the option of the borrower, a fixed rate equal to the floating bankers' acceptance rate plus 2.35% for a 30 day or 90 day term, of which $1,642 is utilized by Skyline Retail REIT at December 31, 2021 (2020 - $nil). The line of credit is secured by a general security agreement over some of the investment properties of Skyline Retail REIT.

Under the financing agreements, 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, a mortgage-ability debt service coverage ratio of 1.30 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 65%. At December 31, 2021, the combined group was in compliance with the covenants.

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

15. FINANCIAL RISK MANAGEMENT (continued)

iii) Liquidity risk (continued)

Skyline Retail REIT's long term debt consists of mortgages payable bearing interest rates ranging from 2.04% to 5.76% per annum (2020 - 2.04% to 5.76%), payable in monthly instalments of principal and interest of approximately $4,225 (2020 - $4,120), maturing from 2022 to 2031, and are secured by specific charges against specific properties. All interest rates are fixed for the term of the respective mortgage.

Financial liabilities and their maturities are as follows:

December 31, 2021	On demand	Less than one year	One to five years	More than five years	**Total**
Mortgages payable	$ 0	$ 49,429	$ 344,429	$ 367,193	$ 761,051
Due to related party	0	838	0	0	838
Accounts payable and accrued liabilities	0	10,439	0	0	10,439
Revolving credit facility	1,647	0	0	0	1,647
	$ 1,647	$ 60,706	$ 344,429	$ 367,193	$ 773,975

December 31, 2020	On demand	Less than one year	One to five years	More than five years	**Total**
Mortgages payable	$ 0	$ 41,411	$ 319,035	$ 369,924	$ 730,370
Due to related party	0	887	0	0	887
Accounts payable and accrued liabilities	0	7,685	0	0	7,685
	$ 0	$ 49,983	$ 319,035	$ 369,924	$ 738,942

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.

16. 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.

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

16. CAPITAL RISK MANAGEMENT (continued)

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, 2021, the loan to value ratio was 58% (2020 - 62%), which is within Skyline Retail REIT's stated policy of 70% or lower. Subsequent to December 31, 2021, 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.

17. 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.

18. 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 June 1, 2021, the issue price per unit for newly issued and units to be redeemed changed to $13.85. Effective August 16, 2021, the issue price per unit for newly issued and units to be redeemed changed to $14.25 and effective November 10, 2021, the issue price per unit for newly issued and units to be redeemed changed to $14.75.

As at December 31, 2021 the issue price per unit for newly issued and units to be redeemed was $14.75 (2020 - $13.50). The units issued and outstanding are as follows:

	2021 Units	**2020 Units**
Units outstanding, beginning of years	31,852,470	28,675,082
Units issued	4,974,350	4,318,204
Units issued (Distribution reinvestment plan)	1,038,613	978,682
Redemptions during the year	(1,672,541)	(2,119,498)
Units outstanding, end of years	36,192,892	31,852,470

19. LIMITED PARTNERSHIP UNITS

The Class B and C Limited Partnership Units are units issued by RRELP as partial consideration of investment properties. The Class B and C Limited Partnership 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 Limited Partnership unit holder is entitled to vote at all meetings of Skyline Retail REIT.

As at December 31, 2021, there were 1,080,368 (2020 - 2,896,255) Class B Limited Partnership units, and nil (2019 - 848,371) Class C Limited Partnership units issued and outstanding.

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

19. LIMITED PARTNERSHIP UNITS (continued)

A reconciliation of movements in the limited partnership units to cash flows arising from financing activities is as follows:

	2021	2020
Limited partnership units, beginning of the year	$ 50,553	$ 51,483
Redemptions of limited partnership units	(35,967)	(930)
Distribution interest expense	1,806	3,757
Distribution interest paid	(1,806)	(3,757)
Total liability-related changes	0	0
Changes in fair value	1,350	0
Limited partnership units, end of year	$ 15,936	$ 50,553

20. IMPACT OF COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 was a global pandemic which has resulted in the federal and provincial governments enacting a series of public health and emergency measures to combat the spread of the virus thus impacting business operations both nationally and internationally. Some uncertainty still exists around the future impact of COVID-19 on the timing and amounts of realizable cash flows and assets.

Through the duration of COVID-19, the Canadian federal and provincial governments enacted subsidies and other stimulus in an attempt to stabilize economic conditions. Since the pandemic was declared, certain tenants of Skyline Retail REIT have required financial assistance in the form of rental deferrals or participation in the Canada Emergency Commercial Rent Assistance ("CECRA") program.

For 2021, Skyline Retail REIT agreed to defer rental payments of approximately $915 for certain tenants (2020 - $2,716). The amount outstanding of these deferred rental payments is $1,995 as of December 31, 2021 (December 31, 2020 - $2,050). Included in the outstanding balance at December 31, 2021, $nil is not expected to be collected (December 31, 2020 - $1,420), and $nil was written off in 2021 (2020 - $1,420). Additionally, during 2021, Skyline Retail REIT agreed to the abatement of rent for nil tenants (2020 - one tenant) of $nil (2020 - $1,116). The costs of rent deferrals and rent abatement are recognized in other direct property costs.

Skyline Retail REIT's assessment of expected credit losses is subjective and is based upon forward looking assessments of collectability. As a result, any expected credit loss is uncertain and the assumptions upon which it is based may change due to ongoing uncertainty caused by COVID-19.

Skyline Retail REIT has recognized a $nil expense (2020 - $1,076) in other direct property costs representing its 25% rental contribution granted to tenants as part of the CECRA program for 2020.

21. SUBSEQUENT EVENTS

Effective February 25, 2022, the price per unit for newly issued units and units to be redeemed increased to $15.25 from $14.75.

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RETAIL REIT