SMARTREIT®

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SMART REAL ESTATE INVESTMENT TRUST RELEASES SECOND QUARTER RESULTS FOR 2017 AND ANNOUNCES DISTRIBUTION INCREASE

TORONTO, ONTARIO - (August 9, 2017) Smart Real Estate Investment Trust ("SmartREIT" or "the Trust") (TSX: SRU.UN) is pleased to report positive financial and operating results for the second quarter ended June 30, 2017 and also announce a distribution increase.

Highlights for the three months ended June 30, 2017 include the following:

- On April 12, 2017, the Trust along with its joint venture partners Mitchell Goldhar and CentreCourt Developments, announced details of a planning application for the development of Transit City, the first residential condominium towers in VMC. The two initial 55 storey towers will be two of the tallest developments in York Region and will be located steps from the TTC's new Vaughan Metropolitan Centre Subway Station. The project will also include the first "Buca" restaurant and "Bar Buca" outside the downtown Toronto core within the lobby area of the first tower.

- On June 6, 2017, the Trust along with its joint venture partners Mitchell Goldhar and CentreCourt Developments announced that the first and second condo towers of Transit City were sold out, and as a result of the actual sales figures, the Trust amended its previously announced guidance by increasing profitability on these towers to an estimated return of 25-30% on costs from the previously announced 15-20%. In addition, pre-selling of units in a third 55 storey tower commenced during the quarter.

- The Trust maintained a high level of occupancy at 98.4% (June 30, 2016 – 98.2%). Including executed leases, the occupancy level for the quarter ended June 30, 2017 was 98.5% (June 30, 2016 – 98.3%).

- Excluding the $9.7 million net settlement proceeds associated with the 2016 Target lease terminations that was recorded in the comparative quarter:
    - FFO with one time adjustment and transactional FFO increased by $5.0 million or 5.9% to $88.9 million, and by $0.03 or 6.0% to $0.57 on a per Unit basis. (When the impact of the 2016 Target settlement is included, FFO with one time adjustment and transactional FFO decreased by $4.7 million or 5.0% and by $0.03 or 5.0% on a per Unit basis).
    - AFFO with one time adjustment and transactional FFO increased by $6.3 million or 8.0% to $85.7 million, and by $0.04 or 7.8% on a per Unit basis. (When the impact of the 2016 Target settlement is included, AFFO with one time adjustment and transactional FFO decreased by $3.4 million or 3.8%, and by $0.02 or 3.5% on a per Unit basis).
    - Payout ratio to AFFO with one time adjustment and transactional FFO for the three months ended June 30, 2017 decreased by 3.7% to 77.3%. (When the impact of the 2016 Target settlement is included, the payout ratio to AFFO with one time adjustment and transactional FFO increased by 5.3%).

- Same properties NOI increased by $0.6 million or 0.5% compared to the same quarter last year.

- $5.9 million of Earnouts and Developments including investment in associates were completed and transferred to income properties at a yield rate of 6.3%.

- On April 3, 2017, the KPMG Tower was awarded the Real Estate Excellence ("REX") Office Development of the Year Award for Greater Toronto.

- On April 13, 2017, $150.0 million aggregate principal amount of 3.385% Series J senior unsecured debentures was redeemed.

- During the quarter, the Trust entered into a joint venture with Fieldgate to develop a 16 acre parcel of land adjacent to the SmartCentres Shopping Centre at Major Mackenzie Drive and Weston Road in Vaughan and build approximately 230 freehold townhouses. On June 29, 2017, the Trust closed on the transaction to sell 50% of the development lands to Fieldgate for gross proceeds of $19.4 million, excluding closing costs of $0.2 million. Concurrent with the disposition of 50% of the development lands, the Trust transferred the remaining 50% or $19.4 million interest that it owns out of property under development into residential development inventory. The Trust additionally entered in a co-ownership agreement with Fieldgate who acquired the 50% interest on the development lands discussed above, to develop and sell residential inventory.

- On June 12, 2017, the Trust announced the replacement of its former revolving operating facility of $350.0 million with a new five-year $500.0 million unsecured revolving operating facility, together with an accordion feature of $250.0 million.

Subsequent to the three months ended June 30, 2017:

- On July 7, 2017, the Trust and Penguin announced that they have signed a 13 year (plus two five-year extensions) lease transaction with FM Global, one of the world's largest commercial and industrial property insurers, in the KPMG Tower at SmartCentres Place in Vaughan.

- On July 26, 2017, the Trust along with its joint venture partners Mitchell Goldhar and CentreCourt Developments announced that the third 55 storey condominium tower at Transit City was substantially sold out. The guidance on the profitability on the sale of the units in this tower was revised to an estimated return of 20%-25% on costs from the previously announced 15%-20%.

- On August 4, 2017, the Trust announced that it was successful in solidifying an opportunity, through a plan of arrangement, to purchase 12 retail properties from OneREIT representing over 2.28 million square feet along with substantial future development potential of approximately 1.75 million square feet. These 12 properties have very similar physical attributes and tenancy characteristics as the Trust's current portfolio. Specifically, six of the properties have Walmart as an anchor tenant, and five of the remaining properties have strong grocery or similar large anchor tenants. The remaining property is in the GTA and given its proximity to transit, represents a substantive redevelopment opportunity. The purchase price for the portfolio is $429.0 million and will be paid for by the Trust assuming property level and corporate level debt of $354.0 million and the Trust issuing $75.0 million in Trust Units to those current OneREIT unitholders who elect (subject to the announced plan of arrangement) to take Units in the Trust. It is expected that the acquisition will be immediately accretive to the Trust, and once stabilized in 2018, it is expected that the acquisition will be accretive by $0.05 per Unit annually thereafter. This acquisition is subject to approval by OneREIT's unitholders and other regulatory and customary closing conditions and is expected to close before the end of September 2017.

- On August 9, 2017, the Board of Trustees approved a $0.05 increase in annual distributions to $1.75 per Unit effective October 2017.

"The second quarter of 2017 represents another successful quarter in balancing the stability of our largely Walmart anchored shopping centre portfolio with our exciting pipeline of development opportunities," said Huw Thomas, SmartREIT's CEO. "In particular, the significant progress on the residential developments at VMC and the town home development in Vaughan N.W. highlight the value creation potential of our exceptional development platform," added Thomas.

Portfolio Highlights

Portfolio Information

The following table summarizes SmartREIT's portfolio information:

	June 30, 2017	December 31, 2016	Variance
Fair value of real estate portfolio (in millions of dollars)[(1)]	**$8,453.7**	$8,424.9	$28.8
Weighted average stabilized capitalization rate	**5.82%**	5.84%	(0.02)%
Built gross leasable area (in millions of square feet)	**31.9**	31.9	—
Future estimated development area (in millions of square feet)	**4.1**	4.1	—
Lands under Mezzanine Financing (in millions of square feet)	**0.6**	0.7	(0.1)
Number of retail properties	**142**	142	—
Number of properties under development	**8**	8	—
Number of office properties	**1**	1	—
Number of mixed-use properties	**1**	1	—
Total number of properties owned	**152**	152	—

(1) Includes the Trust's share of investment in associates

Earnouts and Developments Completed on Existing Properties

During the quarter ended June 30, 2017, $5.9 million of Earnouts and Developments (including Developments relating to investment in associates) were completed and transferred to income properties, which represents a decrease of $70.3 million compared to the same quarter in 2016.

	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016		
(in millions of dollars)	**Area (sq. ft.)**	**Investment ($)**	**Annualized Yield (%)**	Area (sq. ft.)	Investment ($)	Annualized Yield (%)
Earnouts	**—**	**—**	**—%**	10,178	4.2	6.1%
Developments	**15,125**	**3.5**	**6.4%**	282,886	72.0	6.0%
Developments – investment in associates	**4,362**	**2.4**	**6.3%**	—	—	—%
	19,487	**5.9**	**6.4%**	293,064	76.2	6.0%

During the six months ended June 30, 2017, $36.6 million of Earnouts and Developments (including Developments relating to investment in associates) were completed and transferred to income properties, which represents a decrease of $56.6 million compared to the same period in 2016.

	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
(in millions of dollars)	**Area (sq. ft.)**	**Investment ($)**	**Annualized Yield (%)**	Area (sq. ft.)	Investment ($)	Annualized Yield (%)
Earnouts	**9,575**	**4.0**	**6.2%**	40,568	14.5	6.1%
Developments	**30,076**	**6.8**	**5.7%**	299,880	78.7	6.0%
Developments – investment in associates	**53,737**	**25.8**	**5.3%**	—	—	—%
	93,388	**36.6**	**5.5%**	340,448	93.2	6.0%

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Key Financial Highlights

Quarterly Comparison to Prior Year

The following table summarizes SmartREIT's key financial highlights for the three months ended June 30 (including the Trust's share of investment in associates):

(in thousands of dollars, except per Unit information)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016[1]	Variance	(without Target Settlement) Three Months Ended June 30, 2016	Variance
	(A)	(B)	(A-B)	(C)	(A-C)
Rentals from investment properties	**$181,511**	$187,297	$(5,786)	$177,597	$3,914
Net operating income	**$117,107**	$126,811	$(9,704)	$117,111	$(4)
Net income and comprehensive income	**$124,070**	$76,646	$47,424	$66,946	$57,124
FFO	**$85,634**	$93,666	$(8,032)	$83,966	$1,668
FFO with one time adjustment and transactional FFO	**$88,939**	$93,666	$(4,727)	$83,966	$4,973
AFFO	**$82,382**	$89,051	$(6,669)	$79,351	$3,031
AFFO with one time adjustment and transactional FFO	**$85,687**	$89,051	$(3,364)	$79,351	$6,336
ACFO	**$84,997**	$88,898	$(3,901)	$79,198	$5,799
ACFO with one time adjustment	**$85,178**	$88,898	$(3,720)	$79,198	$5,980
Per Unit (fully diluted) Information					
FFO with one time adjustment and transactional FFO	**$0.57**	$0.60	$(0.03)	$0.54	$0.03
AFFO with one time adjustment and transactional FFO	**$0.55**	$0.57	$(0.02)	$0.51	$0.04
Distributions	**$0.425**	$0.413	$0.012	$0.413	$0.012
Payout ratio Information					
Payout ratio (to AFFO with one time adjustment and transactional FFO)	**77.3%**	72.0%	5.3%	81.0%	(3.7)%
Payout ratio (to ACFO with one time adjustment)	**78.4%**	72.3%	6.1%	81.1%	(2.7)%

(1) Includes $9.7 million net settlement proceeds associated with the Target lease terminations recorded during the three months ended June 30, 2016. For the three months ended June 30, 2016, the net settlement proceeds had an impact on both FFO per Unit and AFFO per Unit by $0.06.

Year-to-Date Comparison to Prior Year

The following table summarizes SmartREIT's key financial highlights for the six months ended June 30 (including the Trust's share of investment in associates):

(in thousands of dollars, except per Unit information)	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016[1]	Variance	(without Target Settlement) Six Months Ended June 30, 2016	Variance
	(A)	(B)	(A-B)	(C)	(A-C)
Rentals from investment properties	**$366,073**	$366,925	$(852)	$357,225	$8,848
Net operating income	**$234,201**	$241,157	$(6,956)	$231,457	$2,744
Net income and comprehensive income	**$184,069**	$175,515	$8,554	$165,815	$18,254
FFO	**$166,821**	$176,603	$(9,782)	$166,903	$(82)
FFO with one time adjustment and transactional FFO	**$172,666**	$176,603	$(3,937)	$166,903	$5,763
AFFO	**$158,397**	$168,795	$(10,398)	$159,095	$(698)
AFFO with one time adjustment and transactional FFO	**$164,242**	$168,795	$(4,553)	$159,095	$5,147
ACFO	**$160,397**	$168,075	$(7,678)	$158,375	$2,022
ACFO with one time adjustment	**$163,118**	$168,075	$(4,957)	$158,375	$4,743
Per Unit (fully diluted) Information					
FFO with one time adjustment and transactional FFO	**$1.10**	$1.14	-$0.04	$1.08	$0.02
AFFO with one time adjustment and transactional FFO	**$1.05**	$1.09	-$0.04	$1.03	$0.02
Distributions	**$0.850**	$0.825	$0.025	$0.825	$0.025
Payout ratio Information					
Payout ratio (to AFFO with one time adjustment and transactional FFO)	**81.0%**	75.7%	5.3%	80.1%	0.9%
Payout ratio (to ACFO with one time adjustment)	**81.8%**	76.3%	5.5%	81.0%	0.8%

(1) Includes $9.7 million net settlement proceeds associated with the Target lease terminations recorded during the six months ended June 30, 2016. For the six months ended June 30, 2016, the net settlement proceeds had an impact on both FFO per Unit and AFFO per Unit by $0.06.

Operational Highlights

For the three months ended June 30, 2017, NOI decreased by $9.7 million or 7.7% compared to the same quarter in 2016. The primary reasons for the decrease of $9.7 million relates to (i) $11.7 million in settlement proceeds associated with the Target ($9.7 million) and other lease ($2.0 million) terminations recorded in the three months ended June 30, 2016, and (ii) a decrease in percentage rental revenues of $0.1 million, partially offset by (iii) a $1.7 million increase in net base rent, (iv) an increase in short term rental revenues of $0.3 million, and (v) lower other operating costs of $0.2 million recorded in the three months ended June 30, 2017. Excluding the Target lease terminations, NOI performance was consistent with the same period in 2016.

Including prior year adjustments, the Trust's recovery ratio remained flat for the three months ended June 30, 2017 compared to the same period last year. Excluding prior year adjustments, the Trust recovered 96.8% of total recoverable expenses during the three months ended June 30, 2017, compared to 97.2% in the same quarter last year.

For the six months ended June 30, 2017, NOI decreased by $7.0 million or 2.9% compared to the same period in 2016. The primary reasons for the decrease of $7.0 million relates to (i) $11.8 million amount in settlement proceeds associated with the Target ($9.7 million) and other lease ($2.1 million) terminations recorded in the period ended June 30, 2016, (ii) a decrease in percentage rental revenues of $0.2 million, partially offset by (iii) an increase in net base rent of $3.5 million, (iv) an increase in short term rental revenues of $0.6 million, (v) an increase in bad debt provision reversals of $0.7 million, and (vi) lower other operating costs of $0.2 million.

With respect to the recovery ratio both including and excluding prior year adjustments, the Trust recovered 96.8% and 96.5%, respectively, of total recoverable expenses during the six months ended June 30, 2017, compared to 96.9% and 97.0%, respectively, in the same period last year.

FFO and AFFO Highlights

REALpac, in consultation amongst preparers and users of reporting issuers' financial statements, determined there was diversity in how AFFO should be utilized - some viewing it as an earnings metric, some viewing it as a cash flow measure, and others considering it a hybrid between the two. In order to develop greater consistency within the industry, it was determined that AFFO should be defined as a recurring economic earnings measure. Accordingly, the calculation of the Trust's AFFO and related AFFO payout ratio, including comparative amounts, has changed pursuant to the February 2017 REALpac White Paper on FFO and AFFO. As a result, comparability against previously reported AFFO and AFFO payout ratios may be inappropriate, and because of different interpretation and adoption of the new guidance, comparison with other reporting issuers may also not be appropriate.

FFO

For the three months ended June 30, 2017, FFO with one time adjustment and transactional FFO decreased by $4.7 million or 5.0% to $88.9 million, and by $0.03 or 5.0% to $0.57 on a per Unit basis. Excluding the $9.7 million net settlement proceeds associated with the Target lease terminations that were recorded in the comparative quarter, FFO with one time adjustment and transactional FFO increased by $5.0 million or 5.9%, and by $0.03 or 6.0% on a per Unit basis. The decrease in FFO with one time adjustment and transactional FFO for the three months ended June 30, 2017 was primarily due to the following: (i) the $11.7 million net settlement proceeds associated with the Target ($9.7 million) and other ($2.0 million) lease terminations that were recorded in the comparative quarter, (ii) a decrease in interest income of $0.8 million, (iii) a decrease in percentage rental revenues of $0.1 million, and a decrease in indirect interest with respect to the development portion relating to investment in associates of $0.1 million, (iv) partially offset by the transactional FFO gain on sale of land parcel of $3.1 million, (v) an increase in net base rent of $1.7 million, a decrease in general and administrative expense of $1.9 million (primarily attributed to an increase in costs allocated to other expenses of $1.4 million), (vi) a decrease in interest expense net of yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs of $0.7 million, (vii) an increase in short term rental revenues of $0.3 million, (viii) a decrease in other operating costs of $0.2 million, and (ix) an increase in tenant improvement amortization (including investment in associates) of $0.2 million.

For the six months ended June 30, 2017, FFO with one time adjustment and transactional FFO decreased by $3.9 million or 2.2% to $172.7 million, and by $0.04 or 3.5% on a per Unit basis, compared to the same period in 2016. Excluding the $9.7 million net settlement proceeds associated with the Target lease terminations that were recorded in the six months ended June 30, 2016, FFO with one time adjustment and transactional FFO increased by $5.7 million or 3.5%, and by $0.02 or 2.1% on a per Unit basis. The decrease in FFO with one time adjustment and transactional FFO was primarily due to: the (i) $11.8 million net settlement proceeds associated with the Target ($9.7 million) and other ($2.1 million) lease terminations that was recorded in the comparative period, (ii) a decrease in interest income of $1.6 million, (iii) a decrease in percentage rental revenues of $0.2 million, (iv) an increase in general and administrative expense of $0.2 million, (v) a decrease in indirect interest with respect to the development portion relating to investment in associates of $0.2 million, (vi) partially offset by the transactional FFO gain on sale of land parcel of $3.1 million, (vii) a decrease in interest expense net of yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs of $1.5 million, (viii) an increase in bad debt provision reversals of $0.7 million, (ix) an increase in short term rental revenues of $0.6 million, (x) an increase in tenant improvement allowance of $0.4 million, and (xi) a decrease in other operating costs of $0.2 million.

AFFO

For the three months ended June 30, 2017, AFFO with one time adjustment and transactional FFO decreased by $3.4 million or 3.8% to $85.7 million, and by $0.02 or 3.5% on a per Unit basis, compared to the same quarter in 2016. The decrease in AFFO with transactional FFO of $3.4 million was primarily due to: the decrease experienced in FFO with one time adjustment and transactional FFO of $4.7 million (as noted above), partially offset by a decrease in actual sustaining capital expenditures of $1.5 million.

For the six months ended June 30, 2017, AFFO with one time adjustment and transactional FFO decreased by $4.6 million or 2.7% to $164.2 million, and by $0.04 or 3.8% on a per Unit basis, compared to the same period in 2016. The decrease in AFFO with transactional FFO of $4.6 million was primarily due to: (i) the decrease experienced in FFO with one time adjustment and transactional FFO of $3.9 million (as noted above), (ii) an increase associated with straight-lining of rents (in connection with adjustments relating to investment in associates) of $0.5 million, and (iii) an increase in actual sustaining tenant improvements of $0.2 million.

Payout ratio to AFFO with one time adjustment and transactional FFO
The AFFO with one time adjustment and transactional FFO payout ratio for the three months ended June 30, 2017 increased by 5.3% to 77.3% compared to the same quarter last year. The AFFO with one time adjustment and transactional FFO payout ratio for the six months ended June 30, 2017 increased by 5.3% to 81.0% compared to the same period last year. The primary reason for the increase pertains to the inclusion of the $9.7 million in Target settlement proceeds recorded in the prior year quarter in June 2016.

Non-GAAP Measures

The non-GAAP measures used in this Press Release, including AFFO, ACFO, FFO, NOI and payout ratio do not have any standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and are therefore unlikely to be comparable to similar measures presented by other issuers. These non-GAAP measures are more fully defined and discussed in the 'Management Discussion and Analysis' ("MD&A") of the Trust for the period ended June 30, 2017, available on SEDAR at www.sedar.com.

Full reports of the financial results of the Trust for the period ended June 30, 2017 are outlined in the audited unaudited interim condensed consolidated financial statements and the related MD&A of the Trust, which are available on SEDAR at www.sedar.com. In addition, supplemental information is available on the Trust's website at www.smartreit.com.

Conference Call

SmartREIT will hold a conference call on Wednesday, August 9, 2017 at 5:30 p.m. (ET). Participating on the call will be members of SmartREIT's senior management.

Investors are invited to access the call by dialing 1-800-263-0877. You will be required to identify yourself and the organization on whose behalf you are participating. A recording of this call will be made available Wednesday, August 9, 2017 beginning at 8:30 p.m. (ET) through to 8:30 p.m. (ET) on Wednesday, August 16, 2017. To access the recording, please call 1-888-203-1112 and enter the Replay Passcode 7681867#.

About SmartREIT

SmartREIT is one of Canada's largest real estate investment trusts with total assets of exceeding $8.8 billion. It owns and manages 32 million square feet in value-oriented, principally Walmart-anchored retail centres, having the strongest national and regional retailers as well as strong neighbourhood merchants. In addition, SmartREIT is a joint-venture partner in the Toronto and Montreal Premium Outlets with Simon Property Group. SmartREIT is now expanding the breadth of its portfolio to include residential (condominium and rental), office, and self-storage, either on its large urban properties such as the Vaughan Metropolitan Centre or as an adjunct to its existing shopping centres. SmartREIT's core vision is to provide a value-oriented shopping experience in all forms to Canadian consumers and to create high quality mixed use developments in urban settings.

With SmartREIT's 2015 acquisition of SmartCentres, SmartREIT has transformed into a fully integrated real estate provider. SmartREIT and SmartCentres have had a long and successful alliance, helping to provide Canadians with value-focused retail shopping centres across the country. Now, the alliance has grown even stronger, the result is a fully integrated real estate provider with expertise in planning, development, leasing, operations and construction - all under one roof. For more information on SmartREIT, visit www.smartreit.com.

Certain statements in this Press Release are "forward-looking statements" that reflect management's expectations regarding the Trust's future growth, results of operations, performance and business prospects and opportunities as outlined under the headings "Business Overview and Strategic Direction" and "Outlook". More specifically, certain statements contained in this Press Release, including statements related to the Trust's maintenance of productive capacity, estimated future development plans and costs, view of term mortgage renewals including rates and upfinancing amounts, timing of future payments of obligations, intentions to secure additional financing and potential financing sources, and vacancy and leasing assumptions, and statements that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may" and similar expressions and statements relating to matters that are not historical facts, constitute "forward-looking statements". These forward-looking statements are presented for the purpose of assisting the Trust's Unitholders and financial analysts in understanding the Trust's operating environment, and may not be appropriate for other purposes. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. However, such forward-looking statements involve significant risks and uncertainties, including those discussed under the heading "Risks and Uncertainties" and elsewhere in the Trust's Management's Discussion & Analysis for the period ended June 30, 2017 and under the heading "Risk Factors" in its Annual Information Form for the year ended December 31, 2016. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. Although the forward-looking statements contained in this Press Release are based on what management believes to be reasonable assumptions, the Trust cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. These forward-looking statements are made as at the date of this Press Release and the Trust assumes no obligation to update or revise them to reflect new events or circumstances unless otherwise required by applicable securities legislation.

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The Toronto Stock Exchange neither approves nor disapproves of the contents of this Press Release.