SMARTREIT®

SECOND QUARTER

Management's Discussion and Analysis and Unaudited Interim Condensed Consolidated Financial Statements

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

Table of Contents

CEO'S Message

A number of years ago, SmartREIT made the strategic decision to focus on the value segment of retail and in particular supporting Walmart, and that continues to be a key foundation of our retail portfolio's success. Walmart remains one of Canada's leading retailers, is driving positive traffic and same store sales and now is investing significant capital to ensure their stores remain relevant to today's consumer. At the same time, they are investing heavily in their e-commerce platform to allow for effective competition with Amazon and other large e-commerce participants. With the removal of Target from the market two years ago and the recent downsizing of Sears, Walmart is now the only significant discount mass merchant in the Canadian market. With a substantial percentage of our sites anchored or shadow-anchored by Walmart, this has allowed us to retain our historical high occupancy levels and to continue to attract new tenants to our sites. Ultimately, a stable retail portfolio is a key component of our long-term strategy and allows us to deal with issues such as the growth of e-commerce, particularly in the fashion segment, the reduced relevance of the department store, which has led to the closure of 59 Sears locations across Canada, and various other societal trends, such as urbanization, the aging population, etc. which are affecting the retail industry.

Given the pace of change in the real estate industry, I believe the best organizations will be those that demonstrate both the opportunity to create significant net asset value ("NAV") and FFO growth for their unitholders and the skills and talent to execute effectively on those opportunities. With the acquisition of the SmartCentres development platform in 2015, I believe we are exceptionally well positioned to match up to those needs.

Over the last two years, we have been building a pipeline of multiple different development opportunities and we are now clearly demonstrating the benefits of that work. With the recent announcement of the successful sale of the third residential tower at VMC, SmartREIT along with our key partners Mitchell Goldhar and CentreCourt, have sold over 1,700 units in less than six weeks to create one of the most successful new residential developments in the Greater Toronto Area. This follows on our success with the KPMG and PwC office and mixed-use towers, all of which reflects the huge potential the VMC site offers.

Our new joint ventures with Jadco to build rental residential units in Montreal, with Fieldgate to build townhomes in Vaughan NW, and with SmartStop to build a network of self-storage facilities are all progressing very well. In the background,

we are working diligently to create further ventures in the rental residential and seniors housing segments, to take advantage of the significant land holdings we own and the traffic we drive to our existing sites.

This strategy to maximize the value of our full array of properties will take full advantage of the exceptional team of developers, architects, engineers, and construction staff that is embedded within SmartREIT and that gives us a significant strategic advantage versus our peers.

We are still developing selected new space for a number of our key retail tenants, and the expansion of our Toronto Premium Outlets, for which the first stage is a new parking lot, has progressed very well over the last quarter, and the centre itself is now driving sales over $1,150 per square foot and is 100% occupied.

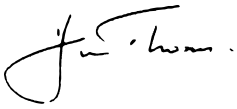
Last week, we announced the acquisition of twelve properties from OneREIT for proceeds of approximately $430 million, which is made up of the assumption of debt and the issuance of SmartREIT units. This acquisition is subject to OneREIT's unitholder vote and other customary approvals. The anticipated accretion for the acquisition is approximately 4 cents in Year 1, or growing to 5 cents by Year 2 as the assets are stabilized and as we begin to exploit the development and intensification opportunities that exist, this accretion is expected to grow further. I believe this is an excellent purchase for SmartREIT and very consistent with our strategy of balancing stability with long term growth opportunities.

Our Treasury group has been very busy over the last quarter refinancing the unsecured debentures that were planned to mature later this year, finalizing a new larger operating line and more recently negotiating construction financing for all of our significant new development projects. Ultimately, we are very confident in our ability to finance our development agenda at very attractive rates and flexible terms.

For the fourth year in a row, I am very pleased that we have been able to announce a further increase in our distributions, from $1.70 per Unit to $1.75 per Unit, a $0.05 increase which will be effective for the November distribution payment. This increase reflects my and the Board's continued confidence in our future growth and cash generation ability.

Overall, I believe our future is very bright as multiple new growth initiatives should provide significant financial benefits for our Unitholders for many years to come. I continue to be grateful to our Associates for their hard work and commitment to our values, our operating and financial partners for the support and our Board of Trustees for their leadership and guidance. And finally, thank you to all of our loyal tenants and customers for your business and our Unitholders for trusting us with your precious investment funds.

Sincerely,



Huw Thomas
Chief Executive Officer
SmartREIT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

About this Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") sets out Smart Real Estate Investment Trust's ("SmartREIT" or the "Trust") strategies and provides an analysis of the financial performance and financial condition for the three and six months ended June 30, 2017, the risks facing the business and management's outlook.

This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2016 and 2015, and the unaudited interim condensed consolidated financial statements for the period ended June 30, 2017 and the notes contained therein. Such consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of condensed consolidated financial statements, and International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). The Canadian dollar is the functional and reporting currency for purposes of preparing the unaudited interim condensed consolidated financial statements.

This MD&A is dated August 9, 2017, which is the date of the press release announcing the Trust's results for the three and six months ended June 30, 2017. Disclosure contained in this MD&A is current to that date, unless otherwise noted.

Presentation of Non-GAAP Measures

All definitions of terms and ratios capitalized throughout this MD&A can be found in the "Glossary" section.

Readers are cautioned that certain terms used in this MD&A such as Funds From Operations ("FFO"), Transactional FFO, Adjusted Funds From Operations ("AFFO"), Adjusted Cashflow From Operations ("ACFO"), Net Operating Income ("NOI"), "Interest Coverage", "Aggregate Assets", "Gross Book Value", "Debt to Service", Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), "Secured Indebtedness", "Payout Ratio", and any related per Variable Voting Unit of the Trust (a "Trust Unit") and per unit of the Trust's subsidiary limited partnerships (an "LP Unit") (where management discloses the combination of Trust Units and LP Units, combined units are referred to as "a Unit" or "Units") amounts used by management to measure, compare and explain the operating results and financial performance of the Trust do not have any standardized meaning prescribed under IFRS and, therefore, should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. These terms are defined in this MD&A and reconciled to the closest IFRS measure in the unaudited interim condensed consolidated financial statements of the Trust for the period ended June 30, 2017. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities. See "Other Measures of Performance", "Net Operating Income", "Debt" and "Financial Covenants".

The calculation of the Trust's AFFO and related AFFO payout ratio, including comparative amounts, has changed pursuant to the February 2017 Real Property Association of Canada ("REALpac") White Paper on FFO and AFFO. As a result, comparability against previously reported AFFO and AFFO payout ratios may be inappropriate.

ACFO is not a term defined under IFRS and may not be comparable to similar measures used by other real estate entities. The Trust calculates its ACFO in accordance with the REALpac's "White Paper on Adjusted Cashflow from Operations (ACFO)" for IFRS issued in February 2017. The purpose of the White Paper is to provide reporting issuers and stakeholders with greater guidance on the definitions of ACFO and to help promote more consistent disclosure from reporting issuers. ACFO is intended to be used as a sustainable, economic cash flow metric. The Trust considers ACFO an input to determine the appropriate level of distributions to Unitholders as it adjusts cash flows from operations to better measure sustainable, economic cash flows. Prior to the issuance of the February 2017 White Paper, there was no industry standard to calculate a sustainable, economic cash flow metric.

Forward-Looking Statements

Certain statements in this MD&A 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 MD&A, 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 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 this MD&A. 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 MD&A are based on what management believes to be reasonable assumptions, including those discussed under the heading "Outlook" and elsewhere in this MD&A, 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 MD&A and the Trust assumes no obligation to update or revise them to reflect new events or circumstances unless otherwise required by applicable securities legislation.

All amounts in the MD&A are expressed in millions of Canadian dollars, except where otherwise stated. Per Unit amounts are expressed on a diluted basis, except where otherwise stated.

Additional information relating to the Trust, including the Trust's Annual Information Form for the year ended December 31, 2016, can be found at www.sedar.com.

Business Overview and Strategic Direction

The Trust is an unincorporated open-ended mutual fund trust governed by the laws of the Province of Alberta. The Trust Units are listed and publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "SRU.UN".

The Trust's vision is to create exceptional places to shop, work and live. The Trust's purpose is to develop, lease, construct, own and manage shopping centres and office buildings that provide retailers with a platform to reach their customers through convenient locations, intelligent designs, and a desirable tenant mix, and more recently, to provide high-quality office space for tenants to locate effective workspaces. The Trust is also now working on opportunities to provide residential (in various forms), seniors housing, and self-storage facilities at certain of its shopping centre properties across Canada, as well as developing certain of its urban properties to provide a mix of retail, residential, office and self-storage space.

The Trust's shopping centres focus on value oriented retailers and include the strongest national and regional names as well as strong neighbourhood merchants. It is expected that Walmart will continue to be the dominant anchor tenant in the portfolio and that its presence will continue to attract other retailers and consumers.

As at June 30, 2017, the Trust owned 142 shopping centres with total gross leasable area of 31.9 million square feet, one office property, eight development properties and one mixed-use property, located in communities across Canada. Generally, the Trust's centres are conveniently located close to major highways, which, along with the anchor stores, provide significant draws to the Trust's portfolio, attracting both value-oriented retailers and consumers. The Trust, through a subsidiary limited partnership, acquired the right from Penguin to use the "SmartCentres" brand, which represents a family and value-oriented shopping experience.

Mixed-Use Development

Two examples of the Trust's evolution into mixed-use development are: the Vaughan Metropolitan Centre ("VMC") in Vaughan, Ontario, and the Toronto StudioCentre ("StudioCentre") in Toronto, Ontario.

Vaughan Metropolitan Centre

The VMC is one of the largest proposed urban mixed-use development sites in Canada. The Trust owns a 50% interest in 53 acres through a joint venture with Penguin and plans to develop an expected total area of approximately 8.0 million to 10.0 million square feet of commercial, residential and retail real estate at VMC. Phase 1 of the development at VMC includes a 365,000 square foot office complex with KPMG as lead tenant, with possession taken by KPMG in March 2016. VMC will also contain the terminus of the Spadina-York University subway extension, which is expected to open in late 2017. Plans for a new 220,000 square foot Class-A office tower with PwC Canada as the lead tenant have also been announced, which includes a 100,000 square foot flagship YMCA with child care, fitness and aquatic facilities plus a 20,000 square foot City of Vaughan library and studio space, to complement the growing workforce and residential population. Furthermore, the first, second and third residential condominium towers representing over 1,700 units, of which the Trust's share is 25%, at VMC (known as Transit City) have been sold out. Adjacent to this property is an additional 47 acres of development property which, when fully developed, is expected to consist of approximately 6.0 million square feet of mixed used space, for which the Trust is responsible for the overall management of planning and development initiatives. The Trust does not currently have an ownership interest in this adjacent property, which is owned by Penguin in partnership with others.

Toronto StudioCentre

The StudioCentre site, in which the Trust owns a 50% interest through a joint venture with Penguin, has become a mainstay of the Canadian film, video and television production industry, housing multiple facilities to accommodate all elements of film, video and television production. The Trust has received approval from Toronto City Council to upgrade and redevelop the 19-acre site to include up to 1.2 million square feet of mixed-use space, including office, retail and potentially a hotel, as well as the existing studio space to service the arts, film and media community. The Trust expects that the existing 230,000 square feet of former industrial buildings will continue to benefit from a thriving movie and television production industry in Canada. The sound stages have now been pre-booked to almost the end of 2018.

Residential Development at Vaughan North West

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 the northeast corner of Major Mackenzie Drive and Weston Road in Vaughan and to 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 (see Residential Development Inventory section for details). 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.

Acquisitions

Subject to the availability of acquisition opportunities, the Trust intends to grow distributions, in part through the accretive acquisition of properties. The current environment for acquisitions is very competitive with limited supply of quality properties coming to the market. The Trust explores acquisition opportunities as they arise but will pursue only acquisitions that management believes are either strategic and/or accretive relative to its long-term cost of capital.

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.

Developments, Earnouts and Mezzanine Financing

Developments, Earnouts and Mezzanine Financing continue to be a significant component of the Trust's strategic plan. "Developments", as noted in the table below, represent the potential gross leasable area that the Trust plans to develop for its own account, which excludes the Trust's share of VMC which is separately reflected below. The gross leasable area to be developed and leased to third parties, which favour Penguin is defined as "Earnouts".

"Mezzanine Financing" purchase options are exercisable once a certain level of development and leasing at a shopping centre is achieved and typically allow the Trust as a lender to acquire 50% of the completed shopping centre at agreed-upon formulas, based on a market capitalization rate at the time the option is exercised. If the specified level of development and leasing is not achieved prior to the maturity date of the loan and the loan is repaid, then the option terminates. If an applicable property is to be sold prior to the maturity date of the loan and prior to the applicable option being triggered, then the Trust has a right of first refusal with respect to such sale.

As at June 30, 2017, the Trust's potential gross leasable area subject to Developments, Earnouts and Mezzanine Financing is summarized as follows:

(in thousands of square feet)	June 30, 2017
Developments	3,299
Premium Outlets	122
VMC (Office Phase 1 and Office Phase 2)[1]	104
Planned developments not subject to Earnouts	3,525
Planned developments subject to Earnouts	564
Future estimated development area	4,089
Lands under Mezzanine Financing	615
Potential gross leasable area	**4,704**

(1) The potential gross leasable area excludes residential development.

Pursuant to the transaction completed on May 28, 2015 (the "Transaction"), which involved the acquisition of both a very significant portfolio of real estate and the Penguin platform (see MD&A for the year ended December 31, 2015 for details) – all leasing and development work on behalf of Penguin and other vendors is now managed by, and will be completed by, the Trust under contract with those parties. Earnouts occur where the vendors retain responsibility for certain developments on behalf of the Trust for additional proceeds calculated based on a predetermined, or formula-based, capitalization rate, net of land and development costs incurred by the Trust. Pursuant to the Transaction, the Trust is now responsible for managing the completion of Earnouts and Developments and charges fees to the vendors for such management.

Professional Management

Through professional management of the portfolio, the Trust intends to ensure its properties portray an image that will continue to attract consumers as well as provide preferred locations for its tenants. Well-managed properties enhance the shopping experience and ensure customers continue to visit the centres. Professional management of the portfolio permitted the maintenance of a high occupancy level of 98.4% at June 30, 2017 (December 31, 2016 – 98.3%) or 98.5% including executed leases (December 31, 2016 – 98.5%).

Financial and Operational Highlights for the Three Months Ended June 30, 2017

The Trust continued its growth through Developments and Earnouts to date in 2017. During the quarter, the Trust also focused on managing the operation and development of existing properties and raising the capital required for future growth of the business.

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

- On April 12, 2017, the Trust along with its joint venture partners Penguin 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 Penguin 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 (see Residential Development Inventory section for details). 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 Penguin 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.

Selected Consolidated Information:

The operational and financial consolidated information shown in the table below includes the Trust's share of investment in associates, which is disclosed in Note 6 of the unaudited interim condensed consolidated financial statements for the period ended June 30, 2017.

The following table represents key operational and financial information as at June 30, 2017, December 31, 2016 and June 30, 2016:

(in thousands of dollars, except per Unit and other non-financial data)	**June 30, 2017**	December 31, 2016	June 30, 2016
Operational Information			
Number of retail and other properties	**142**	142	141
Number of properties under development	**8**	8	8
Number of office properties	**1**	1	1
Number of mixed-use properties	**1**	1	—
Total number of properties owned	**152**	152	150
Gross leasable area (in thousands of sq. ft.)	**31,940**	31,939	31,342
Future estimated development area (in thousands of sq. ft.)	**4,089**	4,129	4,743
Lands under Mezzanine Financing (in thousands of sq. ft.)	**615**	698	701
Occupancy	**98.4%**	98.3%	98.2%
Average lease term to maturity	**6.0 years**	6.2 years	6.6 years
Net rental rate (per occupied sq. ft.)	**$15.24**	$15.29	$15.22
Net rental rate excluding Anchors (per occupied sq. ft.)	**$21.80**	$21.97	$21.87
Financial Information			
Investment properties[(1)]	**8,453,702**	8,424,860	8,238,636
Total assets	**8,843,016**	8,738,878	8,611,463
Total unencumbered assets	**2,914,000**	2,701,700	2,522,100
Debt[(1)]	**3,909,966**	3,894,671	3,842,278
Debt to Aggregate Assets[(2)]	**43.9%**	44.3%	44.3%
Debt to Gross Book Value[(2)]	**51.5%**	51.9%	51.7%
Interest Coverage[(2)]	**3.1X**	3.1X	3.0X
Debt to Adjusted EBITDA[(2)]	**8.4X**	8.4X	8.4X
Equity (book value)	**4,739,552**	4,663,944	4,557,987

The following table represents key financial information for the three months ended June 30, 2017 and June 30, 2016. Management has disclosed the comparative quarter with and without the Target net settlement proceeds of $9.7 million, as follows:

(in thousands of dollars, except per Unit information)	**Three Months Ended June 30, 2017**	Three Months Ended June 30, 2016[8]	Variance	(without Target settlement) Three Months Ended June 30, 2016	Variance
	(A)	(B)	(A–B)	(C)	(A–C)
Financial Information					
Rentals from investment properties[1]	**181,511**	187,297	(5,786)	177,597	3,914
NOI[1]	**117,107**	126,811	(9,704)	117,111	(4)
Net income excluding loss on disposition and fair value adjustments	**81,434**	89,786	(8,352)	80,086	1,348
Net income and comprehensive income	**124,070**	76,646	47,424	66,946	57,124
Cash provided by operating activities	**74,285**	66,629	7,656	56,929	17,356
FFO[2][3]	**85,634**	93,666	(8,032)	83,966	1,668
FFO with one time adjustment and transactional FFO[2][3]	**88,939**	93,666	(4,727)	83,966	4,973
AFFO[2][3][4]	**82,382**	89,051	(6,669)	79,351	3,031
AFFO with one time adjustment and transactional FFO[2][3][4]	**85,687**	89,051	(3,364)	79,351	6,336
ACFO[2][3][5]	**84,997**	88,898	(3,901)	79,198	5,799
ACFO with one time adjustment[2][3]	**85,178**	88,898	(3,720)	79,198	5,980
Distributions declared	**66,806**	64,237	2,569	64,237	2,569
Surplus of AFFO with one time adjustment and transactional FFO over distributions declared[2][3][4]	**18,881**	24,814	(5,933)	15,114	3,767
Units outstanding[6]	**156,455,314**	154,991,447	1,463,867	154,991,447	1,463,867
Weighted average – basic	**156,256,467**	154,807,223	1,449,244	154,807,223	1,449,244
Weighted average – diluted[7]	**156,916,777**	155,427,741	1,489,036	155,427,741	1,489,036
Per Unit Information (Basic/Diluted)					
Net income and comprehensive income	**$0.79/$0.79**	$0.50/$0.49	$0.29/$0.30	$0.43/$0.43	$0.36/$0.36
Net income excluding fair value adjustments	**$0.52/$0.52**	$0.58/$0.58	$-0.06/$-0.06	$0.52/$0.52	$0.00/$0.00
FFO with one time adjustment and transactional FFO[2][3]	**$0.57/$0.57**	$0.61/$0.60	$-0.04/$-0.03	$0.54/$0.54	$0.03/$0.03
AFFO with one time adjustment and transactional FFO[2][3]	**$0.55/$0.55**	$0.57/$0.57	$-0.03/$-0.02	$0.51/$0.51	$0.04/$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[2][3]	**77.3%**	72.0%	5.3%	81.0%	(3.7)%
Payout ratio to ACFO[2][3][5]	**78.6%**	72.3%	6.3%	81.1%	(2.5)%
Payout ratio to ACFO with one time adjustment[2][3]	**78.4%**	72.3%	6.1%	81.1%	(2.7)%

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

(2) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Non-GAAP Measures" section in this MD&A.

(3) See "Other Measures of Performance" for a reconciliation of these measures to the nearest consolidated financial statement measure.

(4) 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. Payout ratio is calculated as distributions per Unit divided by AFFO per Unit.

(5) The calculation of the Trust's ACFO and related ACFO payout ratio, including comparative amounts, is a new financial metric pursuant to the February 2017 REALpac White Paper on ACFO. Comparability against other reporting issuers may not be appropriate. Payout ratio is calculated as declared distributions divided by Adjusted Cashflow from Operations.

(6) Total Units outstanding include Trust Units and LP Units, including LP Units classified as liabilities. LP Units classified as equity in the consolidated financial statements are presented as non-controlling interests.

(7) The diluted weighted average includes the vested portion of the deferred unit plan but does not include unvested Earnout options.

(8) 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.

Results of Operations

The Trust's real estate portfolio has grown through acquisitions, completed Developments and Earnouts during the course of the past year resulting in increases in operating results for the three and six months ended June 30, 2017, compared to the three and six months ended June 30, 2016.

Quarterly Comparison to Prior Year

(in thousands of dollars)	**Three Months Ended June 30, 2017**	Three Months Ended June 30, 2016[2]	Variance	Variance (%)
Net base rent	**118,340**	116,629	1,711	1.5 %
Property operating cost recoveries	**60,477**	56,421	4,056	7.2 %
Miscellaneous revenue	**2,694**	14,247	(11,553)	(81.1)%
Rentals from investment properties[1]	**181,511**	187,297	(5,786)	(3.1)%
Service and other revenues	**3,742**	2,365	1,377	58.2 %
Other expenses	**(3,741)**	(2,370)	(1,371)	57.8 %
Recoverable property operating costs	**(62,083)**	(57,923)	(4,160)	7.2 %
Property management fees and costs	**(1,260)**	(1,381)	121	(8.8)%
Non-recoverable costs	**(1,062)**	(1,177)	115	(9.8)%
Total property-specific costs and other[1]	**(64,404)**	(60,486)	(3,918)	6.5 %
NOI	**117,107**	126,811	(9,704)	(7.7)%
NOI as a percentage of net base rent	**99.0%**	108.7%	(9.7)%	(8.9)%
NOI as a percentage of rentals from investment properties	**64.5%**	67.7%	(3.2)%	(4.7)%
Recovery ratio (including prior year adjustments)	**97.4%**	97.4%	—%	—%
Recovery ratio (excluding prior year adjustments)	**96.8%**	97.2%	(0.4)%	(0.4)%

(1) Includes the Trust's share of rentals from investment in associates of $1.6 million (three months ended June 30, 2016 – $0.4 million) and property-specific costs from investment in associates of $0.6 million (three months ended June 30, 2016 – $0.2 million), for a net increase to NOI of $1.0 million for the three months ended June 30, 2017 (three months ended June 30, 2016 – $0.2 million).

(2) 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, 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.

Year-to-Date Comparison to Prior Year

In comparison to the same quarter in 2016, NOI decreased by $7.0 million or 2.9% in 2017. See below for details:

(in thousands of dollars)	**Six Months Ended June 30, 2017**	Six Months Ended June 30, 2016[2]	Variance	Variance (%)
Net base rent	**236,572**	233,075	3,497	1.5 %
Property operating cost recoveries	**124,280**	117,247	7,033	6.0 %
Miscellaneous revenue	**5,221**	16,603	(11,382)	(68.6)%
Rentals from investment properties[1]	**366,073**	366,925	(852)	(0.2)%
Service and other revenues	**6,422**	5,377	1,045	19.4 %
Other expenses	**(6,433)**	(5,377)	(1,056)	19.6 %
Recoverable property operating costs	**(128,454)**	(120,964)	(7,490)	6.2 %
Property management fees and costs	**(2,459)**	(3,017)	558	(18.5)%
Non-recoverable costs	**(948)**	(1,787)	839	(47.0)%
Total property-specific costs and other[1]	**(131,872)**	(125,768)	(6,104)	4.9 %
NOI	**234,201**	241,157	(6,956)	(2.9)%
NOI as a percentage of net base rent	**99.0%**	103.5%	(4.5)%	(4.3)%
NOI as a percentage of rentals from investment properties	**64.0%**	65.7%	(1.7)%	(2.6)%
Recovery ratio (including prior year adjustments)	**96.8%**	96.9%	(0.1)%	(0.1)%
Recovery ratio (excluding prior year adjustments)	**96.5%**	97.0%	(0.5)%	(0.5)%

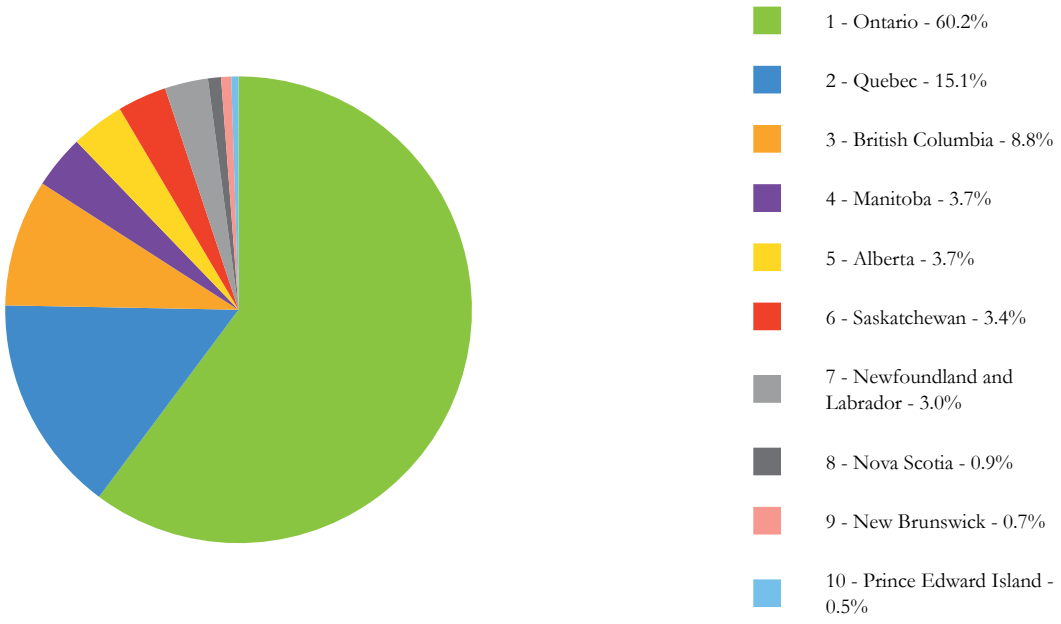
(1) Includes the Trust's share of rentals from investment in associates of $3.0 million (six months ended June 30, 2016 – $0.8 million) and property-specific costs from investment in associates of $1.2 million (six months ended June 30, 2016 – $0.3 million), for a net increase to NOI of $1.8 million for the six months ended June 30, 2017 (six months ended June 30, 2016 – $0.5 million).

(2) 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, 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.

Gross Revenue by Province



The Trust's portfolio is located across Canada with properties in each of the provinces. With respect to the portfolio's gross revenue, 75.3% is derived from Ontario and Quebec, primarily in the Greater Toronto and Montreal areas.

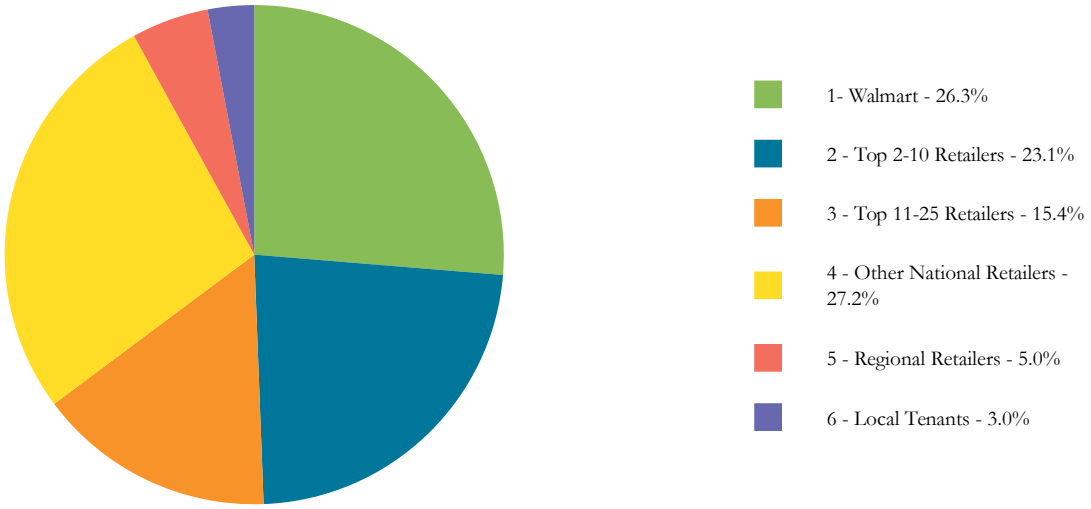
Top 10 Tenants

The 10 largest tenants (by rental revenue) account for 49.4% of portfolio revenue as follows:

#	Tenant	Number of Stores	Rental Revenue[1] ($ millions)	Percentage of Total Rental Revenue	Area (sq. ft.)	Percentage of Total Gross Leasable Area
1	Walmart[2]	95	190.7	26.3%	13,434,443	42.1%
2	Canadian Tire, Mark's and FGL Sports	67	32.0	4.4%	1,232,848	3.9%
3	Winners, HomeSense, Marshalls	49	29.0	4.0%	1,262,002	4.0%
4	Lowe's, RONA	9	18.7	2.6%	1,023,223	3.2%
5	Sobeys	17	17.2	2.4%	735,485	2.3%
6	Loblaws and Shoppers Drug Mart	20	16.8	2.3%	714,478	2.2%
7	Reitmans	98	16.7	2.3%	541,421	1.7%
8	Best Buy	23	13.9	1.9%	524,027	1.6%
9	Dollarama	46	11.5	1.6%	436,720	1.4%
10	Michaels	24	11.3	1.6%	459,589	1.4%
		448	357.8	49.4%	20,364,236	63.8%

(1) Annualized as at June 30, 2017.
(2) The Trust has a total of 95 Walmart locations under lease, of which 90 are Supercentres. The Trust has 14 shopping centres with Walmart as shadow anchors, of which 13 are Supercentres.

Gross Rental Revenue by Tenant



Same Property NOI

NOI from continuing operations is defined as rentals from investment properties less property-specific costs net of service and other revenues. Disclosing the NOI contribution from each of same properties, acquisitions, dispositions, Earnouts and Development activities highlights the impact each component has on aggregate NOI. Straight-lining of rent and other adjustments have been excluded from NOI attributed to same properties, acquisitions, dispositions, Earnouts and Development activities in the table below to highlight the impact of growth in occupancy, rent uplift and productivity.

Quarterly Comparison to Prior Year

(in thousands of dollars)	**Three Months Ended June 30, 2017**	Three Months Ended June 30, 2016[1]	Variance	Variance (%)
Same properties	**115,054**	114,471	583	0.5 %
Acquisitions	**1,099**	—	1,099	N/A
Earnouts and Developments	**2,274**	2,045	229	11.2 %
NOI before adjustments	**118,427**	116,516	1,911	1.6 %
Amortization of tenant improvements	**(1,613)**	(1,459)	(154)	10.6 %
Lease termination and other adjustments	**20**	11,768	(11,748)	(99.8)%
Straight-lining of rents	**451**	163	288	176.7 %
Royalties	**(178)**	(177)	(1)	0.6 %
NOI	**117,107**	126,811	(9,704)	(7.7)%

(1) Includes $9.7 million net settlement proceeds associated with the Target lease terminations recorded during the three months ended June 30, 2016.

"Same properties" in the table above refer to those income properties that were owned by the Trust from April 1, 2016 to June 30, 2016 and from April 1, 2017 to June 30, 2017. The same properties NOI for the three months ended June 30, 2017 increased by $0.6 million or 0.5% over last year, which was primarily due to an increase in property operating cost recoveries of $0.2 million, an increase in short term rental revenue of $0.2 million, and a decrease of $0.2 million attributable to adjustments to bad debt provisions.

Please also see the beginning of the "Results of Operations" section for a commentary on the change in NOI for the three months ended June 30, 2017.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	**Six Months Ended June 30, 2017**	Six Months Ended June 30, 2016[1]	Variance	Variance (%)
Same properties	**229,327**	227,355	1,972	0.9 %
Acquisitions	**2,169**	—	2,169	— %
Earnouts and Developments	**4,947**	4,172	775	18.6 %
NOI before adjustments	**236,443**	231,527	4,916	2.1 %
Amortization of tenant improvements	**(3,263)**	(2,820)	(443)	15.7 %
Lease termination and other adjustments	**571**	12,323	(11,752)	(95.4)%
Straight-lining of rents	**779**	445	334	75.1 %
Royalties	**(329)**	(318)	(11)	3.5 %
NOI	**234,201**	241,157	(6,956)	(2.9)%

(2) Includes $9.7 million net settlement proceeds associated with the Target lease terminations recorded during the six months ended June 30, 2016.

"Same properties" in the table above refer to those income properties that were owned by the Trust from January 1, 2016 to June 30, 2016 and from January 1, 2017 to June 30, 2017. The same properties NOI for the six months ended June 30, 2017 increased by $2.0 million or 0.9% over last year, which was primarily due to lower non-recoverable costs of $1.4 million of which $1.1 million was attributable to adjustments to bad debt provisions, an increase in property operating cost recoveries of $0.3 million and an increase in short term rental revenue of $0.2 million.

Please also see the beginning of the "Results of Operations" section for a commentary on the change in NOI for the six months ended June 30, 2017.

Run-Rate NOI

Management's estimate of the annual property run-rate NOI (excluding the impact of straight-line rent and other adjustments) at June 30, 2017 is $471.8 million. There are no assurances for same property growth rates, however, assuming a 1.0% same property NOI growth rate over 2017 (remainder of year) and 2018, FFO is forecasted to increase by $0.015 and $0.030 per Unit, respectively.

Adjusted EBITDA

The following table represents a reconciliation of net income and comprehensive income to Adjusted EBITDA for the 12 months ended, June 30, 2017 and June 30, 2016:

	12 Months Ended June 30		
	2017	2016	Variance
Net income and comprehensive income	**394,689**	359,768	34,921
Add (deduct) the following items:			
Net interest expense	**130,912**	132,543	(1,631)
Yield maintenance on redemption of unsecured debentures	**19,178**	—	19,178
Amortization of equipment	**2,051**	2,134	(83)
Amortization of intangible assets and tenant improvements	**6,457**	5,436	1,021
Fair value adjustment on revaluation of investment properties	**(80,018)**	(41,471)	(38,547)
Fair value adjustment on financial instruments	**(9,941)**	7,967	(17,908)
Loss on sale of investment properties	**176**	107	69
Target settlement proceeds, net	**(259)**	(9,651)	9,392
Transactional FFO - gain on sale of land to co-owner	**3,124**	—	3,124
Adjusted EBITDA	**466,369**	456,833	6,412

Other Measures of Performance

The following are measures sometimes used by Canadian real estate investment trusts ("REITs") as indicators of financial performance. Management uses these measures to analyze operating performance. Because one of the factors that may be considered relevant by prospective investors is the cash distributed by the Trust relative to the price of the Units, management believes these measures are useful supplemental measures that may assist prospective investors in assessing an investment in Units. The Trust analyzes its cash distributions against these measures to assess the stability of the monthly cash distributions to Unitholders. Because these measures are not standardized as prescribed by IFRS, they may not be comparable to similar measures presented by other REITs. These measures are not intended to represent operating profits for the period; nor should they be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. The calculations are derived from the unaudited interim condensed consolidated financial statements for the period ended June 30, 2017, unless otherwise stated, do not include any assumptions, do not include any forward-looking information and are consistent with prior reporting periods.

ACFO is not a term defined under IFRS and may not be comparable to similar measures used by other real estate entities. The Trust calculates its ACFO in accordance with the Real Property Association of Canada's "White Paper on Adjusted Cashflow from Operations (ACFO)" for IFRS issued in February 2017. The purpose of the White Paper is to provide reporting issuers and investors with greater guidance on the definitions of ACFO and to help promote more consistent disclosure from reporting issuers. ACFO is intended to be used as a sustainable, economic cash flow metric. The Trust considers ACFO an input to determine the appropriate level of distributions to Unitholders as it adjusts cash flows from operations to better measure sustainable, economic cash flows. Prior to the issuance of the February 2017 White Paper, there was no industry standard to calculate a sustainable, economic cash flow metric.

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.

Weighted Average Number of Units

The weighted average number of Trust Units and LP Units is used in calculating the Trust's FFO, AFFO and ACFO per Unit. Diluted FFO, AFFO and ACFO per Unit are adjusted for the dilutive effect of the vested portion of deferred units unless they are anti-dilutive. To calculate diluted FFO, AFFO and ACFO per Unit for the three and six months ended June 30, 2017, vested deferred units are added back to the weighted average Units outstanding because they are dilutive.

The following table sets forth the weighted average number of Units outstanding for the purpose of FFO, AFFO and ACFO per Unit calculations in this MD&A:

	Three Months Ended June 30		Six Months Ended June 30	
(number of Units)	**2017**	2016	**2017**	2016
Trust Units	**130,702,208**	129,251,394	**130,516,304**	129,066,273
Class B LP Units	**16,349,048**	16,335,833	**16,349,048**	16,330,842
Class D LP Units	**311,022**	311,022	**311,022**	311,022
Class B LP II Units	**756,525**	756,525	**756,525**	756,525
Class B LP III Units	**3,777,335**	3,759,850	**3,777,335**	3,755,621
Class B LP IV Units	**3,046,121**	3,044,669	**3,046,121**	3,040,310
Class B Oshawa South LP Units	**688,336**	688,336	**688,336**	688,336
Class D Oshawa South LP Units	**251,649**	251,649	**251,649**	251,649
Class B Oshawa Taunton LP Units	**374,223**	366,275	**374,223**	336,478
Class D Oshawa Taunton LP Units	**—**	41,670	**—**	21,293
LP Units	**25,554,259**	25,555,829	**25,554,259**	25,492,076
Total Units - Basic	**156,256,467**	154,807,223	**156,070,563**	154,558,349
Vested deferred units	**660,310**	620,518	**639,254**	632,731
Total Units and vested deferred units - Diluted	**156,916,777**	155,427,741	**156,709,817**	155,191,080

Funds From Operations

FFO is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALpac, which published a White Paper describing the intended use of FFO last revised in February 2017. It is the Trust's view that IFRS net income does not necessarily provide a complete measure of the Trust's recurring operating performance. This is primarily because IFRS net income includes items such as fair value changes of investment property that are subject to market conditions and capitalization rate fluctuations and gains and losses on the disposal of investment properties, including associated transaction costs and taxes, which are not representative of a company's recurring operating performance. For these reasons, the Trust has adopted REALpac's definition of FFO, which was created by the real estate industry as a supplemental measure of recurring operating performance. FFO is computed as IFRS consolidated net income and comprehensive income attributable to Unitholders adjusted for items such as, but not limited to, unrealized changes in the fair value of investment properties and transaction gains and losses on the acquisition or disposal of investment properties calculated on a basis consistent with IFRS.

FFO should not be construed as an alternative to net income and comprehensive income or cash flows provided by or used in operating activities determined in accordance with IFRS. The Trust's method of calculating FFO is in accordance with REALpac's recommendations, but may differ from other issuers' methods and, accordingly, may not be comparable to FFO reported by other issuers.

A reconciliation of FFO to IFRS net income and comprehensive income can be found below.

Adjusted Funds From Operations

AFFO is a non-IFRS financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALpac, which published a White Paper describing the intended use of AFFO last revised in February 2017. AFFO is a supplemental measure historically used by many in the real estate industry to measure operating cash flow generated from the business. In calculating AFFO, the Trust now adjusts FFO for actual costs incurred relating to leasing activities, major maintenance costs and straight-line rent in excess of contractual rent paid by tenants (a receivable). Working capital changes, viewed as short-term cash requirements or surpluses, are deemed financing activities pursuant to the methodology and are not considered when calculating AFFO. Capital expenditures that are excluded and not deducted in the calculation of AFFO comprise those which generate a new investment stream, such as erecting a new pylon sign that generates sign rental income, constructing a new retail pad during property expansion or intensification, development activities or acquisition activities. Accordingly, AFFO differs from FFO in that AFFO excludes from its definition certain non-cash revenues and expenses recognized under IFRS, such as straight-line rent and the amortization of financing costs, but also includes capital and leasing costs incurred during the period that are capitalized for IFRS purposes. Management is of the view that AFFO is a useful measure of recurring economic earnings generated from operations after providing for operating capital requirements and as a result is also useful in evaluating the ability of the Trust to fund distributions to Unitholders.

A reconciliation of AFFO to IFRS net income and comprehensive income can be found below. The Trust will continue to provide AFFO, but may over time, consider using only FFO and ACFO, as measures by which it evaluates its business.

Adjusted Cashflow From Operations

ACFO is not a term defined under IFRS and may not be comparable to similar measures used by other real estate entities. The Trust calculates its ACFO in accordance with the Real Property Association of Canada's "White Paper on Adjusted Cashflow from Operations (ACFO)" for IFRS issued in February 2017. The purpose of the White Paper is to provide reporting issuers and investors with greater guidance on the definitions of ACFO and to help promote more consistent disclosure from reporting issuers. ACFO is intended to be used as a sustainable, economic cash flow metric. The Trust considers ACFO an input to determine the appropriate level of distributions to Unitholders as it adjusts cash flows from operations to better measure sustainable, economic cash flows. Prior to the issuance of the February 2017 White Paper, there was no industry standard to calculate a sustainable, economic cash flow metric. Similarly, it may still differ from other reporting issuers because of variances in interpretation and adoption of the new guidelines.

A reconciliation of ACFO to cash provided by operating activities can be found below.

Reconciliation of FFO

The table and analysis below illustrate a reconciliation of the Trust's net income to FFO and FFO with one time adjustment and transactional FFO for the three months ended June 30, 2017 and June 30, 2016:

(in thousands of dollars, except per Unit amounts)	**Three Months Ended June 30, 2017**	Three Months Ended June 30, 2016[4]	Variance	Variance %
Net income and comprehensive income	**124,070**	76,646	47,424	61.9 %
Add (deduct):				
Fair value adjustment on revaluation of investment properties	**(40,662)**	6,666	(47,328)	(710.0)%
Fair value adjustment on financial instruments	**(1,433)**	6,452	(7,885)	(122.2)%
Loss on sale of investment properties	**156**	123	33	26.8 %
Amortization of intangible assets	**333**	333	—	— %
Amortization of tenant improvement allowance	**1,579**	1,459	120	8.2 %
Distributions on LP Units and vested deferred units recorded as interest expense	**514**	338	176	52.1 %
Salaries and related costs attributed to leasing activities[1]	**1,324**	1,200	124	10.3 %
Adjustments relating to investment in associates:				
Rental revenue adjustment - tenant improvement amortization	**33**	—	33	— %
Indirect interest with respect to the development portion[2]	**417**	548	(131)	(23.9)%
Change in fair value of investment properties	**(367)**	(99)	(268)	270.7 %
Change in fair value on interest rate swap agreements	**(330)**	—	(330)	— %
FFO	**85,634**	93,666	(8,032)	(8.6)%
One time adjustment:				
Yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs	**181**	—	181	— %
Transactional FFO - gain on sale of land to co-owner	**3,124**	—	3,124	— %
FFO with one time adjustment and transactional FFO	**88,939**	93,666	(4,727)	(5.0)%
Per Unit – basic/diluted[3]:				
FFO	**$0.55/$0.55**	$0.61/$0.60	$-0.06/$-0.05	-9.8%/-8.3%
FFO with one time adjustment and transactional FFO	**$0.57/$0.57**	$0.61/$0.60	$-0.04/$-0.03	-6.6%/-5.0%
Payout ratio:				
FFO	**77.3%**	68.8%	8.5%	12.4 %
FFO with one time adjustment and transactional FFO	**74.6%**	68.8%	5.8%	8.4 %

(1) Internal expenses for leasing, primarily salaries, of $1.3 million were incurred in the three months ended June 30, 2017 (three months ended June 30, 2016 – $1.2 million) and were eligible to be added back to FFO based on the revision to the definition of FFO, in the REALpac White Paper published in February 2017, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

(2) Indirect interest is not capitalized to properties under development of investment in associates under IFRS but is a permitted adjustment under REALpac's definition of FFO. The amount is based on the total cost incurred with respect to the development portion of investment in associates multiplied by the Trust's weighted average cost of debt.

(3) Diluted FFO and diluted FFO with one time adjustment and transactional FFO are adjusted for the dilutive effect of vested deferred units, which are not dilutive for net income purposes. To calculate diluted FFO and diluted FFO with one time adjustment and transactional FFO for the three months ended June 30, 2017, 660,310 vested deferred units are added back to the weighted average Units outstanding (three months ended June 30, 2016 – 620,518 vested deferred units).

(4) 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.

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 (as mentioned above), (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) (see also "General and Administrative Expense" section), (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.

The table and analysis below illustrate a reconciliation of the Trust's net income to FFO and FFO with one time adjustment and transactional FFO for the six months ended June 30, 2017 and June 30, 2016:

(in thousands of dollars, except per Unit amounts)	**Six Months Ended June 30, 2017**	Six Months Ended June 30, 2016[4]	Variance	Variance %
Net income and comprehensive income	**184,069**	175,515	8,554	4.9 %
Add (deduct):				
Fair value adjustment on revaluation of investment properties	**(26,971)**	(10,155)	(16,816)	165.6 %
Fair value adjustment on financial instruments	**(702)**	9,946	(10,648)	(107.1)%
Loss on sale of investment properties	**156**	126	30	23.8 %
Amortization of intangible assets	**666**	665	1	0.2 %
Amortization of tenant improvement allowance	**3,198**	2,820	378	13.4 %
Distributions on LP Units and vested deferred units recorded as interest expense	**1,012**	1,007	5	0.5 %
Salaries and related costs attributed to leasing activities[1]	**2,884**	2,399	485	20.2 %
Adjustments relating to investment in associates:				
Rental revenue adjustment - tenant improvement amortization	**66**	—	66	— %
Indirect interest with respect to the development portion[2]	**858**	1,085	(227)	(20.9)%
Change in fair value of investment properties	**1,989**	(7,123)	9,112	(127.9)%
Change in fair value on interest rate swap agreements	**(404)**	318	(722)	(227.0)%
FFO	**166,821**	176,603	(9,782)	(5.5)%
One time adjustment:				
Yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs	**2,721**	—	2,721	— %
Transactional FFO - gain on sale of land to co-owner	**3,124**	—	3,124	— %
FFO with one time adjustment and transactional FFO	**172,666**	176,603	(3,937)	(2.2)%
Per Unit – basic/diluted[3]:				
FFO	**$1.07/$1.06**	$1.14/$1.14	$-0.07/$-0.08	-6.1%/-7.0%
FFO with one time adjustment and transactional FFO	**$1.11/$1.10**	$1.14/$1.14	$-0.03/$-0.04	-2.6%/-3.5%
Payout ratio:				
FFO	**80.2%**	72.4%	7.8%	10.8 %
FFO with one time adjustment and transactional FFO	**77.3%**	72.4%	4.9%	6.8 %

(1) Internal expenses for leasing, primarily salaries, of $2.9 million were incurred in the six months ended June 30, 2017 (six months ended June 30, 2016 – $2.4 million) and were eligible to be added back to FFO based on the revision to the definition of FFO, in the REALpac White Paper published in February 2017, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

(2) Indirect interest is not capitalized to properties under development of investment in associates under IFRS but is a permitted adjustment under REALpac's definition of FFO. The amount is based on the total cost incurred with respect to the development portion of investment in associates multiplied by the Trust's weighted average cost of debt.

(3) Diluted FFO and diluted FFO with one time adjustment and transactional FFO are adjusted for the dilutive effect of vested deferred units, which are not dilutive for net income purposes. To calculate diluted FFO and diluted FFO with one time adjustment and transactional FFO for the six months ended June 30, 2017, 639,254 vested deferred units are added back to the weighted average Units outstanding (six months ended June 30, 2016 – 632,731 vested deferred units).

(4) 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.

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 (as mentioned above), (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.

Reconciliation of AFFO

The table and analysis below illustrates a reconciliation of the Trust's FFO and AFFO with one time adjustment and transactional FFO for the three months ended June 30, 2017 and June 30, 2016:

(in thousands of dollars, except per Unit amounts)	**Three Months Ended June 30, 2017**	Three Months Ended June 30, 2016[4]	Variance	Variance %
FFO	**85,634**	93,666	(8,032)	(8.6)%
Deduct:				
Straight-lining of rents	**(124)**	(164)	40	(24.4)%
Adjustments relating to investment in associates:				
Straight-lining of rents	**(327)**	—	(327)	— %
Adjusted salaries and related costs attributed to leasing	**(1,324)**	(1,200)	(124)	10.3 %
Actual sustaining capital expenditures[1]	**(288)**	(1,749)	1,461	(83.5)%
Actual sustaining leasing commissions[1]	**(292)**	(335)	43	(12.8)%
Actual sustaining tenant improvements[1]	**(897)**	(1,167)	270	(23.1)%
AFFO[2]	**82,382**	89,051	(6,669)	(7.5)%
One time adjustment:				
Yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs	**181**	—	181	— %
Transactional FFO - gain on sale of land to co-owner	**3,124**	—	3,124	— %
AFFO with one time adjustment and transactional FFO	**85,687**	89,051	(3,364)	(3.8)%
Per Unit – basic/diluted[3]:				
AFFO[2]	**$0.53/$0.53**	$0.57/$0.57	$-0.04/$-0.04	-7.0%/-7.0%
AFFO with one time adjustment and transactional FFO	**$0.55/$0.55**	$0.57/$0.57	$-0.02/$-0.02	-3.5%/-3.5%
Payout ratio:				
AFFO[2]	**80.2%**	72.0%	8.2%	11.4 %
AFFO with one time adjustment and transactional FFO	**77.3%**	72.0%	5.3%	7.4 %

(1) Please see the "Maintenance of Productive Capacity" section for details of actual capital expenditures, actual leasing commissions and actual tenant improvements.

(2) 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. Payout ratio is calculated as distributions per Unit divided by Adjusted Funds From Operations per Unit.

(3) Diluted AFFO and diluted AFFO with one time adjustment and transactional FFO are adjusted for the dilutive effect of vested deferred units, which are not dilutive for net income purposes. To calculate diluted AFFO and diluted AFFO with one time adjustment and transactional FFO for the three months ended June 30, 2017, 660,310 vested deferred units are added back to the weighted average Units outstanding (three months ended June 30, 2016 – 620,518 vested deferred units).

(4) 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.

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 (discussed in the "Reconciliation of FFO" section above), partially offset by a decrease in actual sustaining capital expenditures of $1.5 million.

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 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.

The table and analysis below illustrate a reconciliation of the Trust's FFO and AFFO with one time adjustment and transactional FFO for the for the six months ended June 30, 2017 and June 30, 2016:

(in thousands of dollars, except per Unit amounts)	**Six Months Ended June 30, 2017**	Six Months Ended June 30, 2016[4]	Variance	Variance %
FFO	**166,821**	176,603	(9,782)	(5.5)%
Deduct:				
Straight-lining of rents	**(281)**	(445)	164	(36.9)%
Adjustments relating to investment in associates:				
Straight-lining of rents	**(498)**	—	(498)	— %
Adjusted salaries and related costs attributed to leasing	**(2,884)**	(2,399)	(485)	20.2 %
Actual sustaining capital expenditures[1]	**(2,344)**	(2,750)	406	(14.8)%
Actual sustaining leasing commissions[1]	**(494)**	(530)	36	(6.8)%
Actual sustaining tenant improvements[1]	**(1,923)**	(1,684)	(239)	14.2 %
AFFO[2]	**158,397**	168,795	(10,398)	(6.2)%
One time adjustment:				
Yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs	**2,721**	—	2,721	— %
Transactional FFO - gain on sale of land to co-owner	**3,124**	—	3,124	— %
AFFO with one time adjustment and transactional FFO	**164,242**	168,795	(4,553)	(2.7)%
Per Unit – basic/diluted[3]:				
AFFO[2]	**$1.01/$1.01**	$1.09/$1.09	$-0.08/$-0.08	-7.9%/-7.9%
AFFO with one time adjustment and transactional FFO	**$1.05/$1.05**	$1.09/$1.09	$-0.04/$-0.04	-3.8%/-3.8%
Payout ratio:				
AFFO[2]	**84.2%**	75.7%	8.5%	11.2 %
AFFO with one time adjustment and transactional FFO	**81.0%**	75.7%	5.3%	7.0 %

(1) Please see the "Maintenance of Productive Capacity" section for details of actual capital expenditures, actual leasing commissions and actual tenant improvements.

(2) 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. Payout ratio is calculated as distributions per Unit divided by Adjusted Funds From Operations per Unit.

(3) Diluted AFFO and diluted AFFO with one time adjustment and transactional FFO are adjusted for the dilutive effect of vested deferred units, which are not dilutive for net income purposes. To calculate diluted AFFO and diluted AFFO with one time adjustment and transactional FFO for the six months ended June 30, 2017, 639,254 vested deferred units are added back to the weighted average Units outstanding (six months ended June 30, 2016 – 632,731 vested deferred units).

(4) 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.

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 (discussed in the Reconciliation of FFO 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.

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.

Reconciliation of ACFO

The table and analysis below illustrate a reconciliation of the Trust's cash flows provided by operating activities to ACFO with one time adjustment for the three months ended June 30, 2017 and June 30, 2016:

(in thousands of dollars)	**Three Months Ended June 30, 2017**	Three Months Ended June 30, 2016[1]	Variance
Cash flows provided by operating activities	**74,285**	66,629	7,656
Changes in other non-cash operating items	**13,475**	24,958	(11,483)
Changes in sustainable working capital items	**(508)**	1,237	(1,745)
Notional interest capitalization	**417**	547	(130)
Expenditures on direct leasing costs and tenant incentives	**1,190**	1,489	(299)
Expenditures on tenant incentives for properties under development	**—**	34	(34)
Actual sustaining capital expenditures	**(288)**	(1,749)	1,461
Actual sustaining leasing commissions	**(292)**	(335)	43
Actual sustaining tenant improvements	**(897)**	(1,167)	270
Non-cash interest expense	**(6,897)**	(4,806)	(2,091)
Non-cash interest income	**1,388**	2,061	(673)
Transactional FFO - gain on sale of land to co-owner	**3,124**	—	3,124
ACFO	**84,997**	88,898	(3,901)
One time adjustment:			
Yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs	**181**	—	181
ACFO with one time adjustment	**85,178**	88,898	(3,720)
ACFO	**84,997**	88,898	(3,901)
Distributions declared	**66,806**	64,237	2,569
Surplus of ACFO over distributions declared	**18,191**	24,661	(6,470)
Payout ratio:			
ACFO	**78.6%**	**72.3%**	6.3%
ACFO with one time adjustment	**78.4%**	**72.3%**	6.1%

(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, 2017, ACFO with one time adjustment decreased by $3.7 million to $85.2 million compared to the same quarter in 2016. This decrease of $3.7 million was primarily due to: (i) the decrease experienced in changes in other non-cash operating items ($11.5 million), non-cash interest expense ($2.1 million) and non-cash interest income ($0.6 million) totalling $14.2 million, and (ii) the decrease experienced in expenditures on direct leasing costs and tenant incentives of $0.3 million, partially offset by (iii) an increase in cash flows provided by operating activities of $7.7 million and (iv) an increase in transactional FFO, gain on sale of land to co-owner of $3.1 million.

The ACFO with one time adjustment payout ratio for the three months ended June 30, 2017 increased by 6.1% to 78.4% compared to the same quarter 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.

The analysis below shows a reconciliation from cash flows provided by operating activities to ACFO with one time adjustment for the six months ended June 30, 2017 and June 30, 2016:

(in thousands of dollars)	**Six Months Ended June 30, 2017**	Six Months Ended June 30, 2016[1]	Variance
Cash flows provided by operating activities	**130,623**	122,948	7,675
Changes in other non-cash operating items	**29,127**	40,086	(10,959)
Changes in sustainable working capital items	**311**	2,707	(2,396)
Notional interest capitalization	**858**	1,085	(227)
Expenditures on direct leasing costs and tenant incentives	**2,539**	2,201	338
Expenditures on tenant incentives for properties under development	**—**	317	(317)
Actual sustaining capital expenditures	**(2,344)**	(2,750)	406
Actual sustaining leasing commissions	**(494)**	(530)	36
Actual sustaining tenant improvements	**(1,923)**	(1,684)	(239)
Non-cash interest expense	**(4,190)**	(389)	(3,801)
Non-cash interest income	**2,766**	4,084	(1,318)
Transactional FFO - gain on sale of land to co-owner	**3,124**	—	3,124
ACFO	**160,397**	168,075	(7,678)
One time adjustment:			
Yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs	**2,721**	—	2,721
ACFO with one time adjustment	**163,118**	168,075	(4,957)
ACFO	**160,397**	168,075	(7,678)
Distributions declared	**133,456**	128,274	5,182
Surplus of ACFO over distributions declared	**26,941**	39,801	(12,860)
Payout ratio:			
ACFO	**83.2%**	76.3%	6.9%
ACFO with one time adjustment	**81.8%**	76.3%	5.5%

(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, 2017, ACFO with one time adjustment decreased by $5.0 million to $163.1 million compared to the same period in 2016. The decrease in ACFO with one time adjustment of $5.0 million was primarily due to: (i) the decrease experienced in changes in other non cash operating items ($11.0 million), non-cash interest expense ($3.8 million) and non-cash interest income ($1.3 million) totalling $16.1 million, and (ii) a decrease in changes in sustainable working capital items of $2.4 million, partially offset by (iii) an increase in cash flows provided by operating activities of $7.7 million, (iv) an increase in transactional FFO, gain on sale of land to co-owner of $3.1 million, and (v) an increase in yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs of $2.7 million.

The ACFO with one time adjustment payout ratio for the six months ended June 30, 2017 increased by 5.5% to 81.8% 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.

Distributions and AFFO Highlights

The following table is provided for historical continuity only:

	Three Months Ended June 30			Six Months Ended June 30		
(in thousands of dollars)	**2017**	2016[4]	Variance	**2017**	2016[4]	Variance
Net income and comprehensive income	**124,070**	76,646	47,424	**184,069**	175,515	8,554
Distributions declared	**66,806**	64,237	2,569	**133,456**	128,274	5,182
Distributions paid	**54,506**	52,464	2,042	**108,907**	104,995	3,912
AFFO[1][2][3]	**82,382**	89,051	(6,669)	**158,397**	168,795	(10,398)
AFFO with one time adjustment and transactional FFO[1][2]	**85,687**	89,051	(3,364)	**164,242**	168,795	(4,553)
Surplus of AFFO with one time adjustment and transactional FFO over distributions declared	**18,881**	24,814	(5,933)	**30,786**	40,521	(9,735)
Surplus of AFFO with one time adjustment and transactional FFO over distributions paid	**31,181**	36,587	(5,406)	**55,335**	63,800	(8,465)
Surplus of net income and comprehensive income over distributions declared	**57,264**	12,409	44,855	**50,613**	47,241	3,372

(1) 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.

(2) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Non-GAAP Measures" section in this MD&A.

(3) 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. Payout ratio is calculated as distributions per Unit divided by Adjusted Funds From Operations per Unit.

(4) Includes $9.7 million net settlement proceeds associated with the Target lease terminations recorded during the three and six months ended June 30, 2016.

Distributions and ACFO Highlights

The following table is provided for historical continuity only:

	Three Months Ended June 30			Six Months Ended June 30		
(in thousands of dollars)	**2017**	2016[3]	Variance	**2017**	2016[3]	Variance
Cash flows provided by operating activities	**74,285**	66,629	7,656	**130,623**	122,948	7,675
Distributions declared	**66,806**	64,237	2,569	**133,456**	128,274	5,182
Distributions paid	**54,506**	52,464	2,042	**108,907**	104,995	3,912
ACFO[1][2]	**84,997**	88,898	(3,901)	**160,397**	168,075	(7,678)
ACFO with one time adjustment[2]	**85,178**	88,898	(3,720)	**163,118**	168,075	(4,957)
Surplus of ACFO with one time adjustment over distributions declared	**18,372**	24,661	(6,289)	**29,662**	39,801	(10,139)
Surplus of ACFO with one time adjustment over distributions paid	**30,672**	36,434	(5,762)	**54,211**	63,080	(8,869)
Shortfall of cash flows provided by operating activities over ACFO with one time adjustment	**(10,893)**	(22,269)	11,376	**(32,495)**	(45,127)	12,632
Surplus (shortfall) of cash flows provided by operating activities over distributions declared	**7,479**	2,392	5,087	**(2,833)**	(5,326)	2,493
Surplus of cash flows provided by operating activities over distributions paid	**19,779**	14,165	5,614	**21,716**	17,953	3,763

(1) ACFO is not a term defined under IFRS and may not be comparable to similar measures used by other real estate entities. The Trust calculates its ACFO in accordance with the Real Property Association of Canada's "White Paper on Adjusted Cashflow from Operations (ACFO)" for IFRS issued in February 2017. The purpose of the White Paper is to provide reporting issuers and investors with greater guidance on the definitions of ACFO and to help promote more consistent disclosure from reporting issuers. ACFO is intended to be used as a sustainable, economic cash flow metric. The Trust considers ACFO an input to determine the appropriate level of distributions to Unitholders as it adjusts cash flows from operations to better measure sustainable, economic cash flows. Prior to the issuance of the February 2017 White Paper, there was no industry standard to calculate a sustainable, economic cash flow metric. Similarly, it may still differ from other reporting issuers because of variances in interpretation and adoption of the new guidelines.

(2) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Non-GAAP Measures" section in this MD&A.

(3) Includes $9.7 million net settlement proceeds associated with the Target lease terminations recorded during the three and six months ended June 30, 2016.

For the three months ended June 30, 2017, the shortfall of cash flows provided by operating activities over ACFO with one time adjustment is primarily due to changes in other non-cash operating items of $13.5 million, principally attributed to changes in amounts receivable and prepaid expenses of $20.4 million and offset by the accounts payable and accrued liabilities of $7.0 million. These changes are principally seasonal timing differences that are expected to reverse during the balance of 2017.

For the six months ended June 30, 2017, the shortfall of cash flows provided by operating activities over ACFO with one time adjustment is primarily due to changes in other non-cash operating items of $29.1 million, principally attributed to changes in amounts receivable and prepaid expenses of $44.0 million and offset by the accounts payable and accrued liabilities of $14.8 million. These changes are principally seasonal timing differences that are expected to reverse during the balance of 2017.

For the six months ended June 30, 2017, the shortfall of cash flows provided by operating activities over distributions declared was primarily due to expenditures on direct leasing costs and tenant incentives of $2.5 million.

Management determines the Trust's Unit cash distribution rate by, among other considerations, its assessment of cash flow as determined using certain non-IFRS measures. As such, management believes the cash distributions are not an economic return of capital, but a distribution of sustainable cash flow from operations. Management has historically targeted a payout ratio of approximately 77% to 82% of AFFO, which allows for any unforeseen expenditures for the maintenance of productive capacity. The establishment of the new cash flow measure, ACFO, and the revised calculation of AFFO on a new basis show that existing payout ratios are now above this target range, but based on current facts and assumptions, management does not anticipate cash distributions will be reduced or suspended in the foreseeable future. In any given period, the distributions declared may differ from cash provided by operating activities, primarily due to seasonal fluctuations in non-cash operating items (amounts receivable, prepaid expenses, deposits, accounts payable and accrued liabilities). These seasonal or short-term fluctuations are funded, if necessary, by the Trust's revolving operating facility. In addition, the distributions declared include a component funded by the Trust's distribution reinvestment plan. Management anticipates that distributions declared will, in the foreseeable future, continue to vary from net income and comprehensive income because net income and comprehensive income include fair value adjustments to investment properties, fair value changes in financial instruments, and other adjustments and also because distributions are determined based on non-IFRS cash flow measures, which include consideration of the maintenance of productive capacity. Management will continue to assess the sustainability of cash and non-cash distributions in each financial reporting period.

Leasing Activities and Lease Expiries

Leasing Activities

The Trust's portfolio of conveniently located, value-based and predominantly Walmart-anchored shopping centres continues to provide a successful platform for retailers. As such, for the quarter ended June 30, 2017, the Trust achieved an occupancy level of 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%). At June 30, 2017, approximately 138,907 square feet of space has been leased or is in the final stages of being leased for occupancy of vacant space in 2017. The Trust's quarterly occupancy level is summarized below for "in occupancy" as well as "in occupancy, plus executed leases," which represents the occupancy level for tenants taking occupancy after the quarter:

	Q2 2017	Q1 2017	Q4 2016	Q3 2016
In occupancy	**98.4%**	98.1%	98.3%	98.3%
In occupancy, plus executed leases	**98.5%**	98.4%	98.5%	98.5%

The following table represents a reconciliation of the Trust's occupancy level for the three months ended June 30, 2017:

(in square feet)	**Vacant Area**	**Occupied Area**	**Leasable Area**	**Occupancy Level (%)**
Beginning balance - March 31, 2017	611,886	31,413,001	32,024,887	98.1%
New vacancies	76,167	(76,167)	—	
New leases	(89,986)	89,986	—	
Subtotal	598,067	31,426,820	32,024,887	
Transferred from properties under development to income properties	—	19,487	19,487	
Transferred from income properties to properties under development	(90,193)	(19,370)	(109,563)	
Other	—	5,305	5,305	
Ending balance - June 30, 2017	507,874	31,432,242	31,940,116	98.4%

2017 Lease Expiries and Related Renewals

At June 30, 2017, the Trust completed or was near completion on lease renewals totalling 1,350,842 square feet of space, representing approximately 66.1% of 2017 lease expiries (June 30, 2016 – 78.0%). The trust expects to renew the substantive balance of these expiring leases over the remainder of the year. The average rental rate for the portfolio increased to $19.53 per square foot. For 2018 lease maturities, the Trust completed or was near completion on renewals totalling 710,794 square feet or 28.9% of 2018 maturities.

	June 30, 2017	March 31, 2017	Variance
Square feet renewed or near completion	**1,350,842**	1,146,245	204,597
Average net rent per square foot on renewed or near completion leases	**$19.53**	$19.44	$0.09
Increase in average net rent per square foot	**$0.43**	$0.36	$0.07
Percentage increase in average net rent per square foot including anchor tenants	**2.2%**	1.9%	0.3%

Lease expiries for the total portfolio are as follows:

Year of Expiry	**Area (sq. ft.)**	**Area (%)**	**Annualized Base Rent ($000s)**	**Average Base Rent psf[1] ($)**
Month-to-month and holdovers	252,995	0.8%	4,626	18.28
2017 (remainder of year)	657,043	2.1%	11,453	17.43
2018	2,110,512	6.6%	43,401	20.56
2019	3,112,263	9.7%	47,575	15.29
2020	3,379,718	10.6%	49,788	14.73
2021	3,540,273	11.1%	50,676	14.31
2022	4,063,263	12.7%	54,992	13.53
Beyond	14,316,175	44.8%	216,404	15.12
Vacant	507,874	1.6%	—	—
Total	31,940,116	100.0%	478,915	15.24

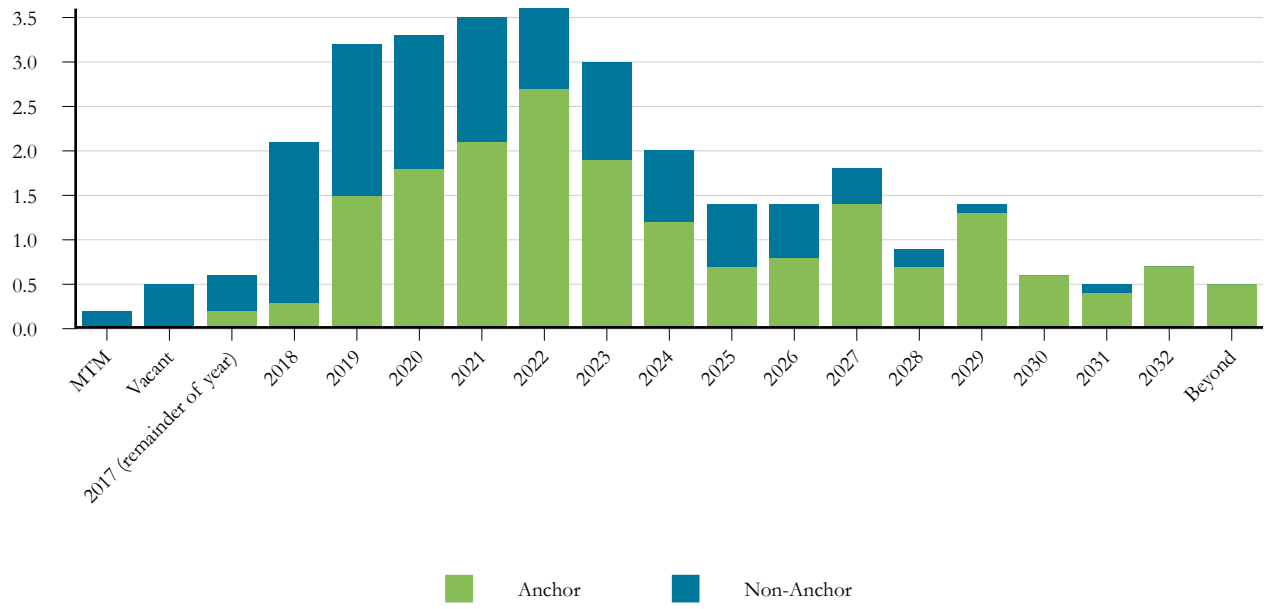
(1) The total average base rent per square foot excludes vacant space of 507,874 square feet.

Lease expiries for the portfolio excluding anchor tenants are as follows:

Year of Expiry	Area (sq. ft.)	Area (%)	Annualized Base Rent ($000s)	Average Base Rent psf[1] ($)
Month-to-month and holdovers	226,854	0.7%	4,326	19.07
2017 (remainder of year)	422,507	1.3%	8,302	19.65
2018	1,793,342	5.6%	39,011	21.75
2019	1,661,669	5.2%	36,195	21.78
2020	1,548,605	4.8%	33,202	21.44
2021	1,439,767	4.5%	30,278	21.03
2022	1,379,985	4.3%	30,212	21.89
Beyond	4,131,290	12.9%	93,255	22.57
Vacant	507,874	1.6%	—	—
Total	13,111,893	40.9%	274,781	21.80

(1) The total average base rent per square foot excludes vacant space of 507,874 square feet.

Lease Expiries
(in millions of square feet)



Amounts Receivable and Prepaid Expenses and Deposits

The components of amounts receivable, and prepaid expenses and deposits are as follows:

(in thousands of dollars)	**June 30, 2017**	December 31, 2016	Variance
Amounts receivable			
Tenant receivables – net of allowance	**18,133**	7,564	10,569
Unbilled other tenant receivables	**11,419**	8,902	2,517
Other non-tenant receivables	**2,047**	4,507	(2,460)
Receivables from related party (see "Related Party" section)	**11,779**	8,188	3,591
Total amounts receivable	**43,378**	29,161	14,217
Prepaid expenses and deposits	**33,688**	5,942	27,746
Total amounts receivable, and prepaid expenses and deposits	**77,066**	35,103	41,963

During the six months ended June 30, 2017, total amounts receivable, and prepaid expenses and deposits increased by $42.0 million. The following represents a discussion of the areas per the table above that experienced significant increases during the period:

i) Tenant receivables - net of allowance:
The increase in tenant receivables - net of allowance for the six months ended June 30, 2017 is due to the seasonal billing of realty taxes to major tenants that do not contribute on a monthly basis, but rather pay at an as-billed basis. At the end of the quarter, a total of $14.8 million was billed for interim realty taxes of which $9.8 million remains outstanding at the end of the quarter.

ii) Receivables from related party
The increase in receivables from related party for the six months ended June 30, 2017 is primarily due to the transition services fee of $2.3 million, development and other services fees associated with the Development and Services Agreement of $1.3 million.

iii) Prepaid expenses and deposits
The increase in prepaid expenses and deposits for the six months ended June 30, 2017 is primarily due to the seasonal payment of realty taxes. As at the June 30, 2017, prepaid realty taxes represented $29.7 million.

Mortgages, Loans and Notes Receivable, and Interest Income

(in thousands of dollars)	**June 30, 2017**	December 31, 2016	Variance
Mortgages, loans and notes receivable			
Mortgages receivable (Mezzanine Financing)	**127,294**	124,778	2,516
Loans receivable	**61,211**	51,134	10,077
Notes receivable	**2,979**	2,979	—
	191,484	178,891	12,593

	Three Months Ended June 30			**Six Months Ended June 30**		
(in thousands of dollars)	**2017**	2016	Variance	**2017**	2016	Variance
Interest income						
Mortgage and loan interest	**1,961**	2,803	(842)	**3,906**	5,571	(1,665)
Note receivable interest	**67**	67	—	**133**	132	1
Bank interest	**105**	71	34	**208**	111	97
	2,133	2,941	(808)	**4,247**	5,814	(1,567)

Mortgages Receivable (Mezzanine Financing)

In addition to direct property acquisitions, the Trust has provided Mezzanine Financing to Penguin on terms that include an option to acquire an interest in the mortgaged property once a certain level of development and leasing is achieved. As at June 30, 2017, the Trust had total commitments of $284.5 million to fund mortgages receivable under this program. Five mortgages have an option entitling the Trust to acquire an additional interest in the property upon a certain level of development and leasing being achieved, with the acquisition price calculated pursuant to an agreed-upon formula, based on a market capitalization rate at the time the option is exercised. The properties under the Mezzanine Financing have 0.6 million potential square feet available (discussed in "Potential Future Pipeline"). If the specified level of development and leasing is not achieved prior to the maturity date of the loan and the loan

is repaid, then the option terminates. If an applicable property is to be sold prior to the maturity date of the loan and prior to the applicable option being triggered, then the Trust has a right of first refusal with respect to such sale.

The details of the mortgages receivable (by maturity date) are set out in the following table:

(in thousands of dollars) Property	Amount Outstanding ($)	Committed ($)	Amount Guaranteed by Penguin ($)	Maturity Date	Effective Interest Rate	Purchase Option % of Property[7]	Potential Area Upon Exercising Purchase Option (sq. ft.)
Salmon Arm, BC[1][2]	16,712	23,264	16,712	October 2017	4.23%	—	—
Innisfil, ON[1][3]	19,083	27,077	9,904	December 2020	2.86%	—	—
Aurora (South), ON[4]	15,158	30,543	15,158	March 2022	3.63%	50%	96,518
Mirabel (Shopping Centre), QC[5]	—	18,262	—	December 2022	7.50%	—	—
Mirabel (Option Lands), QC[6]	—	5,721	—	December 2022	7.50%	—	—
Vaughan (7 & 427), ON	16,231	53,127	16,231	December 2023	5.39%	50%	151,015
Pitt Meadows, BC[4]	25,912	68,664	25,912	November 2023	4.08%	50%	37,500
Caledon (Mayfield), ON[4]	8,801	14,034	8,801	April 2024	3.92%	50%	101,865
Toronto (StudioCentre), ON[1][4]	25,397	43,759	14,897	June 2024	3.90%	25%	227,831
	127,294	284,451	107,615		3.98%		614,729

(1) The Trust owns a 50% interest in these properties, with the other 50% interest owned by Penguin. These loans are secured against Penguin's interest in the property.
(2) Monthly variable rate based on a fixed rate of 6.35% on loans outstanding up to $7.2 million and banker's acceptance rate plus 1.75% on any additional loans above $7.2 million.
(3) The monthly variable rate is based on the banker's acceptance rate plus 2.00%. The interest rate on this mortgage will reset in 2018 to the four-year Government of Canada bond rate plus 4.0%, subject to a lower limit of 6.75% and an upper limit of 7.75%.
(4) These loans were amended during the three months ended March 31, 2017. See the "Loan Amendments" section below for details.
(5) The Trust owns a 33.3% interest in this property. The loan is secured against a 33.3% interest owned by Penguin, as well as a guarantee by Penguin.
(6) The Trust owns a 25% interest in this property. The loan is secured against a 25% interest owned by Penguin, as well as a guarantee by Penguin.
(7) The Trust has an option to purchase an additional purchase option percentage from the borrower in these properties upon a certain level of development and leasing being achieved. As at June 30, 2017, it is management's expectation that the Trust will exercise these purchase options.

Interest on these mortgages accrues monthly as follows: (a) at a variable rate based on the banker's acceptance rate plus 1.75% to 4.20% or at the Trust's cost of capital (as defined in the mortgage agreement) plus 0.25% on mortgages receivable of $120.1 million (December 31, 2016 – $43.7 million); and (b) at a fixed rate of 7.50% on mortgages receivable of $7.2 million (December 31, 2016 – $81.0 million) and is added to the outstanding principal up to a predetermined maximum accrual after which it is payable in cash monthly or quarterly. Additional interest of $109.3 million (December 31, 2016 – $67.2 million) may be accrued on certain of the various mortgages receivable before cash interest must be paid.

The mortgage security includes a first or second charge on properties, assignments of rents and leases, and general security agreements. In addition, $107.6 million (December 31, 2016 – $105.1 million) of the outstanding balance is guaranteed by Penguin Properties Inc., one of Penguin's companies. The loans are subject to individual loan guarantee agreements that provide additional guarantees for all interest and principal advanced on outstanding amounts. The guarantees decrease on achievement of certain specified value-enhancing events. All mortgages receivable are considered by management to be fully collectible.

Assuming that developments are completed as anticipated, and assuming that borrowers repay their mortgages in accordance with the terms of the agreements governing such mortgages, expected repayments of the outstanding balances would be as follows:

(in thousands of dollars)	Mortgages (#)	Principal Repayments ($)
2017	1	16,712
2020	1	19,083
2022	3	15,158
2023	2	42,143
2024	2	34,198
	9	127,294

Loan Amendments

During the six months ended June 30, 2017, there were four mortgages receivable for which the maturity dates were amended from an original range of years 2017 to 2020 to a revised range of years 2022 to 2024. These extensions were provided principally because of delays associated with market conditions, anticipated municipal and related approvals, and development related complexities. The committed facilities on these mortgages receivable were amended to reflect an increase from $141.0 million to $157.0 million. In addition, the interest rates on these mortgages receivable were amended from a range of fixed interest rates of 6.75% to 7.00% to a revised range of banker's acceptance rates plus 2.75% to 4.20%. These amended interest rates were established pursuant to independent opinions obtained that provided current market based interest rates for similar development based opportunities.

Loans Receivable

Issued to	Maturity Date	Effective Interest Rate	June 30, 2017	December 31, 2016
OneREIT[1]	October 2017	6.75%	**30,314**	30,314
Unrelated party[2]	September 2018	4.50%	**11,500**	11,500
Penguin[3]	November 2020	Variable	**9,593**	9,320
Unrelated party[4]	March 2019	5.50%	**9,804**	—
			61,211	51,134

(1) This loan is secured by a subordinate charge on seven properties. On October 28, 2016, the Trust entered into an agreement to extend this loan receivable for a period of one year with a revised maturity of October 30, 2017, which included a one-time prepayment option of $10.0 million that was exercised by OneREIT on October 31, 2016.

(2) This loan is secured by either a first or second charge on properties, assignments of rents and leases, and general security agreements.

(3) This loan was provided pursuant to a development management agreement with Penguin with a total loan facility of $20.0 million. Repayment of the pro-rata share of the outstanding loan amount is due upon the completion of each Earnout event. The loan bears interest at 10 basis points plus the lower of: i) the Canadian prime rate plus 45 basis points, and (ii) the Canadian Dealer Offered Rate ("CDOR") plus 145 basis points.

(4) During the quarter, a loan receivable of $9,804 was provided pursuant to an agreement with two unrelated parties to use in acquiring a 50% interest in development lands in which the Trust owns the other 50% co-ownership interest. The loan bears interest at 5.50% payable quarterly, interest only, matures in March 2019 and is secured by a first charge on the 50% interest of the development lands.

The following illustrates the activity in loans receivable for the three and six months ended June 30:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Loans issued	**9,804**	—	**9,804**	—
Amounts funded	**—**	156	**157**	156
Interest accrued	**58**	62	**116**	120
	9,862	218	**10,077**	276

Notes Receivable

Notes receivable of $3.0 million (December 31, 2016 – $3.0 million) have been granted to Penguin. These secured demand notes bear interest at 9.00% per annum. During the six months ended June 30, 2017, $nil was advanced (six months ended June 30, 2016 – $0.05 million).

Interest Expense

Interest expense incurred during the quarter ended June 30, 2017 totalled $32.0 million, which represents a decrease of $0.6 million compared to the same quarter last year. The decrease of $0.6 million was primarily attributable to a $1.6 million decrease of interest at stated rates, partially offset by a collective increase to all of the other line items influencing interest expense outlined in the table below amounting to $0.9 million.

For the six months ended June 30, 2017, interest expense incurred totalled $67.0 million, which represents an increase of $1.2 million compared to the same period last year. The increase of $1.2 million was primarily attributable to the yield maintenance costs associated with the redemption of unsecured debentures (which did not occur in the comparative period) of $2.7 million, the collective increase in all other line items outlined in the table below (excluding interest at stated rate) amounting to $1.1 million, partially offset by the decrease in interest at stated rate of $2.6 million due to lower interest rate, as evidenced by the decrease in the weighted average interest rate (see "Debt" section for details).

Interest expense consists of the following:

	Three Months Ended June 30			**Six Months Ended June 30**		
(in thousands of dollars)	**2017**	2016	Variance	**2017**	2016	Variance
Interest at stated rates	**36,024**	37,616	(1,592)	**72,781**	75,359	(2,578)
Amortization of acquisition date fair value adjustments on assumed debt	**(787)**	(899)	112	**(1,608)**	(1,833)	225
Amortization of deferred financing costs	**993**	767	226	**1,785**	1,536	249
Distributions on vested deferred units and Class D Units, classified as liabilities	**514**	338	176	**1,012**	1,007	5
	36,744	37,822	(1,078)	**73,970**	76,069	(2,099)
Less: Interest capitalized to properties under development	**(4,918)**	(5,203)	285	**(9,660)**	(10,252)	592
Interest associated with operating activities	**31,826**	32,619	(793)	**64,310**	65,817	(1,507)
Yield maintenance on redemption of unsecured debentures	**181**	—	181	**2,721**	—	2,721
Interest expense	**32,007**	32,619	(612)	**67,031**	65,817	1,214
Weighted average interest rate (inclusive of acquisition date fair value adjustment)	**3.78%**	4.00%	(0.22)%	**3.80%**	4.00%	(0.20)%

General and Administrative Expense

For the three months ended June 30, 2017, total general and administrative expense before allocation was $15.5 million representing an increase of $0.8 million as compared to the same quarter last year. The increase can be attributed primarily to: (i) an increase in professional fees of $0.5 million, and (ii) an increase in public company costs of $0.3 million, as compared to the same quarter last year.

Total amounts allocated, capitalized and charged back of $10.1 million increased by $2.7 million for the three months ended June 30, 2017 over the same quarter last year. This increase is primarily due to: (i) an increase in the amounts capitalized to properties under development and other assets of $1.0 million, (ii) an increase in amounts allocated to property operating costs of $0.4 million, and (iii) an increase in time billings, leasing, development fees and shared service costs charged to Penguin and others of $1.3 million.

After applying the total amounts allocated, capitalized and charged back against total general and administrative expense before allocation, for the three months ended June 30, 2017, general and administrative expense totalled $5.4 million, which represents a $1.9 million decrease from the prior year.

(in thousands of dollars)	Note[1]		**Three Months Ended June 30, 2017**	Three Months Ended June 30, 2016	Variance
Salaries and benefits			**11,057**	10,945	112
Master planning services fee charged by Penguin per the Services Agreement	20		**875**	875	—
Professional fees			**740**	214	526
Public company costs			**501**	174	327
Rent and occupancy			**614**	651	(37)
Amortization of intangible assets	8		**333**	333	—
Other costs including information technology, marketing, communications and other employee expenses			**1,339**	1,471	(132)
Total general and administrative expense before allocation		**(A)**	**15,459**	14,663	796
Less:					
Allocated to property operating costs			**(3,105)**	(2,748)	(357)
Capitalized to properties under development and other assets			**(3,204)**	(2,210)	(994)
Total amounts allocated and capitalized		**(B)**	**(6,309)**	(4,958)	(1,351)
Costs to provide transition services charged to Penguin	20		**(1,000)**	(1,000)	—
Time billings, leasing, development fees and shared service costs charged to Penguin	20		**(2,128)**	(1,022)	(1,106)
Property management fees and shared service costs charged to third parties and Penguin			**(613)**	(348)	(265)
Total amounts charged to Penguin and third parties		**(C)**	**(3,741)**	(2,370)	(1,371)
					—
Total amounts allocated, capitalized and charged back to Penguin and third parties		**(D = B + C)**	**(10,050)**	(7,328)	(2,722)
General and administrative expense (net)		**(E = A - D)**	**5,409**	7,335	(1,926)
Less:					—
Internal expenses for leasing (net)[2]		**(F)**	**(1,324)**	(1,200)	(124)
General and administrative expense excluding internal leasing expense		**(G = E - F)**	**4,085**	6,135	(2,050)
As a percentage of rental revenue from investment properties[3]			**3.0%**	3.9%	(0.9)%

(1) The note reference relates to the corresponding note disclosure in the unaudited interim condensed consolidated financial statements for the period ended June 30, 2017.

(2) Internal expenses for leasing, primarily salaries, of $1.3 million were incurred in the three months ended June 30, 2017 (three months ended June 30, 2016 – 1.2 million) and were eligible to be added back to FFO based on the revision to the definition of FFO, in the REALpac White Paper published in February 2017, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

(3) Determined as general and administrative expense (net) divided by rental revenue from investment properties.

For the six months ended June 30, 2017, total general and administrative expense before allocation was $32.0 million representing an increase of $1.5 million as compared to the same period last year. The increase can be attributed primarily to an increase in salaries and benefits of $1.5 million.

Total amounts allocated, capitalized and charged back of $19.4 million increased by $1.4 million for the six months ended June 30, 2017 over the same period last year. This increase is primarily due to: (i) an increase in time billings, leasing, development fees and shared service costs charged to Penguin and others of $1.1 million, (ii) an increase in amounts allocated to property operating costs of $0.2 million, and (iii) an increase in the amounts capitalized to properties under development and other assets of $0.1 million.

After applying the total amounts allocated, capitalized and charged back against total general and administrative expense before allocation, for the six months ended June 30, 2017, general and administrative expense totalled $12.7 million, which represents a $0.2 million increase from the prior year.

(in thousands of dollars)	Note[1]		**Six Months Ended June 30, 2017**	Six Months Ended June 30, 2016	Variance
Salaries and benefits			**22,923**	21,394	1,529
Master planning services fee charged by Penguin per the Services Agreement	20		**1,750**	1,750	—
Professional fees			**1,424**	1,130	294
Public company costs			**1,548**	1,331	217
Rent and occupancy			**1,228**	1,266	(38)
Amortization of intangible assets	8		**666**	666	—
Other costs including information technology, marketing, communications and other employee expenses			**2,500**	2,957	(457)
Total general and administrative expense before allocation		**(A)**	**32,039**	30,494	1,545
					—
Less:					—
Allocated to property operating costs			**(6,125)**	(5,895)	(230)
Capitalized to properties under development and other assets			**(6,811)**	(6,713)	(98)
Total amounts allocated, capitalized and charged back		**(B)**	**(12,936)**	(12,608)	(328)
					—
Costs to provide transition services charged to Penguin	20		**(2,000)**	(2,000)	—
Time billings, leasing, development fees and shared service costs charged to Penguin	20		**(3,443)**	(2,793)	(650)
Property management fees and shared service costs charged to third parties and Penguin			**(978)**	(584)	(394)
Total amounts charged to Penguin and third parties		**(C)**	**(6,421)**	(5,377)	(1,044)
					—
Total amounts allocated, capitalized and charged back to Penguin and third parties		**(D = B + C)**	**(19,357)**	(17,985)	(1,372)
General and administrative expense (net)		**(E = A - D)**	**12,682**	12,509	173
Less:					—
Internal expenses for leasing (net)[2]		**(F)**	**(2,884)**	(2,399)	(485)
General and administrative expense excluding internal leasing expense		**(G = E - F)**	**9,798**	10,110	(312)
As a percentage of rental revenue from investment properties[3]			**3.5%**	3.4%	0.1%

(1) The note reference relates to the corresponding note disclosure in the unaudited interim condensed consolidated financial statements for the period ended June 30, 2017.

(2) Internal expenses for leasing, primarily salaries, of $2.9 million were incurred in the six months ended June 30, 2017 (six months ended June 30, 2016 – $2.4 million) and were eligible to be added back to FFO based on the revision to the definition of FFO, in the REALpac White Paper published in February 2017, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

(3) Determined as general and administrative expense (net) divided by rental revenue from investment properties.

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%

Maintenance of Productive Capacity

The main focus in a discussion of capital expenditures is to differentiate between those costs incurred to achieve the Trust's longer term goals to produce increased cash flows and Unit distributions, and those costs incurred to maintain the quality of the Trust's existing cash flows.

Acquisitions of investment properties and the development of new and existing investment properties (Developments and Earnouts) are the two main areas of capital expenditures that are associated with increasing or enhancing the productive capacity of the Trust. In addition, there are capital expenditures incurred on existing investment properties to maintain the productive capacity of the Trust ("sustaining capital expenditures").

Actual sustaining capital expenditures and leasing costs are funded from operating cash flow and, as such, actual sustaining capital expenditures and leasing costs were deducted from AFFO in order to estimate an amount of cash that could be distributed to Unitholders. Actual sustaining capital expenditures are those of a capital nature that are not considered to add to productive capacity of the Trust, but rather maintain the productive capacity of the Trust. Leasing costs, which include tenant incentives and leasing commissions, vary with the timing of renewals, vacancies, tenant mix and the health of the retail market. Leasing costs are generally lower for renewals of existing tenants compared to new leases. Leasing costs also include internal expenses for leasing activities, primarily salaries, which are eligible to be added back to FFO based on the revision to the definition of FFO in the REALpac White Paper published in February 2017. The sustaining capital expenditures and leasing costs are based on actual costs incurred during the period.

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.

The following is a discussion and analysis of capital expenditures of a maintenance nature (actual sustaining capital expenditures and leasing costs). Acquisitions and Developments are discussed elsewhere in the MD&A.

The Trust uses actual sustaining capital expenditures and leasing costs to calculate AFFO on a quarterly basis and on an annual basis. Given that a significant proportion of the Trust's portfolio is relatively new, management does not believe that actual sustaining capital expenditures will have an impact on the Trust's ability to pay distributions at their current level.

	Three Months Ended June 30			Six Months Ended June 30		
(in thousands of dollars, except per Unit amounts)	**2017**	2016	Variance	**2017**	2016	Variance
Adjusted salaries and related costs attributed to leasing	**1,324**	1,200	124	**2,884**	2,399	485
Actual sustaining leasing commissions	**292**	335	(43)	**494**	530	(36)
Actual sustaining tenant improvements	**897**	1,167	(270)	**1,923**	1,684	239
Total actual sustaining leasing and related costs	**2,513**	2,702	(189)	**5,301**	4,613	688
Actual sustaining capital expenditures	**288**	1,749	(1,461)	**2,344**	2,750	(406)
Total actual sustaining leasing costs and capital expenditures	**2,801**	4,451	(1,650)	**7,645**	7,363	282
Per Unit – diluted	**$ 0.02**	$ 0.03	$ (0.01)	**$ 0.03**	$ 0.05	$ (0.02)

Investment Properties

The portfolio consists of 31.9 million square feet of built gross leasable area and 4.1 million square feet of future potential gross leasable area in 152 properties and the option to acquire a 50.0% interest (0.6 million square feet) in five investment properties on their completion pursuant to the terms of Mezzanine Financing. The portfolio is located across Canada, with assets in each of the 10 provinces. The Trust targets major urban centres and shopping centres that are dominant in their trade area. By selecting well-located centres, the Trust attracts quality tenants at market rental rates.

As at June 30, 2017, the fair value of investment properties, including investment properties classified as investment in associates, totalled $8,453.7 million, compared to $8,424.9 million at December 31, 2016.

The net increase in investment properties of $28.8 million was primarily due to net additions and Earnouts of $42.6 million and a fair value adjustment of $25.0 million, partially offset by the sale of a 50% interest valued at $19.4 million and the transfer to residential development inventory of $19.4 million which represents the remaining 50% of the value of the joint venture. The fair value of investment properties is, among other market driven factors, dependent on future cash flows over the holding period and capitalization rates applicable to those assets.

The following table summarizes the changes in values of investment properties including the Trust's share of investment in associates:

	Six Months Ended June 30, 2017			Year Ended December 31, 2016		
(in thousands of dollars)	**Income Properties**	**Properties Under Development**	**Total Investment Properties**	Income Properties	Properties Under Development	Total Investment Properties
Total investment properties						
Balance – beginning of period	**7,757,109**	**485,308**	**8,242,417**	7,471,963	544,284	8,016,247
Acquisition, and related adjustments, of investment properties	**—**	**—**	**—**	76,035	—	76,035
Transfer to income properties from properties under development	**8,657**	**(8,657)**	**—**	115,659	(115,659)	—
Transfer from income properties to properties under development	**(16,700)**	**16,700**	**—**	(8,500)	8,500	—
Earnout Fees on properties subject to development management agreements	**2,741**	**—**	**2,741**	14,476	—	14,476
Additions to investment properties	**4,249**	**31,979**	**36,228**	13,840	65,669	79,509
Transfer to residential development inventory	**—**	**(19,392)**	**(19,392)**	—	—	—
Dispositions	**—**	**(19,392)**	**(19,392)**	—	(4,162)	(4,162)
Net additions	**(1,053)**	**1,238**	**185**	211,510	(45,652)	165,858
Fair value adjustment on revaluation of investment properties	**21,805**	**5,166**	**26,971**	73,636	(13,324)	60,312
Balance – end of period	**7,777,861**	**491,712**	**8,269,573**	7,757,109	485,308	8,242,417
Total investment properties classified as investment in associates						
Balance – beginning of period	**59,277**	**123,167**	**182,443**	21,600	130,704	152,304
Transfer from properties under development to income properties	**25,626**	**(25,626)**	**—**	33,543	(33,543)	—
Additions to investment properties	**—**	**3,675**	**3,675**	—	18,136	18,136
Fair value adjustment on revaluation of investment properties	**(2,826)**	**837**	**(1,989)**	4,134	7,870	12,003
Balance – end of period	**82,077**	**102,052**	**184,129**	59,277	123,167	182,443
Total balance (including investment properties classified as investment in associates) – end of period	**7,859,938**	**593,764**	**8,453,702**	7,816,386	608,475	8,424,860

Valuation Methodology

From July 1, 2014 to June 30, 2017, the Trust has had approximately 81% (by value) or 68% (by number of properties) of its operating portfolio appraised externally by independent national real estate appraisal firms with representation and expertise across Canada.

The determination of which properties are externally appraised and which are internally appraised by management is based on a combination of factors, including property size, property type, tenant mix, strength and type of retail node, age of property and location. Commencing in the first quarter of 2014, the Trust on an annual basis has had external appraisals performed on 15–20% of the portfolio, rotating properties to ensure that at least 50% (by value) of the portfolio is valued externally over a three-year period.

The remaining portfolio is valued internally by management utilizing a valuation methodology that is consistent with the external appraisals. Management performed these valuations by updating cash flow information reflecting current leases, renewal terms and market rents and applying updated capitalization rates determined in part, through consultation with the external appraisers and available market data. The fair value of properties under development reflects the impact of development agreements (see Note 4 in the unaudited interim condensed consolidated financial statements for the period ended June 30, 2017 for further discussion).

Fair values were primarily determined through the income approach. For each property, the valuation methodology was conducted and reliance placed upon: (a) a direct capitalization method, which is an estimate of the relationship between value and stabilized income, and (b) a discounted cash flow method, which is an estimate of the present value of future cash flows over a specified horizon, including the potential proceeds from a deemed disposition.

For the quarter ended June 30, 2017, investment properties (including properties under development) with a total carrying value of $1,549.3 million (June 30, 2016 – $1,904.6 million) were valued with updated capitalization rates provided by external parties, and investment properties with a total carrying value of $6,904.4 million (June 30, 2016 – $6,333.6 million) were valued internally by the Trust. Based on these valuations, the aggregate weighted average stabilized capitalization rate on the Trust's portfolio as at June 30, 2017 was 5.82% (June 30, 2016 – 5.89%).

Properties Under Development

At June 30, 2017, the fair value of properties under development totalled $593.8 million compared to $608.5 million at December 31, 2016. The net decrease of $14.7 million is primarily due to a transfer of properties under development to residential development inventory of $19.4 million, partially offset by additional development costs from investment in associates of $3.7 million.

Properties under development as at June 30, 2017 and December 31, 2016 comprise the following:

(in thousands of dollars)	**June 30, 2017**	December 31, 2016
Earnouts subject to option agreements[1]	**70,945**	72,564
Developments	**420,767**	412,744
Investment in associates (VMC)	**102,052**	123,167
	593,764	608,475

(1) Earnout development costs during the development period are paid by the Trust and funded through interest-bearing secured debt provided by the vendors to the Trust. On completion of the development and the commencement of lease payments by a tenant, the Earnouts will be acquired from the vendors based on predetermined or formula-based capitalization rates ranging from 5.71% to 8.23%, net of land and development costs incurred. Penguin has contractual options to acquire Trust Units and LP Units on completion of Earnouts as shown in Note 12(b) of the unaudited interim condensed consolidated financial statements for the period ended June 30, 2017.

Potential Future Pipeline

Total future Earnouts, Developments and options under Mezzanine Financing could increase the existing Trust portfolio by an additional 4.7 million square feet. With respect to the future pipeline, commitments have been negotiated on 242,000 square feet.

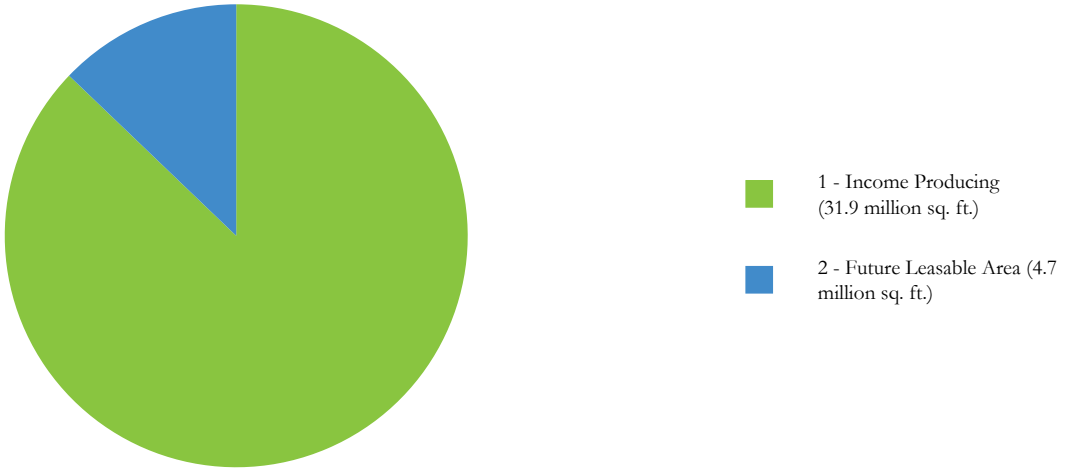
In addition to these initiatives, the Trust is currently assessing additional future potential intensification opportunities that may exist in its portfolio:

- Pending finalization of the development plan with the City of Vaughan, the Trust expects that VMC will over time have the potential to add an additional 3.9 million to 4.8 million square feet of office, retail and residential space (representing the Trust's 50% share).

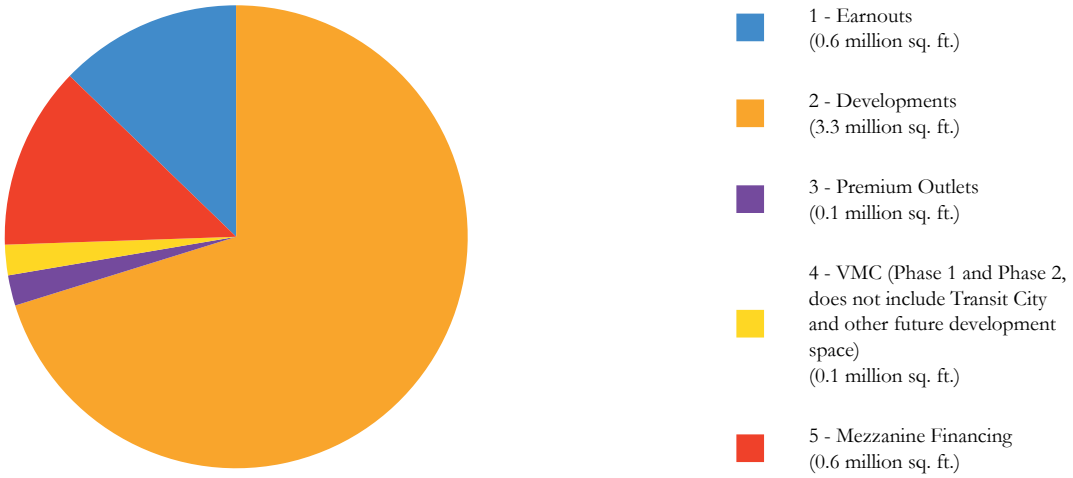
- In addition to VMC, the Trust has identified over 30 sites within its portfolio that have the potential to add in excess of 10.0 million square feet for residential, self-storage, and other non-retail uses over the medium to long term at sites including Westside Mall in Toronto, Laval Centre in Montreal and South Keys in Ottawa.

- The Trust is in discussions with various parties to jointly develop parcels within its existing portfolio with residential, seniors housing and self-storage uses where such uses make sense in optimizing each centre within its local community

Gross Leasable Area Upon Completion of Pipeline (36.6 million sq. ft.)



Future Leasable Area Upon Completion of Pipeline (4.7 million sq. ft.)



(in thousands of square feet)	Committed	Years 0–3	Beyond Year 3	Total[1]
Earnouts	25	280	259	564
Developments	154	1,084	2,061	3,299
Premium Outlets	—	72	50	122
VMC (Office Phase 1 and Office Phase 2)	63	41	—	104
	242	1,477	2,370	4,089
Mezzanine Financing	—	—	615	615
	242	1,477	2,985	4,704

(1) The timing of development is based on management's best estimates and can be adjusted based on business conditions.

During the quarter ended June 30, 2017, the future properties under development pipeline increased by 21,000 square feet to a total of 4.1 million square feet. The change is summarized as follows:

(in thousands of square feet)	Total Area
Future properties under development pipeline - March 31, 2017	4,068
Less:	
Completion of Earnouts and Developments	(15)
Net adjustment to project densities (for retail space only)	36
Net change	21
Future properties under development pipeline – June 30, 2017	4,089

Committed Pipeline

The following table summarizes the committed investment by the Trust in properties under development as at June 30, 2017:

(in millions of dollars)	Total	Cost Incurred	Future Development Costs
Earnouts	11	—	11
Developments	48	23	25
	59	23	36
VMC (Office Phase 1 and Office Phase 2)	46	17	29
	105	40	65

The completion of these committed Earnouts and Developments as currently scheduled is expected to have an average estimated yield of 5.8% in 2017 (remainder of year) and 6.5% in 2018, which, based on the committed lease arrangements with respect to such Earnouts and Developments, should increase FFO per Unit by $0.002 in 2017 (remainder of year) and an additional $0.003 in 2018 assuming annualized rents and a 55.0% debt to equity ratio.

Uncommitted Pipeline

The following table summarizes the estimated future investment by the Trust in properties under development. It is expected the future development costs will be spent over the next three years and beyond:

(in millions of dollars)	Years 0–3	Beyond Year 3	Total	Cost Incurred[1]	Future Development Costs
Earnouts	90	76	166	5	161
Developments	351	704	1,055	437	618
Premium Outlets	53	23	76	19	57
	494	803	1,297	461	836
VMC (Office Phase 1 and Office Phase 2)	26	—	26	11	15
	520	803	1,323	472	851

(1) Properties under development as recorded on the consolidated balance sheet totalled $593.8 million (including investment in associates of $102.1 million) which primarily consists of costs of $472.0 million in the uncommitted pipeline, costs of $40.0 million in the committed pipeline and costs of $73.4 million of future development land in VMC less $9.0 million of non-cash development costs relating to future land development and cumulative fair value loss on revaluation of properties under development.

Approximately 12.4% of the properties under development, representing 564,000 square feet and a gross investment of $177.0 million, are lands that are under contract by vendors to develop and lease to third parties for additional proceeds when developed. In certain events, the developer may sell the portion of undeveloped land to accommodate the construction plan that provides the best use of the property. It is management's intention to finance the costs of construction through interim financing or operating facilities and, once rental revenue is realized, long-term financing will be negotiated. With respect to the remaining gross leasable area, it is expected that 3.5 million square feet of future space will be developed as the Trust leases space and finances the construction costs.

Residential Development Inventory

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 the northeast corner of Major Mackenzie Drive and Weston Road in Vaughan and to 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 into a co-ownership agreement with Fieldgate who acquired the 50% interest on the development lands discussed above, to develop and sell residential inventory.

Investment in Associates

In 2012, the Trust entered into the Penguin-Calloway Vaughan Partnership ("PCV Partnership") with Penguin (see also "Related Party" section) to develop the Vaughan Metropolitan Centre ("VMC"), which is expected to consist of approximately 8.0 million to 10.0 million square feet once fully developed, on 53 acres of development land in Vaughan, Ontario. In addition, during the three months ended June 30, 2017, the Trust entered into the VMC Residences Limited Partnership ("Residences LP") and VMC Residences III Limited Partnership ("Residences III LP") with Penguin and a third party to develop residential condominium towers, located on the VMC site.

Management considers VMC as part of its normal portfolio and does not distinguish it from its other operations. For the purpose of this MD&A, information about VMC has been included in the "Investment Properties," "Debt," "Results of Operations" and "Other Measures of Performance" sections, at the Trust's proportionate share.

Phase 1 of VMC
The first new development by the joint venture is a 365,000 square foot office complex with KPMG as lead tenant, which commenced construction in the first quarter of 2014. KPMG took possession of their space in March 2016 and opened for business on October 3, 2016. This tower is now substantively fully leased, with tenants such as KPMG, Harley Davidson, Miller Thompson, GFL and FM Global.

Phase 2 of VMC
On August 2, 2016, the Trust announced the commencement of the next phase of office development at VMC. The second phase of development is expected to be completed in 2019 and will feature a new 220,000 square foot Class A facility, which will be home to lead occupants, PwC, YMCA, and a new library and community uses for the City of Vaughan. Construction of this building has now begun.

Residential Development
In addition, during 2017, the Trust entered into a joint venture with CentreCourt Developments and Penguin in the development of two new condominium properties in the VMC together with a parking facility. Based on expected market demand, the projected height of the two buildings was increased to 55 storeys from the original 35, providing a total of approximately 1,110 units. The Trust has a 25% ownership in this new development. Ultimately, these two towers have sold out and an additional 606 units in a third tower were offered for sale in June, 2017, and are now sold out also.

The following table details the Trust's ownership interest in each equity investee:

Equity Investee	Principal Activity	**June 30, 2017**	December 31, 2016
Penguin-Calloway Vaughan Partnership ("PCV Partnership")	Owns, develops and operates income properties	**50.0%**	50.0%
VMC Residences LP	Development and sale of two residential condominium towers (Phase I and II)	**25.0%**	N/A
VMC Residences III LP	Development and sale of a residential condominium tower (Phase II)	**25.0%**	N/A

The following summarizes key components relating to the Trust's investment in associates:

(in thousands of dollars)	**June 30, 2017**	December 31, 2016
Investment – beginning of period	**122,677**	107,548
Contributions	**2,916**	1,730
(Loss) earnings	**(375)**	13,787
Distributions received	**(45)**	(388)
Investment – end of period	**125,173**	122,677

Balance sheet summary

The following summarizes the assets and liabilities of the Trust's investment in associates along with the Trust's share of net assets:

	June 30, 2017			December 31, 2016
(in thousands of dollars)	**PCV Partnership**	**Residences LP and Residences III LP**	**Total**	Total
Non-current assets	**373,129**	**—**	**373,129**	368,760
Current assets	**4,220**	**2,107**	**6,327**	1,397
Total assets	**377,349**	**2,107**	**379,456**	370,157
Non-current liabilities	**119,227**	**—**	**119,227**	114,670
Current liabilities	**8,437**	**785**	**9,222**	10,133
Total liabilities	**127,664**	**785**	**128,449**	124,803
Net assets	**249,685**	**1,322**	**251,007**	245,354
Trust's share of net assets	**124,842**	**331**	**125,173**	122,677

The above balance sheet summary does not include purchasers' deposits associated with the sale of residential condominium units in Residences LP, which are currently held in trust pending receipt of appropriate bonding. As at June 30, 2017, purchasers' deposits totalled $21.8 million, of which the Trust's share is $5.5 million.

Earnings

The following summarizes the income and expenses of the Trust's investment in associates along with the Trust's share of earnings (loss) for the three months ended June 30, 2017 and June 30, 2016:

	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016
(in thousands of dollars)	**PCV Partnership**	**Residence LP and Residence III LP**	**Total**	Total
Revenue	**3,225**	**—**	**3,225**	801
Operating expense	**(1,239)**	**—**	**(1,239)**	(338)
Pre-sale cost	**—**	**(441)**	**(441)**	—
Fair value adjustments	**1,392**	**—**	**1,392**	198
Interest expense	**(561)**	**—**	**(561)**	(16)
Earnings (loss)	**2,817**	**(441)**	**2,376**	645
Trust's share of earnings (loss)	**1,409**	**(110)**	**1,299**	322

The following summarizes the income and expenses of the Trust's investment in associates along with the Trust's share of earnings (loss) for the six months ended June 30, 2017 and June 30, 2016:

	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016
(in thousands of dollars)	**PCV Partnership**	**Residence LP and Residence III LP**	**Total**	Total
Revenue	**6,013**	**—**	**6,013**	1,584
Operating expense	**(2,397)**	**—**	**(2,397)**	(678)
Pre-sale cost	**—**	**(441)**	**(441)**	—
Fair value adjustments	**(3,171)**	**—**	**(3,171)**	13,611
Interest expense	**(975)**	**—**	**(975)**	(35)
(Loss) earnings	**(530)**	**(441)**	**(971)**	14,482
Trust's share of (loss) earnings	**(265)**	**(110)**	**(375)**	7,241

Further details on the PCV Partnership

Investment properties

	June 30, 2017			December 31, 2016		
(in thousands of dollars)	**Income Properties**	**Properties Under Development**	**Total Investment Properties**	Income Properties	Properties Under Development	Total Investment Properties
Balance – beginning of period	**118,553**	**246,332**	**364,885**	43,200	261,408	304,608
Transfer from properties under development to income properties	**51,253**	**(51,253)**	**—**	67,086	(67,086)	—
Additions to investment properties	**—**	**7,350**	**7,350**	—	36,271	36,271
Fair value adjustment on revaluation of investment properties	**(5,652)**	**1,674**	**(3,978)**	8,267	15,739	24,006
Balance – end of period	**164,154**	**204,103**	**368,257**	118,553	246,332	364,885
Trust's share of investment properties (50%)	**82,077**	**102,052**	**184,129**	59,277	123,166	182,443

The PCV Partnership has entered into various development construction contracts with existing commitments totalling $9.9 million, of which the Trust's share is $4.9 million.

Development financing

(in thousands of dollars)	**June 30, 2017**	December 31, 2016
Development facility - beginning of period	**180,693**	189,000
Reduction[1]	**(20,000)**	—
Letters of credit released[2]	**(313)**	(8,307)
Development facility - end of period	**160,380**	180,693
Amount drawn on development facility	**(117,900)**	(112,200)
Letters of credit – outstanding	**(12,504)**	(12,190)
Remaining unused development facility	**29,976**	56,303
Trust's share of remaining unused development facility (50%)	**14,988**	28,152

(1) On March 23, 2017, the Trust entered into an agreement to reduce the development facility by $20.0 million.

(2) The development facility includes a non-revolving letter of credit facility up to a maximum amount of $24.0 million. For the six months ended June 30, 2017, an additional amount of letters of credit totalling $0.3 million was released (December 31, 2016 – $8.3 million).

Related Party

Pursuant to the Trust's declaration of trust ("Declaration of Trust"), provided certain thresholds are met, until July 1, 2020, Penguin is entitled to have a minimum of 25.0% of the votes eligible to be cast at any meeting of Unitholders (the "Voting Top-Up Right"). Pursuant to the Voting Top-Up Right, the Trust will issue additional special voting Units of the Trust ("Special Voting Units") to Penguin to increase its voting rights to 25.0% in advance of a meeting of Unitholders. The total number of Special Voting Units is adjusted for each meeting of the Unitholders based on changes in Penguin's ownership interest. As a result, in connection with the 2017 annual general and special meeting of Unitholders that took place on May 11, 2017, the Trust issued 361,215 additional Special Voting Units ("Additional Special Voting Units") to bring Penguin's total to 5,542,624 Additional Special Voting Units. These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust; nor are they convertible into any securities of the Trust. There is no value assigned to the Special Voting Units. The Voting Top-Up Right is more particularly described in the Trust's Annual Information Form for the year ended December 31, 2016, which is filed on SEDAR. As at June 30, 2017, Penguin owned 22.3% of the aggregate issued and outstanding Trust Units in addition to the Special Voting Units noted above. The 22.3% ownership would increase to 26.5% if Penguin exercised all remaining options to purchase Units pursuant to existing development and exchange agreements. In addition, the Trust has entered into property management, leasing, development and exchange, and co-ownership agreements with Penguin. Pursuant to its rights under the Declaration of Trust, at June 30, 2017, Penguin has appointed two trustees out of seven.

The Trust has entered into contracts and other arrangements with Penguin on a cost-sharing basis for administrative services and on market terms for leasing and development services and premises rent. The Trust earns interest on funds advanced and opportunity fees related to prepaid land held for development at rates negotiated at the time the Trust acquires retail centres from Penguin.

In addition to agreements and contracts with Penguin described in the Trust's unaudited interim condensed consolidated financial statements for the period ended June 30, 2017, the Trust has entered into the following agreements with Penguin effective May 28, 2015:

1) The Development and Services Agreement, under which the Trust and certain subsidiary limited partnerships of the Trust have agreed to provide to Penguin the following services for a five-year term with automatic five-year renewal periods thereafter:

    a. Construction management services and leasing services are provided, at the discretion of Penguin, with respect to certain of Penguin's properties under development for a market-based fee based on construction costs incurred. Fees for leasing services, requested at the discretion of Penguin, are based on various rates that approximate market rates, depending on the term and nature of the lease. In addition, management fees are provided for a market-based fee based on rental revenue.

    b. Transition services relate to activities necessary to become familiar with Penguin projects and establishing processes and systems to accommodate the needs of Penguin.

    c. Support services are provided for a fee based on an allocation of the relevant costs of the support services incurred by the Trust. Such relevant costs include: office administration, human resources, information technology, insurance, legal and marketing.

2) The Services Agreement under which Mitchell Goldhar, owner of Penguin, has agreed to provide to the Trust certain advisory, consulting and strategic services, including but not limited to strategies dealing with development, municipal approvals, acquisitions, dispositions and construction costs, as well as strategies for marketing new projects and leasing opportunities. The fees associated with this agreement are approximately $0.9 million per quarter for a five-year term (these charges are included in the following table as "Master planning services").

3) The Trust has a lease agreement to rent its office premises from Penguin for a term ending in May 2025.

In addition to related party transactions and balances disclosed elsewhere in this Management Discussion and Analysis, the following summarizes related party transactions and balances with Penguin and other related parties, including the Trust's share of amounts relating to the Trust's share in investment in associates:

	Three Months Ended June 30			Six Months Ended June 30		
(in thousands of dollars)	**2017**	2016	Variance	**2017**	2016	Variance
Related party transactions with Penguin						
Revenues:						
Transition services fee revenue	**1,000**	1,000	—	**2,000**	2,000	—
Management fee revenue pursuant to the Development and Services Agreement	**1,575**	873	702	**2,509**	2,133	376
Support services	**378**	91	287	**511**	302	209
	2,953	1,964	989	**5,020**	4,435	585
Interest income from mortgages and loans receivable	**1,388**	2,059	(671)	**2,766**	4,083	(1,317)
Head lease rents and operating cost recoveries included in Head lease rentals from income properties	**185**	658	(473)	**603**	1,372	(769)
Expenses:						
Master planning services:						
Included in general and administrative expense	**219**	219	—	**438**	438	—
Capitalized to properties under and held for development	**656**	656	—	**1,312**	1,312	—
	875	875	—	**1,750**	1,750	—
Development fees and costs (capitalized to properties under development)	**3**	2	1	**6**	21	(15)
Interest expense (capitalized to properties under development)	**4**	3	1	**7**	10	(3)
Opportunity fees (capitalized to properties under development)[1]	**613**	572	41	**1,205**	1,136	69
Rent and operating costs (included in general and administrative expense and property operating costs)	**556**	572	(16)	**1,112**	1,109	3
Time billings, and other administrative costs (included in general and administrative expense and property operating costs)	**35**	2	33	**35**	12	23
Leasing and related consulting service fees (included in general and administrative expense)	**—**	—	—	**10**	—	10
Shared service costs (included in general and administrative expense)	**—**	79	(79)	**—**	79	(79)
Marketing cost sharing (included in property operating costs)	**11**	76	(65)	**32**	152	(120)

(1) These amounts relate to accrued interest on prepaid land costs subject to future Earnouts.

(in thousands of dollars)	**June 30, 2017**	December 31, 2016	Variance
Related party balances with Penguin			
Receivables:			
Amounts receivable	**11,779**	8,188	3,591
Mortgages receivable	**127,294**	124,778	2,516
Loans receivable	**9,593**	9,320	273
Notes receivable	**2,979**	2,979	—
Payables and other accruals:			
Accrued liabilities	**6,634**	4,371	2,263
Future land development obligation	**26,278**	26,042	236

Mortgages receivable
As at June 30, 2017, the weighted average effective interest rate associated with mortgages receivable was 3.98% (December 31, 2016 – 5.69%) (see "Loan Amendments" in the "Mortgages, Loans and Notes Receivable, and Interest Income" section for details).

Future land development obligations
The future land development obligations represent payments required to be made to Penguin for certain undeveloped lands acquired from 2006 to 2015, either on completion and rental of additional space on the undeveloped lands or, if no additional space is completed on the undeveloped lands, at the expiry of the 10-year development management agreement periods ending in 2017 to 2025. The accrued future land development obligations are measured at their estimated fair values using imputed interest rates ranging from 4.50% to 5.50%.

Leasehold interest properties
The Trust entered into leasehold agreements with Penguin for 15 investment properties.

The financial implications of related party agreements are disclosed in the notes to the unaudited interim condensed consolidated financial statements for the period ended June 30, 2017.

Other related party transactions:

(in thousands of dollars)	**Three Months Ended June 30**		**Six Months Ended June 30**	
	2017	2016	**2017**	2016
Legal fees paid to a law firm in which a partner is a trustee of the Trust (included in general and administrative expense and property operating costs)	**209**	656	**247**	1,312

Capital Resources and Liquidity

As at June 30, 2017 and December 31, 2016, the Trust had the following capital resources available:

(in thousands of dollars)	**June 30, 2017**	March 31, 2017	Variance
Cash and cash equivalents	**21,786**	144,324	(122,538)
Unused operating facilities	**334,424**	303,308	31,116
	356,210	447,632	(91,422)

On the assumption that cash flow levels permit the Trust to obtain financing on reasonable terms, the Trust anticipates meeting all current and future obligations. Management expects to finance future acquisitions, including committed Earnouts, Developments, Mezzanine Financing commitments and maturing debt from: (i) existing cash balances; (ii) a mix of mortgage debt secured by investment properties, operating facilities, issuance of equity, and convertible and unsecured debentures; (iii) repayments of mortgages receivable; and (iv) the sale of non-core assets. Cash flow generated from operating activities is the primary source of liquidity to pay Unit distributions, sustaining capital expenditures and leasing costs.

As at June 30, 2017, the Trust decreased its capital resources by $91.4 million compared to March 31, 2017. The net decrease of $91.4 million is primarily due to repayments of secured debt and other debt of $195.8 million partially offset by proceeds from issuance of secured debt of $103.8 million. The TD operating line increased by $150.0 million and the full $150.0 million was subsequently repaid in April 2017.

During the quarter on April 13, 2017, the Trust redeemed $150.0 million aggregate principal amount of 3.385% Series J senior unsecured debentures (see the "Debt" section for details).

The Trust manages its cash flow from operating activities by maintaining a target debt level. The debt to gross book value, as defined in the Declaration of Trust, as at June 30, 2017, is 51.5%. Including the Trust's capital resources as at June 30, 2017, the Trust could invest an additional $1,068.5 million in new investments and remain at the midpoint of the Trust's target debt to gross book value range of 55% to 60%.

Future obligations, excluding the development pipeline, total $4,021.8 million, as identified in the following table. Other than contractual maturity dates, the timing of payment of these obligations is management's best estimate based on assumptions with respect to the timing of leasing, construction completion, occupancy and Earnout dates at June 30, 2017.

As at June 30, 2017, the timing of the Trust's future obligations is as follows:

(in thousands of dollars)	Total	2017	2018	2019	2020	2021	Thereafter
Secured debt	2,401,010	179,970	390,008	367,459	178,209	188,999	1,096,365
Revolving operating facility	149,000	149,000	—	—	—	—	—
Unsecured debentures	1,310,000	—	—	—	150,000	150,000	1,010,000
Mortgage receivable advances[1]	157,200	7,569	18,271	35,513	8,842	8,113	78,892
Development obligations	4,614	4,614	—	—	—	—	—
	4,021,824	341,153	408,279	402,972	337,051	347,112	2,185,257

(1) Mortgages receivable of $127.3 million at June 30, 2017, and further forecasted commitments of $157.2 million, mature over a period extending to 2024 if the Trust does not exercise its option to acquire the investment properties. Refer to the "Mortgages, Loans and Notes Receivable and Interest Income" section for timing of principal repayments.

It is management's intention to either repay or refinance $142.3 million of maturing secured debt in 2017 (remainder of year). Potential upfinancing on maturing debt using a 65% loan to value and a 6.25% capitalization rate amounts to $67.2 million in 2017 (remainder of year) and $200.7 million in 2018. In addition, the Trust has an unencumbered asset pool with an approximate fair value totalling $2,914.0 million, which can generate gross financing proceeds on income properties of approximately $1,894.1 million using a 65% loan to value. The secured debt, revolving operating facility, unsecured debentures, mortgage receivable advances and development obligations will be funded by additional term mortgages, net proceeds on the sale of non-core assets, existing cash or operating lines, the issuance of convertible and unsecured debentures, and equity Units, if necessary.

The Trust's potential development pipeline of $1,428.0 million consists of $177.0 million in Earnouts and $1,251.0 million in Developments. Costs totalling $512.0 million have been incurred to date with a further $916.0 million still to be funded. The future funding includes $172.0 million for Earnouts that will be paid once a lease has been executed and construction of the space commenced. The remaining $744.0 million of Developments will proceed once the Trust has an executed lease and financing in place. Management expects this pipeline to be developed over the next three to five years.

Debt

Summary of Activities Relating to Debt During the Period

As at June 30, 2017, indebtedness was $3,910.0 million compared to $3,894.7 million as at December 31, 2016, as follows:

	June 30, 2017				December 31, 2016			
(in thousands of dollars)	Balance	% of Total Debt	Weighted Average Term of Debt (years)	Weighted Average Interest Rate of Debt (%)	Balance	% of Total Debt	Weighted Average Term of Debt (years)	Weighted Average Interest Rate of Debt (%)
Secured debt	**2,399,353**	**61%**	**4.8**	**3.76%**	2,535,326	65%	4.8	3.78%
Unsecured debentures	**1,302,052**	**33%**	**6.0**	**3.58%**	1,302,466	33%	6.0	3.64%
Revolving operating facility	**149,000**	**4%**	**4.9**	**2.31%**	—	—%	0.8	2.33%
Total debt before investment in associates	**3,850,405**	**98%**	**5.2**	**3.64%**	3,837,792	99%	5.2	3.73%
Share of debt classified as investment in associates	**59,561**	**2%**	**2.5**	**2.92%**	56,879	1%	3.0	2.94%
	3,909,966	**100%**	**5.1**	**3.63%**	3,894,671	100%	5.2	3.72%

(in thousands of dollars)	Secured Debt	Unsecured Debentures	Revolving Operating Facility	Total
Balance – January 1, 2017	2,535,326	1,302,466	—	3,837,792
Borrowings	122,596	150,000	254,000	526,596
Scheduled amortization	(38,769)	—	—	(38,769)
Repayments	(217,841)	(150,000)	(105,000)	(472,841)
Amortization of acquisition fair value adjustments, net of additions	(1,608)	—	—	(1,608)
Financing costs incurred relating to secured debt, net of additions	(351)	(414)	—	(765)
Balance – June 30, 2017	2,399,353	1,302,052	149,000	3,850,405

Secured Debt

The Trust continues to have access to secured debt due to its strong tenant base and high occupancy levels at mortgage loan levels ranging from 60% to 70% of loan to value. If maturing mortgages in 2017 (remainder of year) and 2018 were refinanced at a rate of 3.45%, annualized FFO would increase by nil per Unit for 2017 (remainder of year) and by $0.016 per Unit for 2018.

Future principal payments as a percentage of secured debt are as follows:

(in thousands of dollars)	Payments of Principal Amortization ($)	Debt Maturing During Year ($)	Total ($)	Total (%)	Weighted Average Interest Rate of Maturing Debt (%)
2017 (remainder of year)	37,637	142,333	179,970	8%	3.39%
2018	64,898	325,110	390,008	16%	4.22%
2019	60,029	307,430	367,459	15%	2.70%
2020	55,039	123,170	178,209	7%	5.18%
2021	50,083	138,916	188,999	8%	4.44%
Thereafter	167,125	929,240	1,096,365	46%	3.74%
Total	434,811	1,966,199	2,401,010	100%	3.77%
Acquisition date fair value adjustment			5,351		
Unamortized financing costs			(7,008)		
			2,399,353		

Debt maturing during year

The debt maturing by type of lender is as follows:

(in thousands of dollars)	Banks and Other Non-Conduit Loans	Conduit Loans	Total
2017 (remainder of year)	142,333	—	142,333
2018	325,110	—	325,110
2019	307,430	—	307,430
2020	82,967	40,203	123,170
2021	93,324	45,592	138,916
Thereafter	857,658	71,582	929,240
	1,808,822	157,377	1,966,199

Unsecured Debentures

Issued and outstanding as at June 30, 2017:

(in thousands of dollars)	Maturity Date	Annual Interest Rate	June 30, 2017	December 31, 2016
Series H	July 27, 2020	4.050%	**150,000**	150,000
Series I	May 30, 2023	3.985%	**200,000**	200,000
Series J	December 1, 2017	3.385%	**—**	150,000
Series L	February 11, 2021	3.749%	**150,000**	150,000
Series M	July 22, 2022	3.730%	**150,000**	150,000
Series N	February 6, 2025	3.556%	**160,000**	160,000
Series O	August 28, 2024	2.987%	**100,000**	100,000
Series P	August 28, 2026	3.444%	**250,000**	250,000
Series Q	March 21, 2022	2.876%	**150,000**	—
			1,310,000	1,310,000
Less: Unamortized financing costs			**(7,948)**	(7,534)
			1,302,052	1,302,466

Unsecured Debenture Activity for the Six Months Ended June 30, 2017

Issuances

On March 15, 2017, the Trust issued $150.0 million of 2.876% Series Q senior unsecured debentures (net proceeds including issuance costs – $149.1 million), which are due on March 21, 2022 with semi-annual payments due on March 21 and September 21 each year. The proceeds were used to redeem the outstanding principal on the 3.385% Series J senior unsecured debentures totalling $150.0 million (see below for details).

Redemptions

On April 13, 2017, the Trust redeemed $150.0 million aggregate principal amount of 3.385% Series J senior unsecured debentures. In addition to paying accrued interest of $1.9 million, the Trust paid a yield maintenance fee of $2.2 million in connection with the redemption.

Unsecured Debenture Activity for the Six Months Ended June 30, 2016

There was no unsecured debenture activity for the six months ended June 30, 2016.

Credit Rating of Unsecured Debentures

Dominion Bond Rating Services (DBRS) provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfill its obligations. An investment-grade rating must exceed "BB", with the highest rating being "AAA". The Trust's debentures are rated "BBB" with a stable trend at June 30, 2017.

Operating Facility

On June 12, 2017, the Trust replaced the former revolving operating facility of $350.0 million with a new $500.0 million unsecured revolving operating facility that bears interest at a variable interest rate based on bank prime rate plus 0.45% or banker's acceptance rates plus 1.45%, and expires on May 31, 2022. The new facility includes an accordion feature of $250.0 million whereby the Trust has an option to increase its facility amount with the lenders to sustain future operations as required. As at June 30, 2017, the Trust had $149.0 million (December 31, 2016 – $nil) outstanding on its new revolving operating facility.

(in thousands of dollars)	June 30, 2017	December 31, 2016	Variance
Former revolving operating facility	**—**	350,000	(350,000)
New revolving operating facility	**500,000**	—	500,000
Total available operating facility	**500,000**	350,000	150,000
Lines of credit – outstanding	**(149,000)**	—	(149,000)
Letters of credit – outstanding	**(16,576)**	(17,964)	1,388
Remaining unused operating facility	**334,424**	332,036	2,388

The Trust has outstanding revolving letters of credit with other financial institutions totalling $26.5 million (December 31, 2016 – $27.9 million).

Unencumbered Assets

As at June 30, 2017, the Trust had $2,914.0 million of unencumbered assets, which reflects the value of investment properties that are fully owned by the Trust. In connection with this pool of unencumbered assets, management estimates that the total forecasted annualized NOI for 2017 will be $183.8 million.

Financial Covenants

The unsecured operating facility and unsecured debentures contain numerous terms and covenants that limit the discretion of management with respect to certain business matters. These covenants could in certain circumstances place restrictions on, among other things, the ability of the Trust to create liens or other encumbrances, to pay distributions on its Units or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity.

In addition, the operating facility and unsecured debentures contain a number of financial covenants that require the Trust to meet certain financial ratios and financial condition tests. A failure to comply with the financial covenants in the operating facility and unsecured debentures could result in a default, which, if not cured or waived, could result in a reduction or termination of distributions by the Trust and permit acceleration of the relevant indebtedness.

As stipulated by the Declaration of Trust, the Trust monitors its capital structure based on the following ratios: interest coverage ratio, debt to gross book value, debt to aggregate assets, and debt to Adjusted EBITDA. These ratios are used by the Trust to manage an acceptable level of leverage and are not considered measures in accordance with IFRS; nor is there an equivalent IFRS measure. Those ratios are as follows:

	June 30, 2017	March 31, 2017	December 31, 2016
Interest coverage ratio	**3.1X**	3.1X	3.1X
Debt to aggregate assets	**43.9%**	45.0%	44.3%
Debt to gross book value	**51.5%**	52.5%	51.9%
Debt to Adjusted EBITDA	**8.4X**	8.4X	8.4X

The following are the significant financial covenants that the Trust is required by its operating line lenders to maintain: debt to aggregate assets of not more than 65%, secured debt to aggregate assets of not more than 40%, Adjusted EBITDA to debt service (fixed charge coverage ratio) of not less than 1.5, unencumbered investment properties value to consolidated unsecured debt of not less than 1.3 and Unitholders' equity of not less than $2.0 billion.

Those ratios are as follows:

Ratio	Threshold	**June 30, 2017**	March 31, 2017	December 31, 2016
Debt to aggregate assets	65%	**43.9%**	45.0%	44.3%
Secured debt to aggregate assets	40%	**27.6%**	28.5%	29.5%
Fixed charge coverage ratio	1.5X	**2.1X**	2.0X	2.0X
Unencumbered assets to unsecured debt	1.3X	**2.0X**	1.9X	2.1X
Unitholders' equity (in thousands)	$2,000,000	**$4,739,552**	$4,669,726	$4,663,944

The Trust's indentures require its unsecured debentures to maintain debt to gross book value excluding and including convertible debentures not more than 60% and 65%, respectively, interest coverage ratio not less than 1.65 and Unitholders' equity not less than $500.0 million. Those ratios are as follows:

	Threshold	**June 30, 2017**	March 31, 2017	December 31, 2016
Debt to gross book value	60%	**51.5%**	52.5%	51.9%
Interest coverage ratio	1.65X	**3.1X**	3.1X	3.1X
Unitholders' equity (in thousands)	$500,000	**$4,739,552**	$4,669,726	$4,663,944

For the quarter ended June 30, 2017, the Trust was in compliance with all externally imposed financial covenants.

Unitholders' Equity

The Unitholders' Equity of the Trust is calculated based on the equity attributable to the holders of Trust Units and LP Units that are exchangeable into Units on a one-for-one basis. These LP Units consist of Class B Units of the Trust's subsidiary limited partnerships. Certain of the Trust's subsidiary limited partnerships also have Class D Units that are exchangeable on a one-for-one basis for Units, but such Class D Units are accounted for as a liability.

The following is a summary of the number of Units outstanding for the periods ended June 30, 2017 and December 31, 2016:

Type	Class and Series	June 30, 2017	December 31, 2016	Variance
Trust Units	N/A	**130,901,055**	130,132,036	769,019
Smart Limited Partnership	Class B Series 1	**14,741,660**	14,741,660	—
Smart Limited Partnership	Class B Series 2	**886,956**	886,956	—
Smart Limited Partnership	Class B Series 3	**720,432**	720,432	—
Smart Limited Partnership II	Class B	**756,525**	756,525	—
Smart Limited Partnership III	Class B Series 4	**647,934**	647,934	—
Smart Limited Partnership III	Class B Series 5	**559,396**	559,396	—
Smart Limited Partnership III	Class B Series 6	**437,389**	437,389	—
Smart Limited Partnership III	Class B Series 7	**434,598**	434,598	—
Smart Limited Partnership III	Class B Series 8	**1,698,018**	1,698,018	—
Smart Limited Partnership IV	Class B Series 1	**3,046,121**	3,046,121	—
Smart Oshawa South Limited Partnership	Class B Series 1	**688,336**	688,336	—
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**374,223**	374,223	—
Total Units classified as equity		**155,892,643**	155,123,624	769,019
Smart Limited Partnership	Class D Series 1	**311,022**	311,022	—
Smart Oshawa South Limited Partnership	Class D Series 1	**251,649**	251,649	—
Total Units classified as liabilities		**562,671**	562,671	—
Total Units		**156,455,314**	155,686,295	769,019

The following is a summary of the activities having an impact on Unitholders' equity for the three and six months ended June 30, 2017 and year ended December 31, 2016:

(in thousands of dollars)	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017	Year Ended December 31, 2016
Unitholders' equity – beginning of the period	**4,669,726**	**4,663,944**	4,482,571
Issuance of Trust Units, net of issuance cost	**12,246**	**24,723**	48,907
Deferred Units exchanged for Trust Units	**77**	**77**	—
Issuance of LP Units classified as equity	**—**	**—**	4,578
Net income and comprehensive income	**124,070**	**184,069**	386,135
Distributions to other non-controlling interest	**—**	**(283)**	51
Distributions	**(66,567)**	**(132,978)**	(258,298)
Unitholders' equity – end of the period	**4,739,552**	**4,739,552**	4,663,944

During the quarter ended June 30, 2017, the Trust issued $12.3 million in Units as follows:

	Trust Units (#)	LP Units (#)	Total Units (#)	Three Months Ended June 30, 2017 ($ thousands)
Distribution reinvestment plan (DRIP)	380,616	—	380,616	12,246
Deferred units exchanged for Trust Units	2,438	—	2,438	77
Total change in Unit equity	383,054	—	383,054	12,323

During the three months ended June 30, 2017, distributions declared by the Trust totalled $66.8 million (of which $0.5 million is treated as interest expense relating to distributions on Class D Units classified as liabilities) (June 30, 2016 – $64.2 million, of which $0.3 million is treated as interest expense relating to distributions on Class D Units classified as liabilities) or $0.4250 per Unit (June 30, 2016 – $0.4125 per Unit). For the three months ended June 30, 2017, the Trust paid $54.6 million and the balance of $12.2 million by issuing 380,616 Trust Units under the DRIP (June 30, 2016 – $52.5 million and the balance of $11.7 million represented by 340,869 Trust Units, respectively).

Distributions to Unitholders for the three and six months ended June 30, 2017 compared to June 30, 2016 were as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(in thousands of dollars)	**2017**	2016	**2017**	2016
Distributions to Unitholders	**66,806**	64,237	**133,456**	128,274
Distributions reinvested through DRIP	**(12,246)**	(11,726)	**(24,723)**	(23,160)
Distributions to Unitholders, net of DRIP	**54,560**	52,511	**108,733**	105,114
DRIP as a percentage of distributions to Unitholders	**18.3%**	18.3%	**18.5%**	18.1%

Quarterly Information

(in thousands of dollars, except percentage, Unit and per Unit amounts)

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2[8] 2016	Q1 2016	Q4 2015	Q3 2015
Rental from investment properties[1]	181,511	184,562	186,702	174,123	187,297	179,629	178,085	172,874
NOI[1][2]	117,107	117,094	120,051	115,138	126,811	114,347	114,117	116,230
Net income and comprehensive income	124,070	59,999	153,889	56,731	76,646	98,869	91,677	92,574
FFO[2]	85,634	81,188	86,954	66,999	93,666	82,937	80,423	83,881
Per Unit								
Basic	$0.55	$0.52	$0.56	$0.43	$0.61	$0.54	$0.52	$0.55
Diluted[2][3]	$0.55	$0.52	$0.56	$0.43	$0.60	$0.54	$0.52	$0.54
FFO with one time adjustment and transactional FFO[2][4]	88,939	83,728	86,954	83,456	93,666	82,937	80,423	83,881
Per Unit								
Basic	$0.57	$0.54	$0.56	$0.54	$0.61	$0.54	$0.52	$0.55
Diluted[2][3]	$0.57	$0.54	$0.56	$0.54	$0.60	$0.54	$0.52	$0.54
AFFO[2][5][6]	82,382	78,556	77,780	77,660	89,561	79,744	76,750	79,655
Per Unit								
Basic[2][5][6]	$0.53	$0.50	$0.50	$0.50	$0.58	$0.52	$0.50	$0.52
Diluted[2][3][5][6]	$0.53	$0.50	$0.50	$0.50	$0.58	$0.52	$0.50	$0.52
AFFO with one time adjustment and transactional FFO[2][5][6]	85,687	78,556	77,780	77,660	89,561	79,744	76,750	79,655
Per Unit								
Basic[2][5][6]	$0.55	$0.50	$0.50	$0.50	$0.58	$0.52	$0.50	$0.52
Diluted[2][3][5][6]	$0.55	$0.50	$0.50	$0.50	$0.58	$0.52	$0.50	$0.52
Payout ratio to AFFO[5][6]	80.2%	85.0%	85.3%	82.7%	71.6%	79.4%	82.6%	76.9%
Payout ratio to AFFO with one time adjustment and transactional FFO[2]	77.3%	85.0%	85.3%	82.7%	71.6%	79.4%	82.6%	76.9%
Cash flows provided by operating activities	74,285	56,338	109,672	83,717	66,629	56,319	111,197	81,686
Distributions declared	66,806	66,650	66,463	64,360	64,237	64,037	63,854	61,761
Units outstanding[7]	156,455,314	156,072,260	155,686,295	155,300,424	154,991,447	154,608,575	154,088,207	153,718,198
Weighted average Units outstanding								
Basic	156,256,467	155,882,593	155,487,377	155,148,277	154,807,223	154,309,475	153,905,303	153,405,481
Diluted	156,916,777	156,500,558	156,059,467	155,728,508	155,427,741	154,954,420	154,531,704	154,054,318
Total assets	8,843,016	8,886,478	8,738,878	8,647,605	8,611,463	8,562,488	8,505,003	8,530,967
Total unencumbered assets	2,914,000	2,744,600	2,701,700	2,635,200	2,522,100	2,463,000	2,453,000	2,518,800
Total debt[1]	3,909,966	4,031,172	3,894,671	3,896,201	3,842,278	3,838,553	3,823,229	3,878,404
Occupancy rate[1]	98.4%	98.1%	98.3%	98.3%	98.2%	98.5%	98.7%	98.7%

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

(2) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Non-GAAP Measures" section in this MD&A.

(3) Diluted AFFO and FFO are adjusted for the dilutive effect of the vested Earnout options and vested portion of deferred units, unless they are anti-dilutive.

(4) March 31, 2017 excludes the yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs ($2.5 million). September 30, 2016 excludes the yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs ($16.5 million).

(5) For 2015 quarters only, a normalized level of sustaining capital expenditures and leasing costs is used in the first three quarters of each fiscal year, adjusted to actual in the fourth quarter, thereafter actual sustaining capital expenditures and leasing costs have been reflected.

(6) The 2016 AFFO, AFFO per Unit and AFFO payout ratio, have been restated to comply with the RealPAC White Paper on FFO and AFFO dated February 2017. No similar changes have been made to the 2015 amounts, and therefore, they may not be comparable.

(7) Total units outstanding include Trust Units and LP Units, including Class D Units classified as financial liabilities.

(8) Includes $9.7 million settlement proceeds associated with the Target lease terminations net of other amounts 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.

Income Taxes and the REIT Exception

The Trust currently qualifies as a "mutual fund trust" as defined in the Income Tax Act (Canada) (the "Tax Act"). In accordance with the Declaration of Trust, distributions to Unitholders are declared at the discretion of the trustees. The Trust endeavours to distribute to Unitholders, in cash or in Units, in each taxation year its taxable income to such an extent that the Trust will not be liable to income tax under Part I of the Tax Act.

The Tax Act imposes a special taxation regime (the "SIFT Rules") applicable to certain publicly traded income trusts (each a "SIFT"). A SIFT includes a trust resident in Canada with publicly traded units that holds one or more "non-portfolio properties". "Non-portfolio properties" include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada. Under the SIFT Rules, a SIFT is subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (as defined in the Tax Act; generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties", which does not include certain investments in non-Canadian entities), at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income. The SIFT Rules are not applicable to a SIFT that meets certain specified criteria relating to the nature of its revenues and investments in order to qualify as a real estate investment trust for purposes of the Tax Act (the "REIT Exception"). The Trust qualifies for the REIT Exception as at June 30, 2017.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting – National Instrument 52-109 Compliance

Disclosure Controls and Procedures ("DCP")

The Trust's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have designed or caused to be designed, under their direct supervision, the Trust's DCP (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), adopted by the Canadian Securities Administrators) to provide reasonable assurance that: (i) material information relating to the Trust, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the interim filings are being prepared; and (ii) material information required to be disclosed in the annual filings is recorded, processed, summarized and reported on a timely basis. The Trust continues to evaluate the effectiveness of DCP, and changes are implemented to adjust to the needs of new processes and enhancement required.

Internal Control Over Financial Reporting ("ICFR")

The Trust's CEO and CFO have also designed, or caused to be designed under their direct supervision, the Trust's ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

Inherent Limitations

Notwithstanding the foregoing, because of its inherent limitations a control system can provide only reasonable assurance that the objectives of the control system are met and may not prevent or detect misstatements. Management's estimates may be incorrect, or assumptions about future events may be incorrect, resulting in varying results. In addition, management has attempted to minimize the likelihood of fraud. However, any control system can be circumvented through collusion and illegal acts.

Significant Accounting Estimates and Policies

In preparing the Trust's unaudited interim condensed consolidated financial statements and accompanying notes, it is necessary for management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the period. The significant items requiring estimates are discussed in the Trust's unaudited interim condensed consolidated financial statements for the period ended June 30, 2017, and the notes contained therein.

The Trust's MD&A for the year ended December 31, 2016 also contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the audited consolidated financial statements for the year ended December 31, 2016. Management determined that at June 30, 2017, there is no change to the assessment of significant accounting policies most affected by estimates and judgments described in the Trust's MD&A for the year ended December 31, 2016, except for the following:

a) IAS 2, "Residential Development Inventory"
Residential development inventory, which is developed for sale in the ordinary course of business, is recorded at the lower of cost and estimated net realizable value. Residential development inventory is reviewed for impairment at each reporting date. An impairment loss is recognized in net income when the carrying value of the property exceeds its net realizable value. Net realizable value is based on projections of future cash flows, which take into account the development plans for each project and management's best estimate of the most probable set of anticipated economic conditions.

The cost of residential development inventory includes borrowing costs directly attributable to projects under active development. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average capitalization rate for the Trust's other borrowings to eligible expenditures. Borrowing costs are not capitalized on residential development inventory where no development activity is taking place. Residential development inventory is presented separately on the condensed consolidated balance sheets as current assets. Residential development inventory is classified as current as the Trust intends to sell these assets in the ordinary course of business.

b) IAS 7, "Statement of Cash Flows"
The Trust implemented the amendments to IAS 7, "Statement of Cash Flows", to provide disclosure on changes in liabilities arising from financing activities, including both cash and non-cash flow changes. The implementation of the amendments did not have any impact on the unaudited interim condensed consolidated financial statements.

Future Changes in Accounting Policies

The future accounting policy changes as proposed by the International Accounting Standards Board (IASB) are discussed in the Trust's unaudited interim condensed consolidated financial statements for the period ended June 30, 2017, and the notes contained therein.

Risks and Uncertainties

In addition to the risks discussed below, further risks are discussed in the Trust's Annual Information Form for the year ended December 31, 2016 under the heading "Risk Factors".

Real Property Ownership Risk

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

Real estate has a high fixed cost associated with ownership, and income lost due to declining rental rates or increased vacancies cannot easily be minimized through cost reduction. Through well-located, well-designed and professionally managed properties, management seeks to reduce this risk. Management believes prime locations will attract high-quality retailers with excellent covenants and will enable the Trust to maintain economic rents and high occupancy. By maintaining the property at the highest standard through professional management practices, management seeks to increase tenant loyalty.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants and on the vacancy rates of the Trust's portfolio of income-producing properties. The Trust's AFFO 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 properties in which the Trust has an interest were not able to be leased on economically favourable lease terms. In addition, the AFFO of the Trust would be adversely affected by increased vacancies in the Trust's portfolio of income-producing properties. On 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 the Trust 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 the Trust's investment may be incurred. Furthermore, at any time, a tenant of any of the Trust'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 the Trust. The ability to rent unleased space in the properties in which the Trust has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to property. The failure to rent vacant space on a timely basis or at all would likely have an adverse effect on the Trust's financial condition.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If the Trust is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

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. If the Trust were to be required to liquidate its real property investments, the proceeds to the Trust might be significantly less than the aggregate carrying value of its properties.

The Trust will be subject to the risks associated with debt financing on its properties and it may not be able to refinance its properties on terms that are as favourable as the terms of existing indebtedness. In order to minimize this risk, the Trust attempts to appropriately structure the timing of the renewal of significant tenant leases on the properties in relation to the time at which mortgage indebtedness on such properties becomes due for refinancing.

Significant deterioration of the retail shopping centre market in general or the financial health of Walmart in particular could have an adverse effect on the Trust's business, financial condition or results of operations.

Development and Construction Risk

Development and construction risk arises from the possibility that developed space will not be leased or that costs of development and construction will exceed original estimates, resulting in an uneconomic return from the leasing of such developments. The Trust mitigates this risk by limiting construction of any development until sufficient lease-up has occurred and by entering into fixed price contracts for a large proportion of both development and construction costs.

Joint Venture Risk

The Trust is a co-owner in several properties including a joint venture with Penguin to develop the VMC, which is classified as investment in associates. The Trust is subject to the risks associated with the conduct of joint ventures. Such risks include disagreements with its partners to develop and operate the properties efficiently and the inability of the partners to meet their obligations to the joint ventures or third parties. Any failure of the Trust or its partners to meet its obligations or any disputes with respect to strategic decision-making or the parties' respective rights and obligations, could have a material adverse effect on the joint ventures, which may have a material adverse effect on the Trust. The Trust attempts to mitigate these risks by continuing to maintain strong relationships with its partners.

Interest and Financing Risk

In the low interest rate environment that the Canadian economy has experienced in recent years, leverage has enabled the Trust to enhance its return to Unitholders. A reversal of this trend, however, could significantly affect the business's ability to meet its financial obligations. In order to minimize this risk, the Trust's policy is to negotiate fixed rate secured debt with staggered maturities on the portfolio and seek to match average lease maturity to average debt maturity. Derivative financial instruments may be utilized by the Trust in the management of its interest rate exposure. The Trust's policy is not to utilize derivative financial instruments for trading or speculative purposes. In addition, the Declaration of Trust restricts total indebtedness permitted on the portfolio.

Interest rate changes will also affect the Trust's development portfolio. The Trust has entered into development agreements that obligate the Trust to acquire up to approximately 0.6 million square feet of additional income properties at a cost determined by capitalizing the rental income at predetermined rates. Subject to the ability of the Trust to obtain financing on acceptable terms, the Trust will finance these acquisitions by issuing additional debt and equity. Changes in interest rates will have an impact on the return from these acquisitions should the rate exceed the capitalization rate used and could result in a purchase being non-accretive. This risk is mitigated as management has certain rights of approval over the developments and acquisitions.

Operating facilities and secured debt exist that are priced at a risk premium over short-term rates. Changes in short-term interest rates will have an impact on the cost of financing. In addition, there is a risk the lenders will not refinance on maturity. By restricting the amount of variable interest rate debt and short-term debt, the Trust has minimized the impact on financial performance.

The Canadian capital markets are competitively priced. In addition, the secured debt market remains strong with lenders seeking quality products. Due to the quality and location of the Trust's real estate, management expects to meet its financial obligations.

Credit Risk

Credit risk arises from cash and cash equivalents, as well as credit exposures with respect to tenant receivables and mortgages and loans receivable. Tenants may experience financial difficulty and become unable to fulfill their lease commitments. The Trust mitigates this risk of credit loss by reviewing tenants' covenants, by ensuring its tenant mix is diversified and by limiting its exposure to any one tenant, except Walmart Canada because of its creditworthiness. Further risks arise in the event that borrowers may default on the repayment of amounts owing to the Trust. The Trust endeavours to ensure adequate security has been provided in support of mortgages and loans receivable. The failure of the Trust's tenants or borrowers to pay the Trust amounts owing on a timely basis or at all would have an adverse effect on the Trust's financial condition. The Trust deposits its surplus cash and cash equivalents in high-credit-quality financial institutions only in order to minimize any credit risk associated with cash and cash equivalents.

Environmental Risk

As an owner of real property, the Trust is subject to various federal, provincial, territorial and municipal laws relating to environmental matters. Such laws provide that the Trust could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the Trust'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 Trust. The Trust is not aware of any material non-compliance with environmental laws at any of its properties. The Trust is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any pending or threatened claims relating to environmental conditions at its properties. The Trust has policies and procedures to review and monitor environmental exposure, including obtaining a Phase I environmental assessment, as appropriate, prior to acquisition. Further investigation is conducted if the Phase I assessments indicate a problem. In addition, the standard lease requires compliance with environmental laws and regulations and restricts tenants from carrying on environmentally hazardous activities or having environmentally hazardous substances on site. The Trust has obtained environmental insurance on certain assets to further manage risk.

The Trust will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, the Trust does not believe that costs relating to environmental matters will have a material adverse effect on the Trust's business, financial condition or results of operations. However, environmental laws and regulations can change, and the Trust 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 the Trust's business, financial condition or results of operations.

Capital Requirements

The Trust accesses the capital markets from time to time through the issuance of debt, equity or equity related securities. If the Trust were unable to raise additional funds or renew existing maturing debt on favourable terms, then acquisition or development activities could be curtailed, asset sales accelerated and property-specific financing, purchase and development agreements renegotiated and monthly cash distributions reduced or suspended. However, the Trust anticipates accessing the capital markets on favourable terms due to its high occupancy levels and low lease maturities, combined with strong national tenants in prime retail locations.

Tax Related Risks

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders.

If the Trust fails to qualify for the REIT Exception, the Trust will be subject to the taxation regime under the SIFT Rules. The Trust qualifies for the REIT Exception as at June 30, 2017. In the event that the REIT Exception did not apply to the Trust, the corresponding application of the SIFT Rules to the Trust could affect the level of cash distributions that would otherwise be made by the Trust and the taxation of such distributions to Unitholders. There can be no assurance that Canadian federal income tax laws with respect to the REIT Exception will not be changed, or that administrative and assessment practices of the Canada Revenue Agency will not develop in a manner that adversely affects the Trust or its Unitholders. Accordingly, no assurance can be given that the Trust will continue to qualify for the REIT Exception.

The extent to which distributions will be tax deferred in the future will depend in part on the extent to which the Trust is able to deduct capital cost allowance or other expenses relating to properties directly or indirectly held by the Trust.

Cyber Security Risk

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including for the Trust and the real estate industry. Cyber attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. Such an attack could compromise the Trust's confidential information as well as that of the Trust's employees, tenants and third parties with whom the Trust interacts and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, litigation and

reputational damage. As a result, the Trust continually monitors for malicious threats and adapts accordingly in an effort to ensure it maintains high privacy and security standards. The Trust invests in cyber defense technologies to support its business model and to protect its systems, employees and tenants by employing industry best practices. The Trust's investments continue to manage the risks it faces today and position the Trust for the evolving threat landscape.

Significant Unitholder Risk

According to reports filed under applicable Canadian securities legislation, as at June 30, 2017, Mitchell Goldhar ("Mr. Goldhar") of Vaughan, Ontario beneficially owns or controls a number of the outstanding Units which, together with the securities he beneficially owns or controls that are exchangeable at his option for Trust Units for no additional consideration and the associated Special Voting Units, represent an approximately 22.3% voting interest in the Trust. Further, according to the above mentioned reports, as at June 30, 2017, Mr. Goldhar beneficially owns or controls additional rights to acquire Trust Units which, if exercised or converted, would result in him increasing his beneficial economic and voting interest in the Trust to as much as approximately 26.5%. In addition, pursuant to the Voting Top-Up Right, Mr. Goldhar may be issued additional Special Voting Units to entitle Penguin to cast 25% of the votes attached to Voting Units at a meeting of the holders of Voting Units.

If Mr. Goldhar sells a substantial number of Trust Units in the public market, the market price of the Trust Units could fall. The perception among the public that these sales will occur could also produce such an effect. As a result of his voting interest in the Trust, Mr. Goldhar may be able to exert significant influence over matters that are to be determined by votes of the Unitholders of the Trust. The timing and receipt of any takeover or control premium by Unitholders could depend on the determination of Mr. Goldhar as to when to sell Trust Units. This could delay or prevent a change of control that might be attractive to, and provide liquidity for, Unitholders, and could limit the price that investors are willing to pay in the future for Trust Units.

From time to time, in the normal course of business, the Trust enters into transactions and agreements for services with Penguin. The Trust relies on the agreements with Penguin for development, advisory, consulting and strategic services. See the "Related Party" section for a discussion of transactions with the Trust's significant unitholder.

Subsequent Events

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.

Outlook

In the Outlook Section of our Q2 2016 MD&A, we identified the significance that innovation and resilience represent as the keystone attributes to any successful long term business. We noted that these two core attributes permit a company to both foster and drive internal transformation and anticipate and embrace external forces that can range from moderate market changes to seismic shifts in an industry. At SmartREIT, our existing portfolio of 142 shopping centres, predominately anchored by Walmart or large grocery stores, has been strategically designed to withstand market forces and demonstrate strong resilience during periods when many conventional retail landlords are experiencing significant challenges. This distinctive and enviable level of insulated stability allows us to propel our strategy for innovative future growth. This pace of innovation at SmartREIT has been unprecedented and is not expected to soon abate. Several of our value creation initiatives have now commenced and they represent a diversification strategy that will over time, allow us to drive growth in a variety of directions.

Our residential joint venture at VMC with Mitchell Goldhar and CentreCourt Developments, first announced on December 8, 2016, has already resulted in the sell-out of the first three phases of the 'Transit City' condominium buildings. Each of these three buildings will stand 55 storeys tall and collectively will produce over 1,700 residential units. We have increased our financial guidance on the expected income from these developments, but as importantly, the completion of these three initial phases of residential development will infuse tremendous 'life' into what is quickly becoming a 'live, work, shop and play' community. In addition, the commencement of construction on VMC's second office tower, soon to be home to lead tenant PwC, a world class multi-purpose YMCA facility and Vaughan library and community centre, has further validated VMC as a conveniently located corporate address for Canadian businesses. VMC's first office tower is now substantively leased, and we are proud to include KPMG, Harley Davidson Canada, Miller Thompson, GFL, FM Global, BMO, and TD among our core occupant partners. The opening of each of the new VMC subway station, York Region Bus Terminal and VIVA dedicated bus lanes on Hwy 7 later in the year will further showcase the advantages of this growing community, which with almost 10 million square feet of space planned, has now become Canada's largest mixed use project.

The Vaughan North West joint venture with Fieldgate, which was announced in the second quarter, is expected to result in approximately 230 new townhomes being developed on a 16 acre parcel of land adjacent to our Walmart anchored Weston and Major Mackenzie Shopping Centre. The expected financial return from this initiative is expected to exceed 17% of costs with deliveries of homes taking place in 2019-2020. In addition, the sale of a 50% interest in the subject lands during the second quarter has resulted in the recognition of $3.1 million of Transactional FFO (with the announcement of similar initiatives in the future, we expect that Transactional FFO will become a significant and recurring component to our financial results). We are also considering alternative plans for some of the additional lands that we own around this site to accommodate possible seniors and rental housing, and self-storage uses.

Construction on our first residential rental joint venture with Jadco in Laval (which was announced last year), is expected to commence later this year with tenants taking occupancy in late 2018 and early in 2019. When complete, this project will provide 300 rental units that will be adjacent to our shopping centre in Laval. The initial financial returns from newly built residential rental projects are low when compared to other newly constructed disciplines. However these projects, once stabilized occupancy levels have been achieved after completion, represent secure investments, with reliable and consistent rates of return that over the longer term, offer reasonable hedges against both inflation and other projects with more economic volatility.

The Toronto StudioCentre property that currently has 133,000 square feet of sound stages and related film, television, and entertainment production uses continues to be in high demand by movie and television production companies. These groups have essentially 'pre-booked' all of the property's sound stages and related space almost to the end of 2018. This level of enhanced demand is indicative of: a) this industry's continued growth in Canada as a result of our currency's relative diminished value, b) the availability of a highly skilled complementary workforce who live in the areas surrounding the Eastern Ave. property, and c) the property's location relative to other similar sound stages and 'production houses' in the Leslieville area. We are currently completing construction of 'Stage 15' which is a technically advanced 9,000 square foot sound stage that will accommodate short term rentals including music video and television commercial uses. In addition, we are considering further development opportunities for additional production and mixed use space on the balance of the property, all of which are expected to generate attractive returns on invested capital.

Further planning of our self-storage opportunities with SmartStop continues. We anticipate that we will soon commence construction of the first location and expect to construct at least five of these self-storage facilities annually thereafter. Each location will represent approximately 100,000 square feet of multi-level storage space which will be developed and built by SmartREIT and once complete, managed by SmartStop. These projects are expected to generate superior returns on invested capital and our due diligence suggests that the Canadian market continues to provide ample room for further growth of this industry.

In addition to the projects noted above, our development team is currently working on/planning approximately 50 new development opportunities on our existing portfolio of investment properties (we had previously identified approximately 30 new development opportunities). These opportunities include approximately 4.0-4.5 million square feet of substantive mixed use development projects at Westside Mall in Toronto, Hwy 400 & 7 in Vaughan (northwest quadrant), Ottawa South SmartCentre, and Richmond Hill SmartCentre.

In conjunction with our joint venture partner, Simon Properties, we continue to focus on growth opportunities in both Premium Outlets locations in Toronto and Montreal. Construction of the new 900 car multi-level parking deck at the Toronto Premium Outlets is expected to be completed by November 2017. The project's 144,000 square foot expansion phase will then begin, which in turn should be completed in time for the Christmas shopping season in 2018. We have also been working steadfastly on two potential new Premium Outlets in Canada.

Each of the initiatives noted above depart from SmartREIT's historical core business of owning, managing and enhancing principally Walmart and grocery anchored shopping centres. Our new pervasive focus on innovation is generating numerous value-creation opportunities, however, there continues to be a strong discipline in our planning and due diligence efforts to ensure that any proposed initiative must generate an acceptable return relative to SmartREIT's cost of capital.

As we have noted in the past, in order to "play offense, one must first have a very strong defense". And so as we embark upon our focus to propel growth through innovation, we rely heavily on the safety and stability from our core portfolio of shopping centres. In addition, our existing portfolio continues to provide stable growth-related opportunities to our core business of retail tenancies. The portfolio of developments, earnouts and lands under mezzanine financing represent over 4.5 million square feet of future developable space. Given the abundance of available retail space left vacant after Target's departure from Canada in 2015, and the expectation of additional vacant space being available pursuant to Sears Canada's recent CCAA filing, opportunities to develop large retail properties in the near term will most likely be limited. However, development continues in some select locations. Our new SmartCentre in Orleans, acquired in 2015, will see construction of the first two phases comprising approximately 103,000 square feet, represented by two large retail tenants and several smaller tenants that are expected to take occupancy in 2018. In addition, a 10,000 square foot non-conventional user of space will be moving into newly constructed space in our Bramport SmartCentre. Also, single pads are being developed in Owen Sound, Cornwall, and Blainville to accommodate new tenants in each of these locations.

The development and growth opportunities that have been identified will require an abundant supply of debt and equity capital. We have continued to pursue a strategic financing plan that allows us flexibility to be resilient during periods when the capital markets are not available and/or limit some of the potential adverse impact of rising interest rates. Our newly established $500 million revolving line of credit will provide a substantive source of capital when appropriately priced unsecured debt may not be readily available. Also, we anticipate that our continued accumulation of a large unencumbered pool of assets that now exceeds $2.9 billion, should, in the not too distant future, allow us to enhance our credit rating, thereby permitting us to raise capital at lower rates and from a larger pool of investors. During more challenging economic periods this large pool of unencumbered assets will allow us to raise secured financing in the event that the debt capital markets are unavailable. In addition, where we have partners, our preference is to establish conventional construction financing facilities with renewal and extension options. Any project that is financed by conventional construction financing must first meet stringent credit tests before commencement, thus further reducing inherent finance and project related risks.

In this regard, we have recently established construction facilities of $118 million and $57 million to accommodate financing for the expansion of the Toronto Premium Outlets and the construction of the PwC Tower at VMC respectively (at a 100% share). In addition, we are in the final stages of establishing construction facilities of $240 million, $32 million and $27 million to fund the construction requirements for the first two towers at Transit City, a large parking facility at VMC, and the new retail phases of Orleans respectively (at a 100% share). An additional $120 million construction financing facility for the third tower at Transit City is expected to follow over the next few months. Each of these facilities has been or is expected to be provided by lenders that are also participants in our newly established 5 year, $500 million revolving operating facility. This group of eight lenders represents a core group of financial partners, all of whom have demonstrated a strong willingness to support our innovation strategy.

Given the Bank of Canada's recent 25bp interest rate increase in the prime rate, we expect that interest rates will moderately increase over the next 12 months. As we have indicated over the last several quarters, our expectation is for longer-term yields to climb from their recent historically low levels. Accordingly, we continue to favour, when appropriate, a disciplined "lock long" strategy when mortgage renewals and similar unsecured financing opportunities arise. This refinancing strategy has now pushed our overall weighted average term and interest rate to 4.8 years and 3.76% respectively for our secured debt (June 30, 2016 - 5.1 years and 3.86%) and 6.0 years and 3.58% respectively for our unsecured debt (June 30, 2016 - 4.9 years and 3.94%). To assist in mitigating interest rate risk and when appropriate, we envision our future financing strategy to make further use of forward interest rate hedges, including fixing interest rates on construction financing facilities.

Our current weighting of secured debt versus unsecured debt as a percentage of overall debt is 63% and 37% respectively. As noted, we aspire to secure an enhanced credit rating, and in order to do so, we intend, over time, to find opportunities to rebalance this ratio closer to a 50/50 level. This objective can be accomplished by paying down maturing secured debt with our available revolving line of credit, and issuing additional unsecured financing or additional equity as appropriate.

The Canadian market continues to offer limited accretive opportunities to acquire existing high quality retail oriented properties with strong anchor and sub-anchor tenants. However, as announced subsequent to quarter end, we were 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 our 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 million and will be paid for by the Trust assuming property level and corporate level debt of $354 million and the Trust issuing $75 million in SmartREIT Units to those current OneREIT unitholders who elect (subject to the announced plan of arrangement) to take Units in SmartREIT. It is expected that the acquisition will be immediately accretive to SmartREIT, and once stabilized in 2018, it is expected that the acquisition will be accretive by $0.05 per Unit annually thereafter. This acquisition is expected to close before the end of September 2017.

In most markets, the availability of retail space in Canada continues to outpace tenant demand, principally because of the continued abundance of vacant Target space. Sears Canada's recent announcement is expected to further exacerbate this challenge. Accordingly, there continues to be pressure on renewal rates and therefore growth in both renewal rates and same property NOI will continue to be limited when compared to our historic norms. Notwithstanding these leasing challenges, our shopping centres have been designed to provide our value-focused retail partners with a platform that offers convenient locations, low operating costs and intelligent designs. The presence of these factors should permit us to maintain overall industry-leading occupancy levels. As we have noted in previous quarters, during these challenged economic periods, we are not immune to pervading market forces; however, given the prevalence of Walmart stores in our portfolio, and Walmart's distinctive ability to drive strong levels of traffic to our locations, we believe that we are well insulated from some of the more pervasive challenges facing many Canadian retail landlords.

The prevalence of e-commerce and m-commerce in the Canadian retail landscape continues to present challenges to retailers and Canadian landlords. The continued development of 'omni-channel' alternatives and "click and collect" options are impacting the way that Canadian retailers use their retail locations. Most large retailers now embrace 'omni-channel' strategies which result in their retail premises acting as fulfillment centres for those ordering on-line as well as return centres for those wishing to return goods ordered on-line. The nature and purpose of the retail store therefore continues to evolve and as history has taught us, those willing to adapt will survive and flourish and those unwilling to embrace change will be challenged. Ironically, Amazon's recent announcement of its intent to purchase Whole Foods is further validation that in the grocery business as a minimum, an omni-channel strategy is necessary to further propel retail sales, and accommodate economic challenges associated with "last mile delivery".

One of our objectives is to ensure that our centres are designed to accommodate and adapt swiftly to change. We are continuously working with our retail partners to ensure that their spatial needs and preferences are integrated in the design of our shopping centres. Recently, we have been able to accommodate retail partners such as Winners, Marshalls, Indigo, and Bed Bath and Beyond in space previously occupied by tenants with completely different spatial needs. In addition, each of our property's physical characteristics are routinely evaluated for cleanliness, condition of parking lots and roofs, lighting and landscaping, etc., all of which play an integral role in a shopping centre's appeal to both shoppers and retail partners alike.

We began this Outlook Section by emphasizing the importance of innovation and resilience as the two keystone attributes necessary to ensure long term success in business. And this section provided situational examples of how we are continuing to fortify our core business to ensure that it continues to be resilient to both market and economic threats. This strong and resilient foundation, we believe, provides us with a platform to embrace innovation through the development of a variety of new value creation opportunities. These new opportunities, we believe, will in time allow us to continue to increase levels of distributable earnings, and therefore provide opportunities to further increase distributions to our Unitholders.

Glossary of Terms

Term	Definition
Adjusted Cashflow From Operations ("ACFO")	ACFO is a non-GAAP financial measure and may not be comparable to similar measures used by other real estate entities. The Trust calculates its ACFO in accordance with the Real Property Association of Canada's White Paper on Adjusted Cashflow from Operations ("ACFO") for IFRS issued in February 2017. The purpose of the White Paper is to provide reporting issuers and investors with greater guidance on the definitions of ACFO and to help promote more consistent disclosure from reporting issuers. ACFO is intended to be used as a sustainable, economic cash flow metric. The Trust considers ACFO an input to determine the appropriate level of distributions to Unitholders as it adjusts cash flows from operations to better measure sustainable, economic cash flows. Prior to the issuance of the February 2017 White Paper, there was no industry standard to calculate a sustainable, economic cash flow metric.
Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")	Adjusted earnings before interest expense, income taxes, depreciation expense and amortization expense, as defined by the Trust, is a non-GAAP measure that comprises net earnings less income taxes, interest expense, amortization expense and depreciation expense, as well as adjustments for gains and losses on disposal of investment properties including transactional gains and losses on the sale of investment properties to a joint venture that are expected to be recurring, and the fair value changes associated with investment properties and financial instruments, and excludes non-recurring one time adjustments ("Adjusted EBITDA"). It is a metric that can be used to help determine the Trust's ability to service its debt, finance capital expenditures and provide for distributions to its Unitholders. Additionally, Adjusted EBITDA removes the non-cash impact of the fair value changes and gains and losses on investment property dispositions. Adjusted EBITDA is reconciled with net income, which is the closest IFRS measure (see "Results of Operations").
Adjusted Funds From Operations ("AFFO")	AFFO is a non-GAAP financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALpac, which published a White Paper describing the intended use of AFFO last revised in February 2017. AFFO is a supplemental measure historically used by many in the real estate industry to measure operating cash flow generated from the business. In calculating AFFO, the Trust now adjusts FFO for actual costs incurred relating to leasing activities, major maintenance costs and straight-line rent in excess of contractual rent paid by tenants (a receivable). Working capital changes, viewed as short-term cash requirements or surpluses, are deemed financing activities pursuant to the methodology and are not considered when calculating AFFO. Capital expenditures that are excluded and not deducted in the calculation of AFFO comprise those which generate a new investment stream, such as erecting a new pylon sign that generates sign rental income, constructing a new retail pad during property expansion or intensification, development activities or acquisition activities. AFFO is reconciled in this MD&A with net income, which is the closest IFRS measure.
Anchors	Anchors are defined as tenants within a property with leasable area greater than 30,000 square feet.
Debt to Adjusted EBITDA	Defined as debt divided by Adjusted EBITDA. The ratio of total debt to Adjusted EBITDA is included and calculated each period to provide information on the level of the Trust's debt versus the Trust's ability to service that debt. Adjusted EBITDA is used as part of this calculation because the fair value changes and gains and losses on investment property dispositions do not have an impact on cash flow, which is a critical part of this measure (see "Financial Covenants" section).

Glossary of Terms (continued)

Term	Definition
Debt to Aggregate Assets	Calculated as debt divided by aggregate assets including investment in associates ("Aggregate Assets"). The ratio is used by the Trust to manage an acceptable level of leverage and is not considered a measure in accordance with IFRS.
Debt to Gross Book Value	Calculated as debt divided by Aggregate Assets plus accumulated amortization less cumulative unrealized fair value gain or loss with respect to investment property. The ratio is used by the Trust to manage an acceptable level of leverage and is not considered a measure in accordance with IFRS.
Earnings Before Interest Expense, Income Taxes, Depreciation Expense and Amortization expense ("EBITDA")	Earnings before interest expense, income taxes, depreciation expense and amortization expense ("EBITDA") is a non-GAAP measure that can be used to help determine the Trust's ability to service its debt, finance capital expenditures and provide for distributions to its unitholders ("Unitholders"). EBITDA is reconciled with net income, which is the closest IFRS measure (see "Financial Covenants").
Fixed Charge Coverage Ratio	Defined as Adjusted EBITDA divided by interest expense on debt and distributions on LP Class D Units and all regularly scheduled principal payments made with respect to indebtedness during the period. The ratio is used by the Trust to manage an acceptable level of leverage and is not considered a measure in accordance with IFRS.
Funds From Operations ("FFO")	FFO is a non-GAAP financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALpac, which published a White Paper describing the intended use of FFO last revised in February 2017. It is the Trust's view that IFRS net income does not necessarily provide a complete measure of the Trust's recurring operating performance. This is primarily because IFRS net income includes items such as fair value changes of investment property that are subject to market conditions and capitalization rate fluctuations and gains and losses on the disposal of investment properties, including associated transaction costs and taxes, which are not representative of a company's recurring operating performance. For these reasons, the Trust has adopted REALpac's definition of FFO, which was created by the real estate industry as a supplemental measure of recurring operating performance.
Interest Coverage Ratio	Defined as Adjusted EBITDA over interest expense, where interest expense excludes the distributions on deferred units and LP Class D Units classified as liabilities and adjustments relating to the early redemption of unsecured debentures. The ratio is used by the Trust to manage an acceptable level of interest expense relative to available earnings and is not considered a measure in accordance with IFRS.
Net Operating Income ("NOI")	NOI from continuing operations is defined as rentals from investment properties less property-specific costs net of service and other revenues.
Payout Ratio to ACFO	Calculated as distributions declared divided by ACFO. It is the proportion of earnings paid out as dividends to Unitholders. Management determines the Trust's Unit cash distribution rate by, among other considerations, its assessment of cash flow as determined using certain non-GAAP measures. As such, management believes the cash distributions are not an economic return of capital, but a distribution of sustainable cash flow from operations.
Payout Ratio to AFFO	Calculated as distributions per Unit divided by AFFO per Unit. It is the proportion of earnings paid out as dividends to Unitholders. Management determines the Trust's Unit cash distribution rate by, among other considerations, its assessment of cash flow as determined using certain non-GAAP measures. As such, management believes the cash distributions are not an economic return of capital, but a distribution of sustainable cash flow from operations.

Glossary of Terms (continued)

Term	Definition
Penguin	Penguin refers to entities controlled by Mitchell Goldhar, a trustee and significant Unitholder of the Trust.
Recovery Ratio	Defined as property operating cost recoveries divided by recoverable costs.
Run-Rate NOI	Management's annualized NOI excluding the impact of straight-line rent and other adjustments.
Same Properties NOI	To facilitate a more meaningful comparison of NOI between periods, Same properties NOI amounts are calculated as the NOI attributable to those income properties that were owned by the Trust during the current period and the same period in the prior year. Any NOI from properties either acquired, Earned out or disposed of, outside of these periods, are excluded from Same properties NOI.
Shadow Anchor	A shadow anchor is a store or business that satisfies the criteria for an anchor tenant, but which may be located at an adjoining property or on a portion.
SIFT	The Tax Act imposes a special taxation regime for specific investment flow-through trusts ("SIFT") (referred to as the "SIFT Rules") applicable to certain publicly traded income trusts. A SIFT includes a trust resident in Canada with publicly traded units that holds one or more "non-portfolio properties". "Non-portfolio properties" include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada. Under the SIFT Rules, a SIFT is subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (as defined in the Tax Act; generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties", which does not include certain investments in non-Canadian entities), at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income. The SIFT Rules are not applicable to a SIFT that meets certain specified criteria relating to the nature of its revenues and investments in order to qualify as a real estate investment trust for purposes of the Tax Act.
The Transaction	On May 28, 2015, the Trust completed the previously announced acquisition of the SmartCentres platform from Mitchell Goldhar as part of a $1,171.2 million transaction that transformed the Trust into a fully integrated real estate developer and operator by adding the SmartCentres platform of development, leasing, planning, engineering, architecture, and construction capabilities. The Transaction also included the acquisition of interests in a portfolio of 22 properties located principally in Ontario and Quebec, including 20 open-format Walmart Supercentre anchored or shadow-anchored shopping centres owned by Mitchell Goldhar and joint venture partners, including Wal-Mart Canada Realty Inc., for $1,116.0 million.
Transactional FFO	Transactional FFO is a non-GAAP financial measure that represents the net financial/economic gain(loss) resulting from a partial sale of an investment property to a third party. Transactional FFO is calculated as the difference between the actual selling price and actual costs incurred for the subject investment property. Because the Trust intends to establish numerous joint ventures with partners in which it plans to co-develop mixed-use projects, the Trust expects such gains(losses) to be recurring and therefore represent part of the Trust's overall distributable earnings.
Voting Top-Up Right	Until July 1, 2020, Penguin is entitled to have a minimum of 25.0% of the votes eligible to be cast at any meeting of Unitholders provided certain conditions are met (the "Voting Top-Up Right"). Pursuant to the Voting Top-Up Right, the Trust will issue additional special voting Units of the Trust ("Additional Special Voting Units") to Penguin to increase its voting rights to 25.0% in advance of a meeting of Unitholders. The total number of Special Voting Units is adjusted for each meeting of the Unitholders based on changes in Penguin's ownership interest.

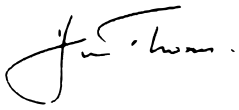
SMART REAL ESTATE INVESTMENT TRUST
UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands of Canadian dollars)

As at,	Note	**June 30, 2017**	December 31, 2016
Assets			
Non-current assets			
Investment properties	4	**8,269,573**	8,242,417
Mortgages, loans and notes receivable	5	**144,459**	73,290
Investment in associates	6	**125,173**	122,677
Other assets	7	**82,682**	83,904
Intangible assets	8	**51,129**	51,795
		8,673,016	8,574,083
Current assets			
Current portion of mortgages, loans and notes receivable	5	**47,025**	105,601
Residential development inventory	4	**19,609**	—
Amounts receivable, prepaid expenses and deferred financing costs	9	**81,580**	36,101
Cash and cash equivalents	19	**21,786**	23,093
		170,000	164,795
Total assets		**8,843,016**	8,738,878
Liabilities			
Non-current liabilities			
Debt	10	**3,330,540**	3,287,211
Other payables	11	**28,761**	27,820
Other financial liabilities	12	**41,983**	39,395
		3,401,284	3,354,426
Current liabilities			
Current portion of debt	10	**519,865**	550,581
Accounts payable and current portion of other payables	11	**182,315**	169,927
		702,180	720,508
Total liabilities		**4,103,464**	4,074,934
Equity			
Trust Unit equity		**3,914,492**	3,847,575
Non-controlling interests		**825,060**	816,369
		4,739,552	4,663,944
Total liabilities and equity		**8,843,016**	8,738,878

Commitments and contingencies (Note 26)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

Approved by the Board of Trustees.



Huw Thomas
Trustee

Garry Foster
Trustee

SMART REAL ESTATE INVESTMENT TRUST
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(in thousands of Canadian dollars)

		Three Months Ended June 30		Six Months Ended June 30	
	Note	**2017**	2016	**2017**	2016
Net rental income					
Rentals from investment properties	16	**179,899**	186,895	**363,066**	366,132
Property operating costs		**(63,785)**	(60,312)	**(130,662)**	(125,429)
Net rental income		**116,114**	126,583	**232,404**	240,703
Other income and expenses					
Service and other revenues	17	**3,742**	2,365	**6,422**	5,377
Other expenses	17	**(3,741)**	(2,370)	**(6,433)**	(5,377)
General and administrative expense	18	**(5,409)**	(7,335)	**(12,682)**	(12,509)
Earnings (loss) from investment in associates	6	**1,299**	322	**(375)**	7,241
Fair value adjustment on revaluation of investment properties	24	**40,662**	(6,666)	**26,971**	10,155
Loss on sale of investment properties	4	**(156)**	(123)	**(156)**	(126)
Interest expense	10(d)	**(32,007)**	(32,619)	**(67,031)**	(65,817)
Interest income		**2,133**	2,941	**4,247**	5,814
Fair value adjustment on financial instruments	24	**1,433**	(6,452)	**702**	(9,946)
Net income and comprehensive income		**124,070**	76,646	**184,069**	175,515
Net income and comprehensive income attributable to:					
Trust Units		**103,767**	63,914	**153,852**	146,414
Non-controlling interests		**20,303**	12,732	**30,217**	29,101
		124,070	76,646	**184,069**	175,515

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

SMART REAL ESTATE INVESTMENT TRUST
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

	Note	Three Months Ended June 30 2017	Three Months Ended June 30 2016	Six Months Ended June 30 2017	Six Months Ended June 30 2016
Cash provided by (used in)					
Operating activities					
Net income and comprehensive income for the period		**124,070**	76,646	**184,069**	175,515
Add (deduct): Other items					
Fair value adjustments	24	**(42,095)**	13,118	**(27,673)**	(209)
Loss on sale of investment properties		**156**	123	**156**	126
(Earnings) loss from associates, net of distributions	6	**(1,299)**	(211)	**420**	(7,108)
Interest expense	10(d)	**32,007**	32,619	**67,031**	65,817
Cash interest paid associated with operating activities	10(d)	**(25,110)**	(27,813)	**(62,841)**	(65,428)
Interest income		**(2,133)**	(2,941)	**(4,247)**	(5,814)
Interest received		**743**	880	**1,481**	1,730
Adjustments/amortization relating to other assets	7	**1,640**	1,464	**3,282**	2,710
Amortization of intangible assets	18	**333**	333	**666**	665
Finance lease obligation interest		**128**	129	**256**	255
Deferred unit compensation expense, net of redemptions	12(c)	**269**	(1,731)	**558**	(3,088)
Long Term Incentive Plan expense	11(b)	**241**	494	**896**	955
Payment of vested Long Term Incentive Plan performance units	11(b)	**—**	—	**(1,765)**	(574)
Expenditures on direct leasing costs and tenant incentives		**(1,190)**	(1,489)	**(2,539)**	(2,201)
Expenditures on tenant incentives for properties under development		**—**	(34)	**—**	(317)
Changes in other non-cash operating items	19	**(13,475)**	(24,958)	**(29,127)**	(40,086)
Cash flows provided by operating activities		**74,285**	66,629	**130,623**	122,948
Financing activities					
Proceeds from issuance of unsecured debentures – net of issuance costs	10(c)	**—**	—	**149,062**	—
Proceeds from revolving operating facility	10(b)	**199,000**	45,000	**254,000**	60,000
Repayments of revolving operating facility	10(b)	**(80,000)**	—	**(105,000)**	(5,000)
Proceeds from issuance of secured debt		**103,840**	—	**103,840**	31,000
Repayments of secured debt and other debt		**(195,827)**	(45,606)	**(237,854)**	(80,336)
Repayment of unsecured debentures including yield maintenance on redemption	10(c)	**(152,721)**	—	**(152,721)**	—
Distributions paid on Trust Units		**(43,643)**	(41,921)	**(86,903)**	(83,965)
Distributions paid on non-controlling interests and Class D Units classified as liabilities		**(10,863)**	(10,543)	**(22,004)**	(21,030)
Financing costs		**(2,675)**	32	**(3,179)**	(6)
Cash flows used in financing activities		**(182,889)**	(53,038)	**(100,759)**	(99,337)
Investing activities					
Acquisitions and Earnouts of investment properties	3	**—**	(1,540)	**(2,780)**	(5,303)
Additions to investment properties		**(21,005)**	(18,671)	**(34,841)**	(29,546)
Additions to investment in associates	6	**(2,466)**	(300)	**(2,916)**	(1,005)
Additions to equipment		**(114)**	(40)	**(128)**	(118)
Advances of mortgages and loans receivable	5	**(9,803)**	(157)	**(9,960)**	(157)
Net proceeds from sale of investment properties	4(b)	**19,454**	4,038	**19,454**	4,038
Cash flows used in investing activities		**(13,934)**	(16,670)	**(31,171)**	(32,091)
Decrease in cash and cash equivalents during the period		**(122,538)**	(3,079)	**(1,307)**	(8,480)
Cash and cash equivalents – beginning of period		**144,324**	15,935	**23,093**	21,336
Cash and cash equivalents – end of period		**21,786**	12,856	**21,786**	12,856
Supplemental cash flow information	19				

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

SMART REAL ESTATE INVESTMENT TRUST

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

For the six months ended June 30, 2017 and June 30, 2016
(in thousands of Canadian dollars)

		Attributable to Unitholders			Attributable to LP Units Classified as Non-Controlling Interests				
	Note	Trust Units (Note 14)	Retained Earnings	Unit Equity	LP Units (Note 14)	Retained Earnings	LP Unit Equity	Other Non-Controlling Interest (Note 20)	Total Equity
Equity – January 1, 2017		**2,648,400**	**1,199,175**	**3,847,575**	**628,660**	**184,582**	**813,242**	**3,127**	**4,663,944**
Issuance of Units		**24,800**	**—**	**24,800**	**—**	**—**	**—**	**—**	**24,800**
Net income and comprehensive income		**—**	**153,852**	**153,852**	**—**	**30,122**	**30,122**	**95**	**184,069**
Distributions	15	**—**	**(111,735)**	**(111,735)**	**—**	**(21,243)**	**(21,243)**	**(283)**	**(133,261)**
Equity – June 30, 2017		**2,673,200**	**1,241,292**	**3,914,492**	**628,660**	**193,461**	**822,121**	**2,939**	**4,739,552**
Equity – January 1, 2016		2,599,493	1,093,592	3,693,085	624,082	162,529	786,611	2,875	4,482,571
Issuance of Units		23,819	—	23,819	3,818	—	3,818	—	27,637
Net income and comprehensive income		—	146,414	146,414	—	28,917	28,917	184	175,515
Contributions by other non-controlling interest	5(c)	—	—	—	—	—	—	51	51
Distributions	15	—	(107,222)	(107,222)	—	(20,565)	(20,565)	—	(127,787)
Equity – June 30, 2016		2,623,312	1,132,784	3,756,096	627,900	170,881	798,781	3,110	4,557,987

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

SMART REAL ESTATE INVESTMENT TRUST
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended June 30, 2017 and 2016
(in thousands of Canadian dollars, except Unit, square foot and per Unit amounts)

1. Organization
Smart Real Estate Investment Trust and its subsidiaries ("the Trust") is an unincorporated open-ended mutual fund trust governed by the laws of the Province of Alberta created under a declaration of trust, dated December 4, 2001, subsequently amended and last restated on May 11, 2017 ("the Declaration of Trust"). The Trust develops, leases, constructs, owns and manages shopping centres, office buildings, and high-rise and low-rise residences in Canada, both directly and through its subsidiaries, Smart Limited Partnership, Smart Limited Partnership II, Smart Limited Partnership III, Smart Limited Partnership IV, Smart Oshawa South Limited Partnership, Smart Oshawa Taunton Limited Partnership and Smart Boxgrove Limited Partnership. The exchangeable securities of these subsidiaries, which are presented as non-controlling interests or as a liability as appropriate, are economically equivalent to Trust Units as a result of voting, exchange and distribution rights as more fully described in Note 14(a). The address of the Trust's registered office is 700 Applewood Crescent, Suite 200, Vaughan, Ontario, L4K 5X3. The Units of the Trust are listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "SRU.UN".

These unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Trustees on August 9, 2017. The Board of Trustees has the power to amend the unaudited interim condensed consolidated financial statements after issue.

At June 30, 2017, the Penguin Group of Companies ("Penguin"), owned by Mitchell Goldhar, owned approximately 22.3% (December 31, 2016 – 22.4%) of the issued and outstanding Units of the Trust and Limited Partnerships (see also Note 20, "Related party transactions").

2. Summary of significant accounting policies
2.1 Basis of presentation
These unaudited interim condensed consolidated financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of unaudited interim condensed consolidated financial statements, International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). The unaudited interim condensed consolidated financial statements contain disclosures, that are supplemental to the Trust's annual consolidated financial statements. They do not include all the information and disclosures required by IFRS applicable for annual consolidated financial statements and, therefore, they should be read in conjunction with the annual audited consolidated financial statements.

2.2 Critical accounting estimates and judgements
The preparation of the unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise judgement in applying the Trust's accounting policies. The critical accounting estimates and judgements applied during the quarter are consistent with those set out in Note 2 to the Trust's audited consolidated financial statements for the year ended December 31, 2016.

2.3 Accounting policies
The accounting policies followed in these unaudited interim condensed consolidated financial statements are consistent with the policies and method of their application used in the preparation of the audited consolidated financial statements as at and for the year ended December 31, 2016, except as noted below:

a) IAS 2, "Residential Development Inventory"
Residential development inventory, which is developed for sale in the ordinary course of business, is recorded at the lower of cost and estimated net realizable value. Residential development inventory is reviewed for impairment at each reporting date. An impairment loss is recognized in net income when the carrying value of the property exceeds its net realizable value. Net realizable value is based on projections of future cash flows, which take into account the development plans for each project and management's best estimate of the most probable set of anticipated economic conditions.

The cost of residential development inventory includes borrowing costs directly attributable to projects under active development. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average capitalization rate for the Trust's other borrowings to eligible expenditures. Borrowing costs are not capitalized on residential development inventory where no development activity is taking place. Residential development inventory is presented separately on the condensed consolidated balance sheets as current assets. Residential development inventory is classified as current as the Trust intends to sell these assets in the ordinary course of business.

b) IAS 7, "Statement of Cash Flows"

The Trust implemented the amendments to IAS 7, "Statement of Cash Flows", to provide disclosure on changes in liabilities arising from financing activities, including both cash and non-cash flow changes. The implementation of the amendments did not have any impact on the unaudited interim condensed consolidated financial statements.

2.4 *Future changes in accounting policies*

a) IFRS 2, "Share-based Payment"

During January 2016, the IASB issued amendments to IFRS 2 clarifying how to account for certain types of share-based payment transactions including, accounting for the effects of vesting conditions on cash-settled share-based payment transactions; the classification of share-based payment transactions with net settlement features for withholding tax obligations; and the accounting for a modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity-settled. These amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

Management is currently assessing the impact of IFRS 2 on the Trust's unaudited interim condensed consolidated financial statements.

b) IFRS 9, "Financial Instruments"

IFRS 9 addresses the classification, measurement and derecognition of financial assets and liabilities and introduced new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. Following the changes approved by the IASB in July 2014, the new standard also introduces expanded disclosure requirements and changes in presentation. The new impairment model is an expected loss model which may result in earlier recognition of credit losses. IFRS 9 must be applied for financial years commencing on or after January 2018.

Management is currently assessing the impact of IFRS 9 on the Trust's unaudited interim condensed consolidated financial statements.

c) IFRS 15, "Revenue from Contracts with Customers"

IFRS 15, "Revenue from Contracts with Customers", is a new standard that establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, although earlier application is permitted. This standard supersedes IFRS 11 "Constructions Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue - Barter Transactions Involving Advertising Services". The reasons for issuing this new standard include: (a) remove inconsistencies and weaknesses in previous revenue requirements; (b) provide a more robust framework for addressing revenue issues; (c) improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; (d) provide more useful information to users of financial statements through improved disclosure requirements; and (e) simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer.

Management is currently assessing the impact of IFRS 15 on the Trust's unaudited interim condensed consolidated financial statements.

d) IFRS 16, "Leases"

IFRS 16, "Leases" is a new standard that sets out the principles for the recognition, measurement and disclosure of leases. This new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessors, IFRS 16 carries forward the lessor accounting requirements in IAS 17, with enhanced disclosure requirements that will provide information to the users of financial statements about a lessor's risk exposure, particularly to residual value risk. IFRS 16 is effective for annual

periods beginning on or after January 1, 2019, although earlier application is permitted for entities that apply IFRS 15. This standard supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentives", and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

Management is currently assessing the impact of IFRS 16 on the Trust's unaudited interim condensed consolidated financial statements.

e) IAS 40, "Investment Property"
During December 2016, the IASB issued an amendment to IAS 40 clarifying certain existing requirements. The amendment requires that an asset be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

Management is currently assessing the impact of IAS 40 on the Trust's unaudited interim condensed consolidated financial statements.

3. Earnouts

Earnouts completed during the six months ended June 30, 2017
During the six months ended June 30, 2017, pursuant to development management agreements referred to in Note 4 (see also Note 20, "Related party transactions"), the Trust completed the purchase of Earnouts totalling 9,575 square feet of development space from Penguin for $3,956. The purchase price was paid in cash, adjusted for amounts previously funded and other adjustments.

Consideration for the Earnouts completed during the six months ended June 30, 2017 is summarized as follows:

	Earnouts
Cash	2,780
Amounts previously funded and other adjustments	1,176
	3,956

Earnouts completed during the six months ended June 30, 2016
During the six months ended June 30, 2016, pursuant to development management agreements referred to in Note 4 (see also Note 20, "Related party transactions"), the Trust completed the purchase of Earnouts totalling 40,568 square feet of development space from Penguin for $13,942. The purchase price was satisfied through the issuance of: 32,785 Trust Units, 21,857 Class B LP Units, 18,394 Class B LP III Units, 8,913 Class B LP IV Units, 68,458 Class B Oshawa Taunton LP Units and 41,670 Class D Oshawa Taunton LP Units, totalling $5,623 and the balance paid in cash, adjusted for amounts previously funded and other adjustments.

Consideration for the Earnouts completed during the six months ended June 30, 2016 is summarized as follows:

	Earnouts
Cash	5,303
Trust Units issued	659
LP Units issued	4,964
Amounts previously funded and other adjustments	3,016
	13,942

The Earnouts in the above table do not include the cost of previously acquired freehold land in the amount of $534.

4. Investment properties

The following summarizes the activities in investment properties for the six months ended June 30, 2017 and the year ended December 31, 2016:

		June 30, 2017			December 31, 2016		
	Note	**Income Properties**	**Properties Under Development**	**Total**	Income Properties	Properties Under Development	Total
Balance – beginning of period		**7,757,109**	**485,308**	**8,242,417**	7,471,963	544,284	8,016,247
Additions:							
Acquisition, and related adjustments, of investment properties		**—**	**—**	**—**	76,035	—	76,035
Transfer to income properties from properties under development		**8,657**	**(8,657)**	**—**	115,659	(115,659)	—
Transfer from income properties to properties under development		**(16,700)**	**16,700**	**—**	(8,500)	8,500	—
Earnout Fees on properties subject to development management agreements		**2,741**	**—**	**2,741**	14,476	—	14,476
Additions to investment properties		**4,249**	**31,979**	**36,228**	13,840	65,669	79,509
Transfer to residential development inventory	4(c)	**—**	**(19,392)**	**(19,392)**	—	—	—
Dispositions	4(b)	**—**	**(19,392)**	**(19,392)**	—	(4,162)	(4,162)
Fair value adjustments	24	**21,805**	**5,166**	**26,971**	73,636	(13,324)	60,312
Balance – end of period		**7,777,861**	**491,712**	**8,269,573**	7,757,109	485,308	8,242,417

The costs of both income properties and properties under development as at June 30, 2017 totalled $6,381,152 and $590,358, respectively (December 31, 2016 – $6,380,816 and $584,104, respectively).

Secured debt with a carrying value of $2,399,353 (December 31, 2016 – $2,535,326) is secured by investment properties with a fair value of $5,355,573 (December 31, 2016 – $5,540,717).

Presented separately from investment properties is $80,875 (December 31, 2016 – $81,860) of net straight-line rent receivables and tenant incentives (these amounts are included in "other assets" – see Note 7) arising from the recognition of rental revenues on a straight-line basis and amortization of tenant incentives over the respective lease terms. The fair value of investment properties has been reduced by these amounts, which are presented separately.

a) Valuation techniques underlying management's estimation of fair value

Income properties that are freehold properties, with a total carrying amount of $6,724,426 (December 31, 2016 – $6,699,690), were valued using the direct income capitalization method. In applying the direct income capitalization method, the stabilized net operating income ("NOI") of each property is divided by an overall capitalization rate.

Income properties that are leasehold interests with purchase options, with a total carrying value of $826,677 (December 31, 2016 – $827,557), were valued using the direct income capitalization method as described above, adjusted for the present value of the purchase options.

Income properties that are leasehold interests with no purchase options, with a total carrying value of $226,758 (December 31, 2016 – $229,862), were valued by present valuing the remaining income stream of the properties.

Properties under development with a total carrying amount of $415,067 (December 31, 2016 – $410,803) were valued using the direct income capitalization method less any construction costs to complete development and Earnout Fees, if any.

Properties under development with a total carrying amount of $76,645 (December 31, 2016 – $74,505) were valued by comparing to recent sales of properties of similar types, locations and quality.

Significant unobservable inputs in Level 3 valuations are as follows:

		June 30, 2017			December 31, 2016		
Class	**Valuation Technique**	**Total Stabilized or Forecasted NOI**	**Range of Capitalization or Discount Rates**	**Weighted Average Capitalization or Discount Rate**	Total Stabilized or Forecasted NOI	Range of Capitalization or Discount Rates	Weighted Average Capitalization or Discount Rate
Income properties	Direct income capitalization	**391,496**	**5.00–8.25%**	**5.82%**	391,262	5.00–8.13%	5.84%
	Direct income capitalization less present value of purchase option	**53,953**	**5.88–6.75%**	**6.35%**	52,664	6.00–7.00%	6.36%
	Discounted cash flow	**N/A**	**6.00–6.50%**	**6.22%**	N/A	6.00–6.50%	6.22%
Properties under development	Direct income capitalization	**27,596**	**6.08–7.40%**	**6.66%**	27,688	5.85–8.23%	6.74%
	Sales comparison	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A

Fair values are most sensitive to changes in capitalization rates and stabilized or forecasted NOI, among other inputs as described above. Generally, an increase in NOI will result in an increase in the fair value of investment properties and an increase in capitalization rates will result in a decrease in the fair value of investment properties. The capitalization rate magnifies the effect of a change in NOI, with a lower capitalization rate resulting in a greater impact of a change in NOI than a higher capitalization rate.

The analysis below shows the maximum impact on fair values of possible changes in capitalization rates, assuming no changes in NOI:

Change in capitalization rate of	**-0.50%**	**-0.25%**	**+0.25%**	**+0.50%**
Increase (decrease) in fair value				
Income properties	709,690	338,919	(311,001)	(597,397)
Properties under development	33,691	16,188	(15,017)	(28,985)

b) Dispositions

Disposition of investment properties during the six months ended June 30, 2017

On June 29, 2017, the Trust sold a 50% interest in development lands in Vaughan, Ontario to an unrelated party for gross proceeds of $19,392, excluding closing costs of $156, which was satisfied by: (i) a loan receivable of $9,804 bearing interest at 5.50% payable quarterly in interest only, maturing in 2019 and secured by a first charge on the development lands (see also Note 5(b), "Mortgages, loans and notes receivable") and (ii) the balance in cash, adjusted for other working capital amounts. Concurrent with the sale, the Trust entered into a co-ownership agreement and related agreements with an unrelated party to develop and sell townhouse and residential units on the development lands (see also Note 22, "Co-ownership interests").

Disposition of investment properties during the six months ended June 30, 2016

On March 15, 2016, the Trust sold a parcel of land to an unrelated party for gross proceeds of $162 excluding closing costs of $3, which was satisfied by cash, adjusted for other working capital amounts.

On April 7, 2016, the Trust sold a parcel of land to an unrelated party for gross proceeds of $4,000 excluding closing costs of $121, which was satisfied by cash, adjusted for other working capital amounts.

c) Transfer to residential development inventory during the six months ended June 30, 2017

In conjunction with the disposition on June 29, 2017, discussed in Note 4(b) above, the remaining 50% interest in development lands in Vaughan, Ontario with a fair value of $19,392 was transferred to residential development inventory. The Trust has entered into a co-ownership agreement and related agreements with an unrelated party that acquired the remaining 50% interest of the development lands to develop and sell townhouse and residential units.

d) Leasehold property interests

At June 30, 2017, 16 (December 31, 2016 – 16) investment properties with a fair value of $1,053,435 (December 31, 2016 – $1,057,419) are leasehold property interests accounted for as finance leases.

i) Leasehold property interests without bargain purchase options

The Trust prepaid its entire lease obligations for 14 leasehold interests with Penguin (see also Note 20, "Related party transactions") in the amount of $885,807 (December 31, 2016 – $886,194), including prepaid land rent of $228,882 (December 31, 2016 – $229,391). On the completion and rental of additional space during the six months ended June 30, 2017, the Trust prepaid its entire lease obligations relating to build-out costs of $2,068 (December 31, 2016 – $10,397).

ii) Leasehold property interests with bargain purchase options

One leasehold interest commenced in 2003 under the terms of a 35-year lease with Penguin (see also Note 20, "Related party transactions"). The lease requires a $10,000 payment at the end of the lease term in 2038 to exercise a purchase option, which is considered to be a bargain purchase option. The Trust prepaid its entire lease obligation for this property of $57,997 (December 31, 2016 – $57,997). On the completion and rental of additional space during the six months ended June 30, 2017, the Trust prepaid its lease obligations relating to build-out costs of $nil (December 31, 2016 – $3). The purchase option price has been included in accounts payable, net of imputed interest at 9.18% of $8,583 (December 31, 2016 – $8,642), in the amount of $1,417 (December 31, 2016 – $1,358) (see also Note 11, "Accounts and other payables").

A second leasehold interest was acquired on February 11, 2015 from a third party and includes a land lease that expires on September 1, 2054. The land lease requires monthly payments ranging from $400 to $600 annually until September 1, 2054, and a $6,000 payment between September 1, 2023 and September 1, 2025 to exercise a purchase option that is considered to be a bargain purchase option. As the Trust intends to exercise the purchase option on September 1, 2023, the purchase option price and the monthly payments up to September 1, 2023 have been included in accounts payable, net of imputed interest at 6.25% of $2,373 (December 31, 2016 – $2,566), in the amount of $6,335 (December 31, 2016 – $6,337) (see also Note 11, "Accounts and other payables").

e) Properties under development

Properties under development consist of the following:

	June 30, 2017	December 31, 2016
Properties under development subject to development management agreements (i)	**70,945**	72,564
Properties under development not subject to development management agreements (ii)	**420,767**	412,744
	491,712	485,308

For the three months ended June 30, 2017, the Trust capitalized a total of $4,918 (three months ended June 30, 2016 – $5,203) of borrowing costs related to properties under development. For the six months ended June 30, 2017, the Trust capitalized a total of $9,660 (six months ended June 30, 2016 – $10,252) of borrowing costs related to properties under development.

i) Properties under development subject to development management agreements

These properties under development (including certain leasehold property interests) are subject to various development management agreements with Penguin, Wal-Mart Canada Realty Inc. and Hopewell Development Corporation – a company in which a trustee is an officer.

In certain events, the developer may sell a portion of undeveloped land to accommodate the construction plan that provides the best use of the property, reimbursing the Trust its costs related to such portion and, in some cases, a profit based on a pre-negotiated formula. Pursuant to the development management agreements, the vendors assume responsibility for managing the development of the land on behalf of the Trust and are granted the right for a period of up to 10 years to earn an Earnout Fee. On completion and rental of additional space on these properties, the Trust is obligated to pay the Earnout Fee and to purchase the additional developments, at a total price calculated by a formula using the net operating rents and predetermined negotiated capitalization rates, on the date rent becomes payable on the additional space (Gross Cost). The Earnout Fee is calculated as the Gross Cost less the associated land and development costs incurred by the Trust.

For additional space completed on land with a fair value of $25,137 (December 31, 2016 – $27,012), the fixed predetermined negotiated capitalization rates range from 5.71% to 8.23% during the five-year period of the respective development management agreements. For additional space completed on land with a fair value of $45,808 (December 31, 2016 – $45,552), the predetermined negotiated capitalization rates are fixed for each contract for either the first one, two, three, four or five years, ranging from 5.60% to 8.00%, and then are determined by reference to the 10-year Government of Canada bond rate at the time of completion plus a fixed predetermined negotiated spread ranging from 2.00% to 3.90% for the remaining term of the 10-year period of the respective development management agreements subject to a maximum capitalization rate ranging from 6.60% to 9.50% and a minimum capitalization rate ranging from 5.75% to 7.50%.

For certain of these properties under development, Penguin and other unrelated parties have been granted Earnout options that give them the right, at their option, to invest up to 40% of the Earnout Fee for one of the agreements and up to 30% to 40% of the Gross Cost for the remaining agreements in Trust Units, Class B and D LP Units, Class B and D LP III Units, Class B LP IV Units, Class B and D Oshawa South LP Units, Class B and D Oshawa Taunton LP Units and Class D Boxgrove LP Units at predetermined option strike prices subject to a maximum number of units (Note 12 (b)).

The Earnout options that Penguin and a third party elected to exercise during the three and six months ended June 30, 2017 and June 30, 2016 resulted in proceeds as follows (see also Note 12(b), "Other financial liabilities"):

	Three Months Ended June 30		**Six Months Ended June 30**	
	2017	2016	**2017**	2016
Trust Units	**—**	—	**—**	659
Class B LP Units	**—**	—	**—**	439
Class B LP III Units	**—**	519	**—**	622
Class B LP IV Units	**—**	—	**—**	290
Class B Oshawa Taunton LP Units	**—**	901	**—**	2,257
Class D Oshawa Taunton LP Units	**—**	—	**—**	1,356
Total LP Units	**—**	1,420	**—**	4,964
	—	1,420	**—**	5,623

The development costs incurred (exclusive of cost of land previously acquired) and Earnout Fees paid to vendors relating to the completed retail spaces that have been reclassified to income properties during the three and six months ended June 30, 2017 and June 30, 2016 are as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2017	2016	**2017**	2016
Development costs incurred	**30**	1,621	**1,257**	6,965
Earnout Fees	**—**	2,842	**2,741**	8,695
	30	4,463	**3,998**	15,660

A certain vendor has provided interest bearing loans to finance additional costs of development.

ii) Properties under development not subject to development management agreements

During the three and six months ended June 30, 2017, the Trust completed the development and leasing of certain income properties on properties under development not subject to development management agreements. The values of land and development costs incurred have been reclassified from properties under development into income properties. For the three months ended June 30, 2017, the Trust incurred land and development costs of $3,903 (three months ended June 30, 2016 – $80,255). For the six months ended June 30, 2017, the Trust incurred land and development costs of $7,400 (six months ended June 30, 2016 - $83,193).

5. Mortgages, loans and notes receivable

Mortgages, loans and notes receivable consist of the following:

	Note	June 30, 2017	December 31, 2016
Mortgages receivable (a)	20	**127,294**	124,778
Loans receivable (b)		**61,211**	51,134
Notes receivable (c)	20	**2,979**	2,979
		191,484	178,891
Current		**47,025**	105,601
Non-current		**144,459**	73,290
		191,484	178,891

a) Mortgages receivable of $127,294 (December 31, 2016 – $124,778) have been provided pursuant to agreements with Penguin (see also Note 20, "Related party transactions") in which the Trust will lend up to $284,451 (December 31, 2016 – $268,851) for use in acquiring and/or developing nine (December 31, 2016 – nine) properties across Ontario, Quebec and British Columbia.

The following provides further details on the mortgages receivable (by maturity date):

Property	Committed	Maturity Date	Effective Interest Rate	Purchase Option % of Property[7]	June 30, 2017	December 31, 2016
Salmon Arm, BC[1][2]	23,264	October 2017	4.23%	—	**16,712**	16,362
Innisfil, ON[1][3]	27,077	December 2020	2.86%	—	**19,083**	18,810
Aurora (South), ON[4]	30,543	March 2022	3.63%	50%	**15,158**	14,885
Mirabel (Shopping Centre), QC[5]	18,262	December 2022	7.50%	—	**—**	—
Mirabel (Option Lands), QC[6]	5,721	December 2022	7.50%	—	**—**	—
Vaughan (7 & 427), ON	53,127	December 2023	5.39%	50%	**16,231**	15,796
Pitt Meadows, BC[4]	68,664	November 2023	4.08%	50%	**25,912**	25,388
Caledon (Mayfield), ON[4]	14,034	April 2024	3.92%	50%	**8,801**	8,630
Toronto (StudioCentre), ON[1][4]	43,759	June 2024	3.90%	25%	**25,397**	24,907
	284,451		3.98%		**127,294**	124,778

(1) The Trust owns a 50% interest in these properties, with the other 50% interest owned by Penguin. These loans are secured against Penguin's interest in the property.
(2) Monthly variable rate based on a fixed rate of 6.35% on loans outstanding up to $7,200 and banker's acceptance rate plus 1.75% on any additional loans above $7,200.
(3) The monthly variable rate is based on the banker's acceptance rate plus 2.00%. The interest rate on this mortgage will reset in 2018 to the four-year Government of Canada bond rate plus 4.0%, subject to a lower limit of 6.75% and an upper limit of 7.75%.
(4) These loans were amended during the three months ended March 31, 2017. See the "Loan Amendments" section below for details.
(5) The Trust owns a 33.3% interest in this property. The loan is secured against a 33.3% interest owned by Penguin, as well as a guarantee by Penguin.
(6) The Trust owns a 25% interest in this property. The loan is secured against a 25% interest owned by Penguin, as well as a guarantee by Penguin.
(7) The Trust has an option to purchase an additional purchase option percentage from the borrower in these properties upon a certain level of development and leasing being achieved. As at June 30, 2017, it is management's expectation that the Trust will exercise these purchase options.

Interest on these mortgages accrues monthly as follows: (a) at a variable rate based on the banker's acceptance rate plus 1.75% to 4.20% or at the Trust's cost of capital (as defined in the mortgage agreement) plus 0.25% on mortgages receivable of $120,059 (December 31, 2016 – $43,733); and (b) at a fixed rate of 7.50% on mortgages receivable of $7,235 (December 31, 2016 – $81,045) and is added to the outstanding principal up to a predetermined maximum accrual after which it is payable in cash monthly or quarterly. Additional interest of $109,335 (December 31, 2016 – $67,208) may be accrued on certain of the various mortgages receivable before cash interest must be paid.

The mortgage security includes a first or second charge on properties, assignments of rents and leases, and general security agreements. In addition, $107,615 (December 31, 2016 – $105,098) of the outstanding balance is guaranteed by Penguin Properties Inc., one of Penguin's companies. The loans are subject to individual loan guarantee agreements that provide additional guarantees for all interest and principal advanced on outstanding amounts. The guarantees decrease on achievement of certain specified value-enhancing events. All mortgages receivable are considered by management to be fully collectible.

Loan Amendments

During the six months ended June 30, 2017, there were four mortgages receivable for which the maturity dates were amended from an original range of 2017 to 2020 to a revised range of 2022 to 2024. The committed facilities on these mortgages receivable were amended to reflect an increase from $141,000 to $157,000. In addition, the interest rates on these mortgages receivable were amended from a range of fixed interest rates of 6.75% to 7.00% to a revised range of banker's acceptance rates plus 2.75% to 4.20%.

For the three months ended June 30, 2017, the total interest accrued was $1,262 (three months ended June 30, 2016 – $1,932). For six months ended June 30, 2017, the total interest accrued was $2,516 (six months ended June 30, 2016 – $3,832).

b) Loans receivable as at June 30, 2017 of $61,211 (December 31, 2016 – $51,134) comprise the following:

Issued to	Maturity Date	Effective Interest Rate	Note	June 30, 2017	December 31, 2016
OneREIT[1]	October 2017	6.75%		**30,314**	30,314
Unrelated party[2]	September 2018	4.50%		**11,500**	11,500
Penguin[3]	November 2020	Variable	20	**9,593**	9,320
Unrelated party[4]	March 2019	5.50%	4(b)	**9,804**	—
				61,211	51,134

(1) This loan is secured by a subordinate charge on seven properties. On October 28, 2016, the Trust entered into an agreement to extend this loan receivable for a period of one year with a revised maturity of October 30, 2017, which included a one-time prepayment option of $10,000 that was exercised by OneREIT on October 31, 2016.

(2) This loan is secured by either a first or second charge on properties, assignments of rents and leases, and general security agreements.

(3) This loan was provided pursuant to a development management agreement with Penguin with a total loan facility of $20,000. Repayment of the pro-rata share of the outstanding loan amount is due upon the completion of each Earnout event. The loan bears interest at 10 basis points plus the lower of: (i) the Canadian prime rate plus 45 basis points, and (ii) the Canadian Dealer Offered Rate ("CDOR") plus 145 basis points.

(4) During the quarter, a loan receivable of $9,804 was provided pursuant to an agreement with an unrelated party to use in acquiring a 50% interest in development lands. The loan bears interest at 5.50% payable quarterly, interest only, matures in March 2019 and is secured by a first charge on the 50% interest of the development lands held by the unrelated party.

The following illustrates the activity in loans receivable for the three and six months ended June 30:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Loans issued	**9,804**	—	**9,804**	—
Amounts funded	**—**	156	**157**	156
Interest accrued	**58**	62	**116**	120
	9,862	218	**10,077**	276

c) Notes receivable of $2,979 (December 31, 2016 – $2,979) have been granted to Penguin (see also Note 20, "Related party transactions"). These secured demand notes bear interest at 9.00% per annum. During the three months ended June 30, 2017, $nil was advanced (six months ended June 30, 2016 – $nil). During the six months ended June 30, 2017, $nil was advanced (six months ended June 30, 2016 – $51).

The estimated fair values of the mortgages, loans and notes receivable based on their respective current market rates – with similar terms and risks – are disclosed in Note 13, "Fair value of financial instruments".

6. Investment in associates

In 2012, the Trust entered into the Penguin-Calloway Vaughan Partnership ("PCV Partnership") with Penguin (see also Note 20, "Related party transactions") to develop the Vaughan Metropolitan Centre ("VMC"), which is expected to consist of approximately 8.0 million to 10.0 million square feet once fully developed, on 53 acres of development land in Vaughan, Ontario. In addition, during the three months ended June 30, 2017, the Trust entered into the VMC Residences Limited Partnership ("Residences LP") and VMC Residences III Limited Partnership ("Residences III LP") with Penguin and a third party to develop residential condominium towers, located on the VMC site.

The following table details the Trust's ownership interest in each equity investee:

Equity Investee	Principal Activity	June 30, 2017	December 31, 2016
PCV Partnership	Owns, develops and operates income properties	**50.0%**	50.0%
Residences LP	Development and sale of two residential condominium towers	**25.0%**	N/A
Residences III LP	Development and sale of a residential condominium tower	**25.0%**	N/A

The following summarizes key components relating to the Trust's investment in associates:

	June 30, 2017	December 31, 2016
Investment – beginning of period	**122,677**	107,548
Contributions	**2,916**	1,730
(Loss) earnings	**(375)**	13,787
Distributions received	**(45)**	(388)
Investment – end of period	**125,173**	122,677

Balance sheet summary

The following summarizes the assets and liabilities of the Trust's investment in associates along with the Trust's share of net assets:

	June 30, 2017			December 31, 2016
	PCV Partnership	**Residences LP and Residences III LP**	**Total**	Total
Non-current assets	**373,129**	**—**	**373,129**	368,760
Current assets	**4,220**	**2,107**	**6,327**	1,397
Total assets	**377,349**	**2,107**	**379,456**	370,157
Non-current liabilities	**119,227**	**—**	**119,227**	114,670
Current liabilities	**8,437**	**785**	**9,222**	10,133
Total liabilities	**127,664**	**785**	**128,449**	124,803
Net assets	**249,685**	**1,322**	**251,007**	245,354
Trust's share of net assets	**124,842**	**331**	**125,173**	122,677

The above balance sheet summary does not include purchasers' deposits associated with the sale of residential condominium units in Residences LP, which are currently held in trust pending receipt of appropriate bonding. As at June 30, 2017, purchasers' deposits totalled $21,836, of which the Trust's share is $5,459.

Earnings

The following summarizes the income and expenses of the Trust's investment in associates along with the Trust's share of earnings (loss) for the three months ended June 30, 2017 and June 30, 2016:

	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016
	PCV Partnership	**Residence LP and Residence III LP**	**Total**	Total
Revenue	**3,225**	**—**	**3,225**	801
Operating expense	**(1,239)**	**—**	**(1,239)**	(338)
Pre-sale cost	**—**	**(441)**	**(441)**	—
Fair value adjustments	**1,392**	**—**	**1,392**	198
Interest expense	**(561)**	**—**	**(561)**	(16)
Earnings (loss)	**2,817**	**(441)**	**2,376**	645
Trust's share of earnings (loss)	**1,409**	**(110)**	**1,299**	322

The following summarizes the income and expenses of the Trust's investment in associates along with the Trust's share of earnings (loss) for the six months ended June 30, 2017 and June 30, 2016:

	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016
	PCV Partnership	**Residence LP and Residence III LP**	**Total**	Total
Revenue	**6,013**	**—**	**6,013**	1,584
Operating expense	**(2,397)**	**—**	**(2,397)**	(678)
Pre-sale cost	**—**	**(441)**	**(441)**	—
Fair value adjustments	**(3,171)**	**—**	**(3,171)**	13,611
Interest expense	**(975)**	**—**	**(975)**	(35)
(Loss) earnings	**(530)**	**(441)**	**(971)**	14,482
Trust's share of (loss) earnings	**(265)**	**(110)**	**(375)**	7,241

Further details on the PCV Partnership

Investment properties

	June 30, 2017			December 31, 2016		
	Income Properties	**Properties Under Development**	**Total Investment Properties**	Income Properties	Properties Under Development	Total Investment Properties
Balance – beginning of period	**118,553**	**246,332**	**364,885**	43,200	261,408	304,608
Transfer from properties under development to income properties	**51,253**	**(51,253)**	**—**	67,086	(67,086)	—
Additions to investment properties	**—**	**7,350**	**7,350**	—	36,271	36,271
Fair value adjustment on revaluation of investment properties	**(5,652)**	**1,674**	**(3,978)**	8,267	15,739	24,006
Balance – end of period	**164,154**	**204,103**	**368,257**	118,553	246,332	364,885
Trust's share of investment properties (50%)	**82,077**	**102,052**	**184,129**	59,277	123,166	182,443

The PCV Partnership has entered into various development construction contracts with existing commitments totalling $9,886, of which the Trust's share is $4,943.

Development financing

In 2015, the PCV Partnership completed development financing for an original amount of $189,000, of which the Trust's share is 50%, which bears an interest rate of banker's acceptance rates plus 1.40%, is secured by a first charge over the property and matures on January 16, 2019. Also in 2015, the Trust entered into an agreement to lock-in the banker's acceptance rate at 1.48%, which resulted in a fixed effective interest rate of 2.88% for the term, and extended the loan maturity date to January 16, 2020. The financing comprises pre-development, construction and letters of credit facilities. The obligations of the credit facilities are joint and several to each of the VMC general partners. The following summarizes the remaining unused development facility:

	June 30, 2017	December 31, 2016
Development facility - beginning of period	**180,693**	189,000
Reduction[1]	**(20,000)**	—
Letters of credit released[2]	**(313)**	(8,307)
Development facility – end of period	**160,380**	180,693
Amount drawn on development facility	**(117,900)**	(112,200)
Letters of credit – outstanding	**(12,504)**	(12,190)
Remaining unused development facility	**29,976**	56,303
Trust's share of remaining unused development facility (50%)	**14,988**	28,152

(1) On March 23, 2017, the Trust entered into an agreement to reduce the development facility by $20,000.

(2) The development facility includes a non-revolving letter of credit facility up to a maximum amount of $24,000. For the six months ended June 30, 2017, an additional amount of letters of credit totalling $313 was released (December 31, 2016 – $8,307).

7. Other assets

The components of other assets are as follows:

	June 30, 2017	December 31, 2016
Straight-line rent receivables	**46,031**	45,750
Tenant incentives	**34,844**	36,110
Equipment	**1,807**	2,044
	82,682	83,904

The following table summarizes the activity in other assets for the six months ended June 30, 2017:

	December 31, 2016	Additions	Adjustments/ Amortization	**June 30, 2017**
Straight-line rent receivables	45,750	—	281	**46,031**
Tenant incentives	36,110	1,932	(3,198)	**34,844**
Equipment	2,044	128	(365)	**1,807**
	83,904	2,060	(3,282)	**82,682**

8. Intangible assets

The components of intangible assets are as follows:

	June 30, 2017			December 31, 2016		
	Cost	**Accumulated Amortization**	**Net**	Cost	Accumulated Amortization	Net
Intangible assets with finite lives:						
Key joint venture relationships	**36,944**	**2,579**	**34,365**	36,944	1,964	34,980
Trademarks	**2,995**	**210**	**2,785**	2,995	159	2,836
Total intangible assets with finite lives	**39,939**	**2,789**	**37,150**	39,939	2,123	37,816
Goodwill	**13,979**	**—**	**13,979**	13,979	—	13,979
	53,918	**2,789**	**51,129**	53,918	2,123	51,795

The total amortization expense recognized in the three months ended June 30, 2017 amounted to $333 (three months ended June 30, 2016 – $334). The total amortization expense recognized in the six months ended June 30, 2017 amounted to $666 (six months ended June 30, 2016 – $666).

9. Amounts receivable, prepaid expenses and deposits, deferred financing costs and other

The components of amounts receivable, prepaid expenses and deferred financing costs are as follows:

	Note	**June 30, 2017**	December 31, 2016
Amounts receivable			
Tenant receivables – net of allowance (a)		**18,133**	7,564
Unbilled other tenant receivables (b)		**11,419**	8,902
Other non-tenant receivables		**2,047**	4,507
Receivables from related party	20	**11,779**	8,188
		43,378	29,161
Prepaid expenses and deposits (c)		**33,688**	5,942
Deferred financing costs		**1,693**	306
Other		**2,821**	692
		81,580	36,101

a) Tenant receivables – net of allowance

Tenant receivables net of allowance is determined as follows:

	June 30, 2017	December 31, 2016
Tenant receivables	**21,431**	12,054
Allowance for doubtful accounts	**(3,298)**	(4,490)
Tenant receivables – net of allowance	**18,133**	7,564

Tenant receivables representing contractual rental payments from tenants are due at the beginning of each month. Annual common area maintenance ("CAM") and property taxes are considered past due 60 days after billing. Tenant receivables less than 90 days old total $14,109 (December 31, 2016 – $4,745). The tenant receivable amounts older than 90 days totalling $4,024 (December 31, 2016 – $2,819), net of bad debt allowances of $3,298 (December 31, 2016 – $4,490), primarily pertain to CAM and property tax queries. The net amounts over 90 days old are at various stages of the collection process and are considered by management to be collectible.

The reconciliation of changes in the allowance for doubtful accounts on tenant receivables is as follows:

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Balance – beginning of period	**4,490**	4,492
Additional allowance recognized as expense	**262**	594
Reversal of previous allowances	**(1,244)**	(191)
Net	**(982)**	403
Tenant receivables written off during the period	**(210)**	(727)
Balance – end of period	**3,298**	4,168

For the six months ended June 30, 2017, the reversal of previous allowances relates to specific tenant receivable impairments. Amounts written off totalling $210 (six months ended June 30, 2016 – $727) relate to uncollectible amounts from specific tenants that have vacated their premises or where there is a settlement of a specific amount.

b) Other tenant receivables

Other tenant receivables totalling $11,419 (December 31, 2016 – $8,902) pertain to unbilled CAM and property tax recoveries and chargebacks. These amounts are considered current and/or collectible and are at various stages of the billing and collection process, as applicable.

c) Prepaid expenses and deposits

Prepaid expenses and deposits consist primarily of prepaid property operating expenses and deposits relating to acquisitions and Earnouts. Included in prepaid property operating expenses are prepaid realty taxes associated with the annual realty taxes on the Trust's investment properties. As at June 30, 2017, prepaid realty taxes totalled $29,743 (December 31, 2016 – $2,083).

10. Debt

Debt consists of the following:

	June 30, 2017	December 31, 2016
Secured debt (a)	**2,399,353**	2,535,326
Revolving operating facility (b)	**149,000**	—
Unsecured debentures (c)	**1,302,052**	1,302,466
	3,850,405	3,837,792
Current	**519,865**	550,581
Non-current	**3,330,540**	3,287,211
	3,850,405	3,837,792

a) Secured debt

Secured debt bears interest at a weighted average interest rate of 3.77% at June 30, 2017 (December 31, 2016 – 3.79%). The total includes $2,001,309 (December 31, 2016 – $2,063,204) at fixed rates and $398,044 (December 31, 2016 – $472,122) at variable interest rates based on banker's acceptance rate plus a margin. Secured debt matures at various dates between 2017 and 2031 and is secured by first or second registered mortgages over specific income properties and properties under development and first general assignments of leases, insurance and registered chattel mortgages.

Principal repayment requirements for secured debt are as follows:

	Installment Payments	**Lump Sum Payments at Maturity**	**Total**
2017 (remainder of year)	37,637	142,333	179,970
2018	64,898	325,110	390,008
2019	60,029	307,430	367,459
2020	55,039	123,170	178,209
2021	50,083	138,916	188,999
Thereafter	167,125	929,240	1,096,365
	434,811	1,966,199	2,401,010
Unamortized acquisition date fair value adjustment			5,351
Unamortized financing costs			(7,008)
			2,399,353

b) Revolving operating facility

On June 12, 2017, the Trust replaced the former revolving operating facility of $350,000 with a new $500,000 unsecured revolving operating facility that bears interest at a variable interest rate based on bank prime rate plus 0.45% or banker's acceptance rates plus 1.45%, and expires on May 31, 2022. The new facility includes an accordion feature of $250,000 whereby the Trust has an option to increase its facility amount with the lenders to sustain future operations as required. As at June 30, 2017, the Trust had $149,000 (December 31, 2016 – $nil) outstanding on its new revolving operating facility.

	June 30, 2017	December 31, 2016
Former revolving operating facility	**—**	350,000
New revolving operating facility	**500,000**	—
Total available operating facility	**500,000**	350,000
Lines of credit – outstanding	**(149,000)**	—
Letters of credit – outstanding	**(16,576)**	(17,964)
Remaining unused operating facility	**334,424**	332,036

c) Unsecured debentures

	Maturity Date	Annual Interest Rate	Interest Payment Dates	**June 30, 2017**	December 31, 2016
Series H	July 27, 2020	4.050%	January 27 and July 27	**150,000**	150,000
Series I	May 30, 2023	3.985%	May 30 and November 30	**200,000**	200,000
Series J	December 1, 2017	3.385%	June 1 and December 1	**—**	150,000
Series L	February 11, 2021	3.749%	February 11 and August 11	**150,000**	150,000
Series M	July 22, 2022	3.730%	January 22 and July 22	**150,000**	150,000
Series N	February 6, 2025	3.556%	February 6 and August 6	**160,000**	160,000
Series O	August 28, 2024	2.987%	February 28 and August 28	**100,000**	100,000
Series P	August 28, 2026	3.444%	February 28 and August 28	**250,000**	250,000
Series Q	March 21, 2022	2.876%	March 21 and September 21	**150,000**	—
				1,310,000	1,310,000
		Less:	Unamortized financing costs	**(7,948)**	(7,534)
				1,302,052	1,302,466

Unsecured debenture activity for the six months ended June 30, 2017

Issuances

On March 15, 2017, the Trust issued $150,000 of 2.876% Series Q senior unsecured debentures (net proceeds including issuance costs – $149,062), which are due on March 21, 2022 with semi-annual payments due on March 21 and September 21 each year. The proceeds were used to redeem the outstanding principal on the 3.385% Series J senior unsecured debentures totalling $150,000 (see below for details).

Redemptions

On April 13, 2017, the Trust redeemed $150,000 aggregate principal amount of 3.385% Series J senior unsecured debentures. In addition to paying accrued interest of $1,864, the Trust paid a yield maintenance fee of $2,206 in connection with the redemption.

Unsecured debenture activity for the six months ended June 30, 2016

There was no unsecured debenture activity for the six months ended June 30, 2016.

Credit rating of unsecured debentures

Dominion Bond Rating Services ("DBRS") provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfill its obligations. An investment-grade rating must exceed "BB," with the highest rating being "AAA." The Trust's unsecured debentures are rated "BBB" with a stable trend at June 30, 2017.

d) Interest expense

Interest expense consists of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Interest at stated rates	**36,024**	37,616	**72,781**	75,359
Amortization of acquisition date fair value adjustments on assumed debt	**(787)**	(899)	**(1,608)**	(1,833)
Amortization of deferred financing costs	**993**	767	**1,785**	1,536
Distributions on vested deferred units and Class D Units, classified as liabilities	**514**	338	**1,012**	1,007
	36,744	37,822	**73,970**	76,069
Less: Interest capitalized to properties under development	**(4,918)**	(5,203)	**(9,660)**	(10,252)
Interest associated with operating activities	**31,826**	32,619	**64,310**	65,817
Yield maintenance on redemption of unsecured debentures	**181**	—	**2,721**	—
Interest expense	**32,007**	32,619	**67,031**	65,817

Cash interest paid associated with operating activities, consists of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Interest expense	**32,007**	32,619	**67,031**	65,817
Amortization of acquisition date fair value adjustments on assumed debt	**787**	899	**1,608**	1,833
Amortization of deferred financing costs	**(993)**	(767)	**(1,785)**	(1,536)
Distributions on vested deferred units and Class D Units, classified as liabilities	**(514)**	(338)	**(1,012)**	(1,007)
Change in interest associated with financing activities	**(181)**	—	**(2,721)**	—
Change in accrued interest payable associated with operating activities	**(5,996)**	(4,600)	**(280)**	321
Cash interest paid associated with operating activities	**25,110**	27,813	**62,841**	65,428

11. Accounts and other payables

Accounts payable and the current portion of other payables that are classified as current liabilities consist of the following:

	June 30, 2017	December 31, 2016
Accounts payable	**54,973**	68,119
Tenant prepaid rent, deposits and other payables	**56,131**	42,069
Accrued interest payable	**22,160**	21,880
Distributions payable	**22,165**	22,056
Realty taxes payable	**18,857**	6,257
Current portion of other payables	**8,029**	9,546
	182,315	169,927

Other payables that are classified as non-current liabilities consist of the following:

	Note	**June 30, 2017**	December 31, 2016
Future land development obligations (a)		**26,278**	26,042
Finance lease obligation	4	**7,752**	7,695
Long Term Incentive Plan liability (b)		**2,760**	3,629
Total other payables		**36,790**	37,366
Less: Current portion of other payables		**(8,029)**	(9,546)
Total non-current portion of other payables		**28,761**	27,820

a) Future land development obligations

The future land development obligations represent payments required to be made to Penguin for certain undeveloped lands acquired from 2006 to 2015, either on completion and rental of additional space on the undeveloped lands or, if no additional space is completed on the undeveloped lands, at the expiry of the 10-year development management agreement periods ending in 2017 to 2025. The accrued future land development obligations are measured at their estimated fair values using imputed interest rates ranging from 4.50% to 5.50%. For the three months ended June 30, 2017, imputed interest of $290 (three months ended

June 30, 2016 – $376) was capitalized to properties under development. For the six months ended June 30, 2017, imputed interest of $563 (six months ended June 30, 2016 – $610) was capitalized to properties under development.

b) Long Term Incentive Plan liability ("LTIP")

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Balance - beginning of period	**2,519**	2,311	**3,629**	2,424
Additional accrual	**241**	494	**896**	955
LTIP vested and paid out	**—**	—	**(1,765)**	(574)
Balance - end of period	**2,760**	2,805	**2,760**	2,805

Effective January 1, 2017, the Trust uses the Monte Carlo Simulation analysis to estimate the value of the LTIP.

12. Other financial liabilities

The components of other financial liabilities are as follows:

	June 30, 2017	December 31, 2016
Class D Units (a)	**18,073**	18,169
Earnout options (b)	**860**	1,455
Deferred unit plan (c)	**23,050**	19,743
Fair value of interest rate swap agreements	**—**	28
	41,983	39,395

a) Class D Units

The following represents the number of Class D Units issued and outstanding classified as other financial liabilities. The fair value measurement of the Class D Units is described in Note 13.

Total number of Class D Units

	Note	Class D Series 1 LP Units	Class D Series 1 Oshawa South LP Units	Class D Series 1 Oshawa Taunton LP Units	Total
Balance – January 1, 2017		**311,022**	**251,649**	**—**	**562,671**
Balance – June 30, 2017		**311,022**	**251,649**	**—**	**562,671**
Balance – January 1, 2016		311,022	251,649	—	562,671
Options exercised	12(b)	—	—	41,670	41,670
Balance – June 30, 2016		311,022	251,649	41,670	604,341

Carrying value of Class D Units

	Note	Class D Series 1 LP Units	Class D Series 1 Oshawa South LP Units	Class D Series 1 Oshawa Taunton LP Units	Total
Balance – January 1, 2017		**10,044**	**8,125**	**—**	**18,169**
Change in carrying value		**(53)**	**(43)**	**—**	**(96)**
Balance – June 30, 2017		**9,991**	**8,082**	**—**	**18,073**
Balance – January 1, 2016		9,390	7,597	—	16,987
Options exercised	12(b)	—	—	1,356	1,356
Change in carrying value		2,491	2,016	236	4,743
Balance – June 30, 2016		11,881	9,613	1,592	23,086

b) Earnout options

As part of the consideration paid for certain investment property acquisitions, the Trust has granted options in connection with the development management agreements (Note 4(d)). On completion and rental of additional space on specific properties, the Earnout options vest and the holder may elect to exercise the options and receive Trust Units, Class B LP Units, Class D LP Units, Class B LP III Units, Class B LP IV Units, Class B Oshawa South LP Units, Class D Oshawa South LP Units, Class B Oshawa Taunton LP Units, Class D Oshawa Taunton LP Units and Class B Boxgrove LP Units, as applicable. Earnout options that have not vested expire at the end of the term of the corresponding development management agreement. In certain circumstances, the Trust may be required to issue additional Earnout options to Penguin. The option strike prices were based on the market price

of Trust Units on the date the substantive terms were agreed on and announced. In the case of Class B LP III Units, Class B LP IV Units, Class B Oshawa South LP Units, Class D Oshawa South LP Units, Class B Oshawa Taunton LP Units, Class D Oshawa Taunton LP Units and Class B Boxgrove LP Units, the strike price is the market price of the Trust Units at the date of exchange.

The following represents the number of Units cancelled and outstanding for the six months ended June 30, 2017:

	Strike Price	Options Outstanding at January 1, 2017	Options Cancelled	Options Outstanding at June 30, 2017
	($)	(#)	(#)	(#)
Options to acquire Trust Units				
July 2005	20.10	**121,996**	**—**	**121,996**
December 2006	29.55 to 33.55	**53,458**	**—**	**53,458**
July 2007	29.55 to 33.00	**1,348,223**	**—**	**1,348,223**
		1,523,677	**—**	**1,523,677**
Options to acquire Class B LP Units and Class D LP Units[1]				
July 2005 (Earnout)	20.10	**1,358,669**	**—**	**1,358,669**
December 2006	29.55 to 30.55	**2,290,052**	**—**	**2,290,052**
July 2007	29.55 to 33.00	**1,600,000**	**—**	**1,600,000**
June 2008[2]	20.10	**708,004**	**—**	**708,004**
		5,956,725	**—**	**5,956,725**
Options to acquire Class B LP III Units[3][4]				
September 2010	Market price	**646,669**	**—**	**646,669**
August 2011	Market price	**612,701**	**—**	**612,701**
August 2013	Market price	**580,975**	**(5,715)**	**575,260**
September 2014	Market price	**297,530**	**(11,476)**	**286,054**
		2,137,875	**(17,191)**	**2,120,684**
Options to acquire Class B LP IV Units[4][5]				
May 2015	Market price	**446,061**	**—**	**446,061**
		446,061	**—**	**446,061**
Options to acquire Class B Oshawa South LP Units and Class D Oshawa South LP Units[6]				
May 2015	Market price	**60,000**	**—**	**60,000**
		60,000	**—**	**60,000**
Options to acquire Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units[4][7]				
May 2015	Market price	**302,692**	**(37,270)**	**265,422**
		302,692	**(37,270)**	**265,422**
Options to acquire Class B Boxgrove LP Units[8]				
May 2015	Market price	**170,000**	**—**	**170,000**
		170,000	**—**	**170,000**
Total Earnout options		**10,597,030**	**(54,461)**	**10,542,569**

(1) Each option is represented by a corresponding Class C LP Unit or Class E LP Unit.

(2) Each option is convertible into Class F Series 3 LP Units. At the holder's option, the Class F Series 3 LP Units may be redeemed for cash at $20.10 per Unit or, on the completion and rental of additional space on certain development properties, the Class F Series 3 LP Units may be exchanged for Class B LP Units.

(3) Each option is represented by a corresponding Class C LP III Unit.

(4) During the six months ended June 30, 2017, 5,715 Class C LP III Series 6 Units, 11,476 Class C LP III Series 7 Units, and 37,270 Class C and E Oshawa Taunton LP Series 1 Units, were available for conversion into Class B LP III Series 6 Units, Class B LP III Series 7 Units, and Class B and D Oshawa Taunton LP Series 1 Units, respectively, of which nil Class C LP III Series 6 Units, nil Class C LP III Series 7 Units, and nil Class C and E Oshawa Taunton LP Series 1 Units were exercised using the predetermined conversion prices, in exchange for nil Class B LP III Series 6 Units, nil Class B LP III Series 7 Units, nil Class B Oshawa Taunton LP Series 1 Units and nil Class D Oshawa Taunton LP Series 1 Units, respectively, issued based on the market price at the time of issuance. 5,715 Class C LP III Series 6 Units, 11,476 Class C LP III Series 7 Units and 37,270 Class C and E Oshawa Taunton LP Series 1 Units were cancelled due to the price differential between the market price and fixed conversion price.

(5) Each option is represented by a corresponding Class C LP IV Unit.

(6) Each option is represented by a corresponding Class C Oshawa South LP Unit or Class E Oshawa South LP Unit.

(7) Each option is represented by a corresponding Class C Oshawa Taunton LP Unit or Class E Oshawa Taunton LP Unit.

(8) Each option is represented by a corresponding Class C Boxgrove LP Unit.

The following represents the number of Units cancelled, exercised and outstanding and proceeds for the six months ended June 30, 2016:

	Strike Price	Options Outstanding at January 1, 2016	Options Cancelled	Options Exercised	Options Outstanding at June 30, 2016	Proceeds During Six Months Ended June 30, 2016
	($)	(#)	(#)	(#)	(#)	($)
Options to acquire Trust Units						
July 2005	20.10	**154,781**	**—**	**(32,785)**	**121,996**	**659**
December 2006	29.55 to 33.55	**57,344**	**—**	**—**	**57,344**	**—**
July 2007	29.55 to 33.00	**1,348,223**	**—**	**—**	**1,348,223**	**—**
		1,560,348	**—**	**(32,785)**	**1,527,563**	**659**
Options to acquire Class B LP Units and Class D LP Units[1]						
July 2005	20.10	**1,380,526**	**—**	**(21,857)**	**1,358,669**	**439**
December 2006	29.55 to 30.55	**2,303,267**	**—**	**—**	**2,303,267**	**—**
July 2007	29.55 to 33.00	**1,600,000**	**—**	**—**	**1,600,000**	**—**
June 2008 [2]	20.10	**708,004**	**—**	**—**	**708,004**	**—**
		5,991,797	**—**	**(21,857)**	**5,969,940**	**439**
Options to acquire Class B LP III Units[3][4]						
September 2010	Market price	**685,499**	**(1,590)**	**(4,789)**	**679,120**	**103**
August 2011	Market price	**612,701**	**—**	**—**	**612,701**	**—**
August 2013	Market price	**603,281**	**(1,810)**	**(10,556)**	**590,915**	**272**
September 2014	Market price	**307,142**	**(213)**	**(9,399)**	**297,530**	**247**
		2,208,623	**(3,613)**	**(24,744)**	**2,180,266**	**622**
Options to acquire Class B LP IV Units[4][5]						
May 2015	Market price	**464,461**	**(132)**	**(10,104)**	**454,225**	**290**
		464,461	**(132)**	**(10,104)**	**454,225**	**290**
Options to acquire Class B Oshawa South LP Units and Class D Oshawa South LP Units[6]						
May 2015	Market price	**60,000**	**—**	**—**	**60,000**	**—**
		60,000	**—**	**—**	**60,000**	**—**
Options to acquire Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units[4][7]						
May 2015	Market price	**460,000**	**—**	**(157,308)**	**302,692**	**3,613**
		460,000	**—**	**(157,308)**	**302,692**	**3,613**
Options to acquire Class B Boxgrove LP Units[8]						
May 2015	Market price	**170,000**	**—**	**—**	**170,000**	**—**
		170,000	**—**	**—**	**170,000**	**—**
Total Earnout options		**10,915,229**	**(3,745)**	**(246,798)**	**10,664,686**	**5,623**

(1) Each option is represented by a corresponding Class C LP Unit or Class E LP Unit.

(2) Each option is convertible into Class F Series 3 LP Units. At the holder's option, the Class F Series 3 LP Units may be redeemed for cash at $20.10 per Unit or, on the completion and rental of additional space on certain development properties, the Class F Series 3 LP Units may be exchanged for Class B LP Units.

(3) Each option is represented by a corresponding Class C LP III Unit.

(4) During the six months ended June 30, 2016, 6,379 Class C LP III Series 4 Units, 12,366 Class C LP III Series 6 Units, 9,612 Class C LP III Series 7 Units, 10,236 Class C LP IV Series 1 Units and 157,308 Class C and E Oshawa Taunton LP Series 1 Units, were available for conversion into Class B LP III Series 4 Units, Class B LP III Series 6 Units, Class B LP III Series 7 Units, Class B LP IV Series 1 Units and Class B and D Oshawa Taunton LP Series 1 Units, respectively, of which 4,789 Class C LP III Series 4 Units, 10,556 Class C LP III Series 6 Units, 9,399 Class C LP III Series 7 Units, 10,104 Class C LP IV Series 1 Units and 157,308 Class C and E Oshawa Taunton LP Series 1 Units were exercised using the predetermined conversion prices, in exchange for 3,179 Class B LP III Series 4 Units, 7,974 Class B LP III Series 6 Units, 7,241 Class B LP III Series 7 Units, 8,913 Class B LP IV Series 1 Units, 68,458 Class B Oshawa Taunton LP Series 1 Units and 41,670 Class D Oshawa Taunton LP Series 1 Units, respectively, issued based on the market price at the time of issuance. 1,590 Class C LP III Series 4 Units, 1,810 Class C LP III Series 6 Units, 213 Class C LP III Series 6 Units and 132 Class C LP IV Series 1 Units were cancelled due to the price differential between the market price and fixed conversion price.

(5) Each option is represented by a corresponding Class C LP IV Unit.

(6) Each option is represented by a corresponding Class C Oshawa South LP Unit or Class E Oshawa South LP Unit.

(7) Each option is represented by a corresponding Class C Oshawa Taunton LP Unit or Class E Oshawa Taunton LP Unit.

(8) Each option is represented by a corresponding Class C Boxgrove LP Unit.

The following summarizes the change in the fair value of Earnout options:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Fair value – beginning of period	**1,666**	1,893	**1,455**	3,150
LP options exercised[1]	**—**	—	**—**	(210)
Fair value adjustment	**(806)**	1,171	**(595)**	124
Fair value – end of period	**860**	3,064	**860**	3,064

(1) For the three months ended June 30, 2017, LP options exercised represent $nil relating to LP Units classified as equity (three months ended June 30, 2016 – $nil) and $nil relating to LP Units classified as other financial liabilities (three months ended June 30, 2016 – $nil). For the six months ended June 30, 2017, LP options exercised represent $nil relating to LP Units classified as equity (six months ended June 30, 2016 – $210) and $nil relating to LP Units classified as other financial liabilities (six months ended June 30, 2016 – $nil).

c) *Deferred unit plan ("DUP")*

The Trust has a deferred unit plan that entitles Trustees and senior management, at the participant's option, to receive deferred units in consideration for Trustee fees or senior management bonuses with the Trust matching the number of units received. Any deferred units granted to Trustees, which include the matching deferred units, vest immediately. Any deferred units granted to senior management as part of their compensation structure effectively vest immediately, and the matching deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units ("reinvested units") for the distributions that would otherwise have been paid on the deferred units (i.e., had they instead been issued as Trust Units on the date of grant). Once vested, participants are entitled to receive an equivalent number of Trust Units for the initially granted vested deferred units and the matching deferred units.

The outstanding deferred units for the six months ended June 30, 2017 and June 30, 2016 are summarized as follows:

	Outstanding	Vested	Non-vested
Balance – January 1, 2017	**655,301**	**575,973**	**79,328**
Granted	**148,898**	**73,199**	**75,699**
Reinvested units from distributions	**19,175**	**17,056**	**2,119**
Vested	**—**	**33,894**	**(33,894)**
Exchanged for Trust Units[1]	**(3,250)**	**(3,250)**	**—**
Redeemed for cash[2]	**(16,000)**	**(16,000)**	**—**
Balance – June 30, 2017	**804,124**	**680,872**	**123,252**
Balance – January 1, 2016	664,337	611,997	52,340
Granted	108,205	55,196	53,009
Reinvested units from distributions	17,928	16,485	1,443
Vested	—	29,411	(29,411)
Redeemed for cash[2]	(123,500)	(123,500)	—
Balance – June 30, 2016	666,970	589,589	77,381

(1) During the three and six months ended June 30, 2017, 3,250 deferred units totalling $77 were exchanged for $102 of Trust Units net of other adjustments (three and six months ended June 30, 2016 – nil deferred units totalling $nil were exchanged for $nil of Trust Units).

(2) During the three months ended June 30, 2017, 3,000 deferred units totalling $108 were redeemed (three months ended June 30, 2016 – 57,500 deferred units totalling $2,026 were redeemed). During the six months ended June 30, 2017, 16,000 deferred units totalling $550 were redeemed (six months ended June 30, 2016 – 123,500 deferred units totalling $4,200 were redeemed).

The following represents the carrying value of the deferred unit plan for the three and six months ended June 30:

		Three Months Ended June 30		Six Months Ended June 30	
	Note	**2017**	2016	**2017**	2016
Carrying value – beginning of period		**21,848**	21,179	**19,743**	19,192
Deferred units granted for trustee fees and bonuses		**1,071**	1,027	**2,300**	1,699
Reinvested distributions on vested deferred units	10(d)	**275**	255	**534**	520
Compensation expense – reinvested distributions, amortization and fair value change on unvested deferred units		**377**	295	**1,108**	1,112
Exchanged for Trust Units		**(102)**	—	**(102)**	—
Redeemed for cash		**(108)**	(2,026)	**(550)**	(4,200)
Fair value adjustment – vested deferred units		**(311)**	2,700	**17**	5,107
Carrying value – end of period		**23,050**	23,430	**23,050**	23,430

13. Fair value of financial instruments

The fair value of financial instruments is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's-length transaction based on the current market for assets and liabilities with the same risks, principal and remaining maturity.

The fair value of the Trust's financial instruments is summarized in the following table:

	June 30, 2017			December 31, 2016		
	Fair Value Through Profit or Loss ("FVTPL")	**Loans Receivable /Other Liabilities**	**Total**	Fair Value Through Profit or Loss ("FVTPL")	Loans Receivable/ Other Liabilities	Total
Financial assets						
Mortgages and loans receivable	**—**	**180,987**	**180,987**	—	176,490	176,490
Financial liabilities						
Secured debt	**—**	**2,484,091**	**2,484,091**	—	2,626,353	2,626,353
Revolving operating facility	**—**	**149,000**	**149,000**	—	—	—
Unsecured debentures	**—**	**1,329,394**	**1,329,394**	—	1,324,236	1,324,236
Long Term Incentive Plan	**—**	**2,760**	**2,760**	—	3,629	3,629
Class D Units	**18,073**	**—**	**18,073**	18,169	—	18,169
Earnout options	**860**	**—**	**860**	1,455	—	1,455
Deferred unit plan	**23,050**	**—**	**23,050**	19,743	—	19,743
Fair value of interest rate swap agreements	**—**	**—**	**—**	28	—	28

14. Unit equity

The following represents the number of Units issued and outstanding, and the related carrying value of Unit equity for the six months ended June 30, 2017 and June 30, 2016. The LP Units are classified as non-controlling interests in the unaudited interim condensed consolidated balance sheets and the unaudited interim condensed consolidated statements of equity.

		Number of Units Issued and Outstanding			Carrying Amount		
	Note	Trust Units (#)	LP Units (#)	Total Units (#)	Trust Units ($)	LP Units ($)	Total ($)
			(Tables A to C)			(Tables D to F)	
Balance – January 1, 2017		**130,132,036**	**24,991,588**	**155,123,624**	**2,648,400**	**628,660**	**3,277,060**
Deferred Units exchanged for Trust Units	12(c)	**2,438**	**—**	**2,438**	**77**	**—**	**77**
Distribution reinvestment plan	14(b)	**766,581**	**—**	**766,581**	**24,723**	**—**	**24,723**
Balance – June 30, 2017		**130,901,055**	**24,991,588**	**155,892,643**	**2,673,200**	**628,660**	**3,301,860**
Balance – January 1, 2016		128,673,857	24,851,679	153,525,536	2,599,493	624,082	3,223,575
Options exercised[1]	4, 12(b)	32,785	117,622	150,407	659	3,818	4,477
Distribution reinvestment plan	14(b)	711,163	—	711,163	23,160	—	23,160
Balance – June 30, 2016		129,417,805	24,969,301	154,387,106	2,623,312	627,900	3,251,212

(1) The carrying values of Trust Units and LP Units issued include the fair value of options on exercise of $nil and $nil, respectively (six months ended June 30, 2016 – $nil and $210).

Table A: Number of LP Units issued and outstanding – Class B Series 1, 2 and 3 LP Units and Class B LP II Units

	Note	Class B Series 1 LP Units	Class B Series 2 LP Units	Class B Series 3 LP Units	Class B LP II Units	Total
Balance – January 1, 2017		**14,741,660**	**886,956**	**720,432**	**756,525**	**17,105,573**
Balance – June 30, 2017		**14,741,660**	**886,956**	**720,432**	**756,525**	**17,105,573**
Balance – January 1, 2016		14,719,803	873,741	720,432	756,525	17,070,501
Options exercised	12(b)	21,857	—	—	—	21,857
Balance – June 30, 2016		14,741,660	873,741	720,432	756,525	17,092,358

Table B: Number of LP Units issued and outstanding – Class B Series 4, 5, 6 and 7 LP III Units

	Note	Class B Series 4 LP III Units	Class B Series 5 LP III Units	Class B Series 6 LP III Units	Class B Series 7 LP III Units	Total
Balance – January 1, 2017		**647,934**	**559,396**	**437,389**	**434,598**	**2,079,317**
Balance – June 30, 2017		**647,934**	**559,396**	**437,389**	**434,598**	**2,079,317**
Balance – January 1, 2016		644,755	559,396	421,795	427,357	2,053,303
Options exercised	12(b)	3,179	—	7,974	7,241	18,394
Balance – June 30, 2016		647,934	559,396	429,769	434,598	2,071,697

Table C: Number of LP Units issued and outstanding – Class B Series 8 LP III Units, Class B Series 1 LP IV Units, Class B Series 1 Oshawa South LP Units and Class B Series 1 Oshawa Taunton LP Units

	Note	Class B Series 8 LP III Units	Class B Series 1 LP IV Units	Class B Series 1 Oshawa South LP Units	Class B Series 1 Oshawa Taunton LP Units	Total
Balance – January 1, 2017		**1,698,018**	**3,046,121**	**688,336**	**374,223**	**5,806,698**
Balance – June 30, 2017		**1,698,018**	**3,046,121**	**688,336**	**374,223**	**5,806,698**
Balance – January 1, 2016		1,698,018	3,035,756	688,336	305,765	5,727,875
Options exercised	12(b)	—	8,913	—	68,458	77,371
Balance – June 30, 2016		1,698,018	3,044,669	688,336	374,223	5,805,246

Table D: Carrying value of LP Units – Class B Series 1, 2 and 3 LP Units and Class B LP II Units

	Note	Class B Series 1 LP Units	Class B Series 2 LP Units	Class B Series 3 LP Units	Class B LP II Units	Total
Balance – January 1, 2017		**347,583**	**25,722**	**16,836**	**17,680**	**407,821**
Balance – June 30, 2017		**347,583**	**25,722**	**16,836**	**17,680**	**407,821**
Balance – January 1, 2016		346,934	25,255	16,836	17,680	406,705
Proceeds from options exercised[1]	12(b)	649	—	—	—	649
Balance – June 30, 2016		347,583	25,255	16,836	17,680	407,354

(1) The carrying values of LP Units issued include the fair value of options on exercise of $nil (six months ended June 30, 2016 – $210).

Table E: Carrying value of LP Units – Class B Series 4, 5, 6 and 7 LP III Units

	Note	Class B Series 4 LP III Units	Class B Series 5 LP III Units	Class B Series 6 LP III Units	Class B Series 7 LP III Units	Total
Balance – January 1, 2017		**15,838**	**14,974**	**11,362**	**11,668**	**53,842**
Balance – June 30, 2017		**15,838**	**14,974**	**11,362**	**11,668**	**53,842**
Balance – January 1, 2016		15,735	14,974	10,852	11,421	52,982
Proceeds from options exercised	12(b)	103	—	272	247	622
Balance – June 30, 2016		15,838	14,974	11,124	11,668	53,604

Table F: Carrying value of Class B Series 8 LP III Units, Class B Series 1 LP IV Units, Class B Series 1 Oshawa South LP Units and Class B Series 1 Oshawa Taunton LP Units

	Note	Class B Series 8 LP III Units	Class B Series 1 LP IV Units	Class B Series 1 Oshawa South LP Units	Class B Series 1 Oshawa Taunton LP Units	Total
Balance – January 1, 2017		**48,732**	**87,477**	**19,755**	**11,033**	**166,997**
Balance – June 30, 2017		**48,732**	**87,477**	**19,755**	**11,033**	**166,997**
Balance – January 1, 2016		48,732	87,132	19,755	8,776	164,395
Options exercised	12(b)	—	290	—	2,257	2,547
Balance – June 30, 2016		48,732	87,422	19,755	11,033	166,942

a) Authorized Units

i) Trust Units

At June 30, 2017, there were 25,554,259 (December 31, 2016 – 25,554,259) Special Voting Units outstanding. There is no value assigned to the Special Voting Units. A July 2005 agreement preserved Penguin's voting rights at a minimum of 25.0% for a period of 10 years commencing on July 1, 2005, on the condition that Penguin's owner, Mitchell Goldhar, remains a Trustee of the Trust and owns at least 15,000,000 Trust Units, Class B LP and LP III Units, collectively. On May 26, 2015, the Trust extended the voting rights agreement for an additional five years. These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust; nor are they convertible into any Trust securities. The total number of Special Voting Units is adjusted for each annual meeting of the Unitholders based on changes in Penguin's ownership interest.

ii) Smart Limited Partnership Units

The Class A LP Units are entitled to all distributable cash of the LP after the required distributions on the other classes of Units have been paid. At June 30, 2017, there were 75,062,169 (December 31, 2016 – 75,062,169) Class A LP Units outstanding. All Class A LP Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B LP Units and the Class D LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B LP Units and Class D LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B LP Unit and Class D LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B LP Units and the Class D LP Units are considered to be economically equivalent to Trust Units. All Class B LP Units and Class D LP Units (owned by outside parties) have been presented as non-controlling interests and liabilities, respectively.

The Class C LP Units and Class E LP Units are entitled to receive 0.01% of any distributions of the LP and have nominal value assigned in the unaudited interim condensed consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific predetermined amount per Unit, the Class C Series 1 and Series 2 LP Units, the Class C Series 3 LP Units and the Class E Series 1 LP Units are exchangeable into Class B LP Units, Class F Series 3 LP Units and Class D Series 1 LP Units, respectively, and the Class E Series 2 LP Units are exchangeable into Class D Series 2 LP Units (the Class C LP Units and Class E LP Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to the LP, the corresponding Class C LP Units and Class E LP Units are cancelled.

Number of Class C and E Units Outstanding	**June 30, 2017**	December 31, 2016
Class C Series 1 LP Units	**3,449,857**	3,449,857
Class C Series 2 LP Units	**3,090,052**	3,090,052
Class C Series 3 LP Units	**708,004**	708,004
Class E Series 1 LP Units	**16,704**	16,704
Class E Series 2 LP Units	**800,000**	800,000

Of the 3,449,857 Class C Series 1 LP Units, 1,341,965 Units relate to Earnout options, 1,357,892 Units relate to expired Earnout options and 750,000 Units are cancelled concurrently with Class F Series 3 LP Units on the completion and rental of additional space on specific properties.

The Class F Series 3 LP Units are entitled to receive distributions equivalent to 65.5% of the distributions on Trust Units. At the holder's option, the Class F Series 3 LP Units are exchangeable for $20.10 in cash per Unit or, on the completion and rental of additional space on specific properties, the Class F Series 3 LP Units are exchangeable into Class B LP Units. As at June 30, 2017, there were nil Class F Series 3 LP Units outstanding (December 31, 2016 – nil). On issuance, the Class F Series 3 LP Units are recorded as a liability in the unaudited interim condensed consolidated financial statements.

The Class D LP Units (owned by outside parties) are considered to be a financial liability under IFRS. The Class B Series 1, Class B Series 2 and Class B Series 3 LP Units are classified as equity.

iii) Smart Limited Partnership II Units

The Class A LP II Units are entitled to all distributable cash of LP II after the required distributions on the Class B LP II Units have been paid. At June 30, 2017, there were 200,002 (December 31, 2016 – 200,002) Class A LP II Units outstanding. The Class A LP II Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B LP II Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B LP II Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B LP II Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B LP II Units are considered to be economically equivalent to Trust Units. All Class B LP II Units are owned by outside parties and have been presented as non-controlling interests.

iv) Smart Limited Partnership III Units

The Class A LP III Units are entitled to all distributable cash of LP III after the required distributions on the Class B LP III Units have been paid. At June 30, 2017, there were 12,556,688 (December 31, 2016 – 12,556,688) Class A LP III Units outstanding. The Class A LP III Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B LP III Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B LP III Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B LP III Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B LP III Units are considered to be economically equivalent to Trust Units. All Class B LP III Units are owned by outside parties and have been presented as non-controlling interests.

The Class C LP III Units are entitled to receive 0.01% of any distributions of LP III and have a nominal value assigned in the unaudited interim condensed consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 4 LP III Units, Class C Series 5 LP III Units, Class C Series 6 LP III Units and Class C Series 7 LP III Units are exchangeable into Class B LP III Units (the Class C LP III Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to LP III, the corresponding Class C LP

III Units are cancelled. At June 30, 2017, there were 2,120,684 (December 31, 2016 – 2,137,875) Class C LP III Units outstanding.

v) Smart Limited Partnership IV Units

The Class A LP IV Units are entitled to all distributable cash of LP IV after the required distributions on the Class B LP IV Units have been paid. At June 30, 2017, there were 102,569 (December 31, 2016 – 102,569) Class A LP IV Units outstanding. The Class A LP IV Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B LP IV Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B LP IV Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B LP IV Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B LP IV Units are considered to be economically equivalent to Trust Units. All Class B LP IV Units are owned by outside parties and have been presented as non-controlling interests.

The Class C LP IV Units are entitled to receive 0.01% of any distributions of LP IV and have a nominal value assigned in the unaudited interim condensed consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 LP IV Units are exchangeable into Class B LP IV Units (the Class C LP IV Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to LP IV, the corresponding Class C LP IV Units are cancelled. At June 30, 2017, there were 446,061 (December 31, 2016 – 446,061) Class C LP IV Units outstanding.

vi) Smart Oshawa South Limited Partnership Units

The Class A Oshawa South LP Units are entitled to all distributable cash of Oshawa South LP after the required distributions on the other classes of Units have been paid. At June 30, 2017, there were 138,680 (December 31, 2016 – 138,680) Class A Oshawa South LP Units outstanding. The Class A Oshawa South LP Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B Oshawa South LP Units and Class D Oshawa South LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B Oshawa South LP Units and Class D Oshawa South LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B Oshawa South LP Unit and Class D Oshawa South LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B Oshawa South LP Units and Class D Oshawa South LP Units are considered to be economically equivalent to Trust Units. All Class B Oshawa South LP Units and Class D Oshawa South LP Units (owned by outside parties) have been presented as non-controlling interests and liabilities, respectively.

The Class C Oshawa South LP Units and Class E Oshawa South LP Units are entitled to receive 0.01% of any distributions of Oshawa South LP and have a nominal value assigned in the unaudited interim condensed consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 Oshawa South LP Units and Class E Series 1 Oshawa South LP Units are exchangeable into Class B Oshawa South LP Units and Class D Oshawa South LP Units, respectively (the Class C Oshawa South LP Units and Class E Oshawa South LP Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to Oshawa South LP, the corresponding Class C Oshawa South LP Units and Class E Oshawa South LP Units are cancelled.

Number of Class C and E Units Outstanding	**June 30, 2017**	December 31, 2016
Class C Series 1 Oshawa South LP Units	**45,000**	45,000
Class E Series 1 Oshawa South LP Units	**15,000**	15,000
	60,000	60,000

The Class D Series 1 Oshawa South LP Units (owned by outside parties) are considered to be a financial liability under IFRS, whereas the Class B Series 1 Oshawa South LP Units are classified as equity.

vii) Smart Oshawa Taunton Limited Partnership Units

The Class A Oshawa Taunton LP Units are entitled to all distributable cash of Oshawa Taunton LP after the required distributions on the Class B Oshawa Taunton LP Units have been paid. At June 30, 2017, there were 637,895 (December 31, 2016 – 637,895) Class A Oshawa Taunton LP Units outstanding. The Class A Oshawa Taunton LP Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B Oshawa Taunton LP and Class D Oshawa Taunton LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B Oshawa Taunton LP Unit and Class D Oshawa Taunton LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units are considered to be economically equivalent to Trust Units. All Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units (owned by outside parties have been presented as non-controlling interests and liabilities, respectively.

The Class C Oshawa Taunton LP Units and Class E Oshawa Taunton LP Units are entitled to receive 0.01% of any distributions of Oshawa Taunton LP and have a nominal value assigned in the unaudited interim condensed consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 Oshawa Taunton LP Units and Class E Series 1 Oshawa Taunton LP Units are exchangeable into Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units, respectively (the Class C Oshawa Taunton LP Units and Class E Oshawa Taunton LP Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to Oshawa Taunton LP, the corresponding Class C Oshawa Taunton LP Units and Class E Oshawa Taunton LP Units are cancelled.

Number of Class C and E Units Outstanding	**June 30, 2017**	December 31, 2016
Class C Series 1 Oshawa Taunton LP Units	**132,711**	151,346
Class E Series 1 Oshawa Taunton LP Units	**132,711**	151,346
	265,422	302,692

The Class D Series 1 Oshawa Taunton LP Units (owned by outside parties) are considered to be a financial liability under IFRS, whereas the Class B Series 1 Oshawa Taunton LP Units are classified as equity.

viii) Smart Boxgrove Limited Partnership Units

An unlimited number of Class A Boxgrove LP Units, Class B Boxgrove LP Units and Class C Boxgrove LP Units may be issued by Boxgrove LP. Class A Boxgrove LP partners have 20 votes for each Class A Boxgrove LP Unit held, Class B Boxgrove LP partners have one vote for each Class B Boxgrove LP Unit held and Class C Boxgrove LP Units have no votes at meetings of Boxgrove LP. Boxgrove LP is under the control of the Trust.

The Class A Boxgrove LP Units are entitled to all distributable cash of Boxgrove LP after the required distributions on the Class B Boxgrove LP Units have been paid. At June 30, 2017, there were 397,438 (December 31, 2016 – 397,438) Class A Boxgrove LP Units outstanding. The Class A Boxgrove LP Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B Boxgrove LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B Boxgrove LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B Boxgrove LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B Boxgrove LP Units are considered to be economically equivalent to Trust Units. All Class B Boxgrove LP Units are owned by outside parties and have been presented as non-controlling interests. At June 30, 2017, there were nil (December 31, 2016 – nil) Class B Boxgrove LP Units outstanding.

The Class C Boxgrove LP Units are entitled to receive 0.01% of any distributions of Boxgrove LP and have a nominal value assigned in the unaudited interim condensed consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 Boxgrove LP Units are exchangeable into Class B Boxgrove LP Units (the Class C Boxgrove LP Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to Boxgrove LP, the corresponding Class C Boxgrove LP Units are cancelled. At June 30, 2017, there were 170,000 (December 31, 2016 – 170,000) Class C Boxgrove LP Units outstanding.

b) Distribution reinvestment plan ("DRIP")

The Trust enables holders of Trust Units to reinvest their cash distributions in additional Units of the Trust at 97% of the volume weighted average Unit price over the 10 trading days prior to the distribution. The 3% bonus amount is recorded as an additional distribution and issuance of Units.

15. Unit distributions

Pursuant to the Declaration of Trust, the Trust endeavours to distribute annually such amount as is necessary to ensure the Trust will not be subject to tax on its net income under Part I of the Tax Act. Unit distributions declared during the six months ended June 30, 2017 and June 30, 2016 are as follows:

Unit Type Subject to Distributions	Class and Series	**Six Months Ended June 30, 2017**	Six Months Ended June 30, 2016
Distributions on Units classified as equity:			
Trust Units	N/A	**111,735**	107,222
Distributions on Limited Partnership Units			
Smart Limited Partnership	Class B Series 1	**12,531**	12,160
Smart Limited Partnership	Class B Series 2	**754**	721
Smart Limited Partnership	Class B Series 3	**612**	594
Smart Limited Partnership II	Class B	**643**	624
Smart Limited Partnership III	Class B Series 4	**551**	534
Smart Limited Partnership III	Class B Series 5	**476**	462
Smart Limited Partnership III	Class B Series 6	**372**	350
Smart Limited Partnership III	Class B Series 7	**369**	355
Smart Limited Partnership III	Class B Series 8	**1,443**	1,401
Smart Limited Partnership IV	Class B Series 1	**2,589**	2,509
Smart Oshawa South Limited Partnership	Class B Series 1	**585**	568
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**318**	287
Total distributions on Limited Partnership Units		**21,243**	20,565
Distributions on other non-controlling interest	N/A	**283**	—
Total distributions on Units classified as equity		**133,261**	127,787
Distributions on Units classified as liabilities:			
Smart Limited Partnership	Class D Series 1	**264**	257
Smart Oshawa South Limited Partnership	Class D Series 1	**214**	208
Smart Oshawa Taunton Limited Partnership	Class D Series 1	**—**	23
Total distributions on LP Units classified as liabilities		**478**	488
Distributions paid through DRIP	N/A	**24,723**	23,160

On July 21, 2017, the Trust declared a distribution for the month of July 2017 of $0.14167 per Unit, representing $1.70 per Unit on an annualized basis, to Unitholders of record on July 31, 2017.

16. Rentals from investment properties

Rentals from investment properties consist of the following:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2017	2016	**2017**	2016
Gross base rent	**118,852**	117,849	**237,820**	235,418
Less: Amortization of tenant incentives	**(1,579)**	(1,459)	**(3,199)**	(2,820)
Net base rent	**117,273**	116,390	**234,621**	232,598
Property operating costs recovered	**60,046**	56,259	**123,438**	116,932
Miscellaneous revenue[1]	**2,580**	14,246	**5,007**	16,602
	179,899	186,895	**363,066**	366,132

(1) Miscellaneous revenue includes net settlement proceeds of $9,700 associated with the Target lease terminations recorded during the three and six months ended June 30, 2016.

The future contractual minimum base rent payments under non-cancellable operating leases expected from tenants in investment properties are as follows:

	Total
2017 (remainder of year)	274,170
2018	444,599
2019	400,112
2020	356,117
2021	306,419
Thereafter	1,081,705
	2,863,122

17. Service and other revenues

Pursuant to the acquisition of the Penguin platform on May 28, 2015, the Trust records service and other revenues as well as relevant expenses ("other expenses") in the unaudited interim condensed consolidated financial statements, as follows:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2017	2016	**2017**	2016
Service and other revenues[1]	**3,742**	2,365	**6,422**	5,377
Other expenses	**(3,741)**	(2,370)	**(6,433)**	(5,377)

(1) For the three months ended June 30, 2017, service and other revenues included $2,953 relating to the fees associated with the Development and Services Agreement with Penguin (three months ended June 30, 2016 – $1,964). For the six months ended June 30, 2017, service and other revenues included $5,020 relating to the fees associated with the Development and Services Agreement with Penguin (six months ended June 30, 2016 – $4,435). See also "Related party transactions with Penguin" in Note 20.

18. General and administrative expense

The general and administrative expense consists of the following:

		Three Months Ended June 30		**Six Months Ended June 30**	
	Note	**2017**	2016	**2017**	2016
Salaries and benefits		**11,057**	10,945	**22,923**	21,394
Master planning services fee charged by Penguin per the Services Agreement	20	**875**	875	**1,750**	1,750
Professional fees		**740**	214	**1,424**	1,130
Public company costs		**501**	174	**1,548**	1,331
Rent and occupancy		**614**	651	**1,228**	1,266
Amortization of intangible assets	8	**333**	333	**666**	666
Other costs including information technology, marketing, communications and other employee expenses		**1,339**	1,471	**2,500**	2,957
Total general and administrative expense before allocation		**15,459**	14,663	**32,039**	30,494
Less:					
Allocated to property operating costs		**(3,105)**	(2,748)	**(6,125)**	(5,895)
Capitalized to properties under development and other assets		**(3,204)**	(2,210)	**(6,811)**	(6,713)
Costs allocated to other expenses related to the Development and Services Agreement		**(3,741)**	(2,370)	**(6,421)**	(5,377)
Total amounts allocated, capitalized and charged back		**(10,050)**	(7,328)	**(19,357)**	(17,985)
General and administrative expense (net)		**5,409**	7,335	**12,682**	12,509

19. Supplemental cash flow information

Cash and cash equivalents consist of the following:

	June 30, 2017	December 31, 2016
Cash	**21,172**	22,479
Short-term deposits	**614**	614
	21,786	23,093

The following summarizes supplemental cash flow information and non-cash transactions:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Non-cash transactions				
Adjustment for other working capital amounts	**—**	1,203	**1,176**	3,016
Distributions payable	**22,165**	21,311	**22,165**	21,311
Liabilities relating to additions to investment properties	**23,712**	29,602	**23,712**	29,602
Value of Units issued:				
Consideration for acquisitions and Earnouts	**—**	1,420	**—**	5,623
Distribution reinvestment plan	**12,246**	11,726	**24,723**	23,160

Changes in other non-cash operating items

Changes in other non-cash operating items consist of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Amounts receivable and prepaid expenses	**(20,445)**	(34,400)	**(43,961)**	(51,585)
Accounts payable and accrued liabilities	**6,970**	9,442	**14,834**	11,499
	(13,475)	(24,958)	**(29,127)**	(40,086)

20. Related party transactions

Transactions with related parties are conducted in the normal course of operations and have been recorded at their respective exchange amounts.

At June 30, 2017, Penguin (the Trust's largest Unitholder), owned the following Units, which represent in total approximately 22.3% of the issued and outstanding Units (December 31, 2016 – 22.4%):

Type	Class and Series	June 30, 2017	December 31, 2016
Trust Units	N/A	**13,769,471**	13,769,471
Smart Limited Partnership	Class B Series 1	**12,484,300**	12,484,300
Smart Limited Partnership	Class B Series 2	**304,447**	304,447
Smart Limited Partnership	Class B Series 3	**720,432**	720,432
Smart Limited Partnership III	Class B Series 4	**647,934**	647,934
Smart Limited Partnership III	Class B Series 5	**559,396**	559,396
Smart Limited Partnership III	Class B Series 6	**437,389**	437,389
Smart Limited Partnership III	Class B Series 7	**434,598**	434,598
Smart Limited Partnership III	Class B Series 8	**1,698,018**	1,698,018
Smart Limited Partnership IV	Class B Series 1	**2,819,411**	2,819,411
Smart Oshawa South Limited Partnership	Class B Series 1	**611,478**	611,478
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**374,223**	374,223
		34,861,097	34,861,097

Certain conditions related to the Declaration of Trust require the Trust to issue such number of additional Special Voting Units to Penguin that will entitle Penguin to cast 25.0% of the aggregate votes eligible to be cast at a meeting of the Unitholders and Special Voting Unitholders ("Voting Top-Up Right"). At June 30, 2017, there were 5,542,624 additional Special Voting Units outstanding (December 31, 2016 – 5,181,409). These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust, nor are they convertible into any Trust securities. There is no value assigned to the Special Voting Units. As a result of the extension for an additional five years of the existing Voting Top-Up Right in favour of Penguin, which was approved by Unitholders at the Trust's 2015 Unitholder meeting, at the request of the TSX, the Trust also redesignated its Trust Units as "Variable Voting Units." Such designation will cease on the termination of the Voting-Top Up Right in 2020. The Voting Top-Up Right is more particularly described in the Trust's management information circular dated April 13, 2017 and filed on the System for Electronic Document Analysis and Retrieval (SEDAR).

Penguin has Earnout options to acquire certain Units as follows:

Type	Class and Series	June 30, 2017	December 31, 2016
Trust Units	N/A	**1,353,225**	1,353,225
Smart Limited Partnership	Class B Series 1	**1,341,965**	1,341,965
Smart Limited Partnership	Class B Series 2	**3,090,052**	3,090,052
Smart Limited Partnership	Class B Series 3	**708,004**	708,004
Smart Limited Partnership III	Class B Series 4	**646,669**	646,669
Smart Limited Partnership III	Class B Series 5	**612,701**	612,701
Smart Limited Partnership III	Class B Series 6	**575,260**	580,975
Smart Limited Partnership III	Class B Series 7	**286,054**	297,530
Smart Limited Partnership IV	Class B Series 1	**409,548**	409,548
Smart Oshawa South Limited Partnership	Class B Series 1	**40,000**	40,000
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**132,711**	151,346
Smart Boxgrove Limited Partnership	Class B Series 1	**170,000**	170,000
		9,366,189	9,402,015

At June 30, 2017, Penguin's ownership would increase to 26.5% (December 31, 2016 – 26.6%) if Penguin were to exercise all remaining Earnout options. Pursuant to its rights under the Declaration of Trust, at June 30, 2017, Penguin has appointed two Trustees out of seven.

The other non-controlling interest, which is included in equity, represents a 5.0% equity interest by Penguin in five consolidated investment properties.

In addition to agreements and contracts with Penguin described elsewhere in these unaudited interim condensed consolidated financial statements, the Trust has entered into the following agreements with Penguin effective May 28, 2015:

1) The Development and Services Agreement, under which the Trust has agreed to provide to Penguin the following services for a five-year term:

    a. Construction management services and leasing services are provided, at the discretion of Penguin, with respect to certain of Penguin's properties under development for a market-based fee based on construction costs incurred. Fees for leasing services, requested at the discretion of Penguin, are based on various rates that approximate market rates, depending on the term and nature of the lease. In addition, management fees are provided for a market-based fee based on rental revenue.

    b. Transition services relate to activities necessary to become familiar with the Penguin projects and establishing processes and systems to accommodate the needs of Penguin.

    c. Support services are provided for a fee based on an allocation of the relevant costs of the support services incurred by the Trust. Such relevant costs include: office administration, human resources, information technology, insurance, legal and marketing.

2) The Services Agreement under which Mitchell Goldhar, owner of Penguin, has agreed to provide to the Trust certain advisory, consulting and strategic services, including but not limited to strategies dealing with development, municipal approvals, acquisitions, dispositions, and construction costs, as well as strategies for marketing new projects and leasing opportunities. The fees associated with this agreement are $875 per quarter for a five-year term (these charges are included in the following table as "Master planning services").

3) The Trust has a lease agreement to rent its office premises from Penguin for a term ending in May 2025.

In addition to related party transactions and balances disclosed elsewhere in these unaudited interim condensed consolidated financial statements, the following summarizes related party transactions and balances with Penguin and other related parties, including the Trust's share of amounts relating to the Trust's share in investment in associates:

		Three Months Ended June 30		Six Months Ended June 30	
	Note	**2017**	2016	**2017**	2016
Related party transactions with Penguin					
Revenues:					
Service and other revenues:					
Transition services fee revenue		**1,000**	1,000	**2,000**	2,000
Management fee revenue pursuant to the Development and Services Agreement		**1,575**	873	**2,509**	2,133
Support services		**378**	91	**511**	302
	17	**2,953**	1,964	**5,020**	4,435
Interest income from mortgages and loans receivable		**1,388**	2,059	**2,766**	4,083
Head lease rents and operating cost recoveries included in Head lease rentals from income properties		**185**	658	**603**	1,372
Expenses:					
Master planning services:					
Included in general and administrative expense		**219**	219	**438**	438
Capitalized to properties under and held for development		**656**	656	**1,312**	1,312
	18	**875**	875	**1,750**	1,750
Development fees and costs (capitalized to properties under development)		**3**	2	**6**	21
Interest expense (capitalized to properties under development)		**4**	3	**7**	10
Opportunity fees (capitalized to properties under development)[1]		**613**	572	**1,205**	1,136
Rent and operating costs (included in general and administrative expense and property operating costs)		**556**	572	**1,112**	1,109
Time billings, and other administrative costs (included in general and administrative expense and property operating costs)		**35**	2	**35**	12
Leasing and related consulting service fees (included in general and administrative expense)		**—**	—	**10**	—
Shared service costs (included in general and administrative expense)		**—**	79	**—**	79
Marketing cost sharing (included in property operating costs)		**11**	76	**32**	152

(1) These amounts relate to accrued interest on prepaid land costs subject to future Earnouts.

	Note	**June 30, 2017**	December 31, 2016
Related party balances with Penguin			
Receivables:			
Amounts receivable	9	**11,779**	8,188
Mortgages receivable	5(a)	**127,294**	124,778
Loans receivable	5(b)	**9,593**	9,320
Notes receivable	5(c)	**2,979**	2,979
Payables and other accruals:			
Accrued liabilities		**6,634**	4,371
Future land development obligation	11	**26,278**	26,042

Mortgages receivable

As at June 30, 2017, the weighted average effective interest rate associated with mortgages receivable was 3.98% (December 31, 2016 – 5.69%).

Future land development obligations

The future land development obligations represent payments required to be made to Penguin for certain undeveloped lands acquired from 2006 to 2015, either on completion and rental of additional space on the undeveloped lands or, if no additional space is completed on the undeveloped lands, at the expiry of the 10-year development management agreement periods ending in 2017 to 2025. The accrued future land development obligations are measured at their estimated fair values using imputed interest rates ranging from 4.50% to 5.50%.

Leasehold interest properties

The Trust entered into leasehold agreements with Penguin for 15 investment properties (see also Note 4, "Investment Properties").

Other related party transactions:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2017	2016	**2017**	2016
Legal fees paid to a law firm in which a partner is a trustee of the Trust (included in general and administrative expense and property operating costs)	**209**	656	**247**	1,312

21. Key management and Trustee compensation

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly. The Trust's key management personnel include the Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer, Chief Development Officer, and Executive Vice President, Portfolio Management and Investments. In addition, the Trustees have oversight responsibility for the Trust.

The compensation relating to key management and Trustees is shown below:

	Three Months Ended June 30		**Six Months Ended June 30**	
	2017	2016	**2017**	2016
Salaries and other short-term employee benefits	**632**	632	**1,264**	1,263
Trustee fees	**122**	176	**270**	340
Deferred unit plan	**1,588**	383	**2,147**	1,108
Long Term Incentive Plan expense	**241**	494	**896**	955
	2,583	1,685	**4,577**	3,666

22. Co-ownership interests

The Trust is a co-owner in several properties that are subject to joint control based on the Trust's decision-making authority with regard to the operating, financing and investing activities of the properties. These co-ownerships have been classified as joint operations and, accordingly, the Trust recognizes its proportionate share of the assets, liabilities, revenue and expenses of these co-ownerships in the respective lines in the unaudited interim condensed consolidated financial statements.

The following amounts, included in these unaudited interim condensed consolidated financial statements, represent the Trust's proportionate share of the assets and liabilities of the 23 co-ownership interests as at June 30, 2017 (22 co-ownership interests at December 31, 2016) and the results of operations and cash flows for the periods ended June 30, 2017 and June 30, 2016:

	June 30, 2017	December 31, 2016
Assets[1]	**1,105,366**	1,040,448
Liabilities	**362,682**	346,516

[1] Includes cash and cash equivalents of $16,232 (December 31, 2016 – $6,450).

	Three Months Ended June 30		**Six Months Ended June 30**	
	2017	2016	**2017**	2016
Revenues	**21,307**	20,839	**41,855**	41,086
Expenses	**10,868**	11,247	**21,903**	22,360
Income before fair value adjustments	**10,439**	9,592	**19,952**	18,726
Fair value adjustment on investment properties	**10,320**	(2,535)	**17,483**	9,150
Net income	**20,759**	7,057	**37,435**	27,876
Cash flow provided by operating activities	**9,972**	10,328	**15,087**	15,269
Cash flow provided by (used in) financing activities	**26,365**	(3,615)	**28,266**	(12,252)
Cash flow used in investing activities	**(30,224)**	(5,746)	**(33,571)**	(7,454)

Management believes the assets of the co-ownerships are sufficient for the purpose of satisfying the associated obligations of the co-ownerships. Penguin is the co-owner in seven investment properties.

23. Segmented information

The Trust owns, develops, manages and operates investment properties located in Canada. In measuring performance, the Trust does not distinguish or group its operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes.

The Trust's major tenant is Walmart Canada Corp., accounting for 26.3% of the Trust's annualized rentals from investment properties for the six months ended June 30, 2017 (six months ended June 30, 2016 – 26.8%).

24. Adjustments to fair value

The following summarizes the adjustments to fair value for the three and six months ended June 30:

		Three Months Ended June 30		**Six Months Ended June 30**	
	Note	**2017**	2016	**2017**	2016
Investment properties					
Income properties		**34,491**	(246)	**21,805**	24,542
Properties under development		**6,171**	(6,420)	**5,166**	(14,387)
Fair value adjustment on revaluation of investment properties	4	**40,662**	(6,666)	**26,971**	10,155
Financial instruments					
Class D Units	12(a)	**309**	(2,581)	**96**	(4,743)
Earnout options	12(b)	**806**	(1,171)	**595**	(124)
Deferred unit plan – vested portion	12(c)	**311**	(2,700)	**(17)**	(5,107)
Fair value of interest rate swap agreements		**7**	—	**28**	28
Fair value adjustment on financial instruments		**1,433**	(6,452)	**702**	(9,946)
Total adjustments to fair value		**42,095**	(13,118)	**27,673**	209

25. Risk management

a) Financial risks

The Trust's activities expose it to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. The Trust's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Trust's financial performance. The Trust may use derivative financial instruments to hedge certain risk exposures.

i) Interest rate risk

The majority of the Trust's debt is financed at fixed rates with maturities staggered over a number of years, thereby mitigating its exposure to changes in interest rates and financing risks. At June 30, 2017, approximately 14.21% (December 31, 2016 – 12.30%) of the Trust's debt is financed at variable rates, exposing the Trust to changes in interest rates on such debt.

The Trust analyzes its interest rate exposure on a regular basis. From time to time, the Trust may enter into fixed-for-floating interest rate swaps as part of its strategy for managing certain interest rate risks. The Trust has recognized the change in fair value associated with interest rate swap agreements in the unaudited interim condensed consolidated statements of income and comprehensive income.

The Trust monitors the historical movement of 10-year Government of Canada bonds for the past two years and performs a sensitivity analysis to show the possible impact on net income of an interest rate shift. The simulation is performed on a quarterly basis to ensure the maximum loss potential is within the limit acceptable to management. Management runs the simulation only for the interest-bearing secured debt and revolving operating facility. The Trust's policy is to capitalize interest expense incurred relating to properties under development (six months ended June 30, 2017 – 12.60% of total interest costs; year ended December 31, 2016 – 12.04% of total interest costs). The sensitivity analysis below shows the maximum impact (net of estimated interest capitalized to properties under development) on net income of possible changes in interest rates on variable-rate debt.

Interest shift of:	-0.50%	-0.25%	+0.25%	+0.50%
Net income increase (decrease)	2,735	1,368	(1,368)	(2,735)

ii) Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures with respect to mortgages and loans receivable (Note 5) and tenant receivables (Note 9). Tenants may experience financial difficulty and become unable to fulfill their lease commitments. The Trust mitigates this risk of credit loss by reviewing tenants' covenants, by ensuring its tenant mix is diversified and by limiting its exposure to any one tenant except Walmart Canada Corp. Further risks arise in the event that borrowers of mortgages and loans receivable default on the repayment of amounts owing to the Trust. The Trust endeavours to ensure adequate security has been provided in support of mortgages and loans receivable. The Trust limits cash transactions to high-credit-quality financial institutions to minimize its credit risk from cash and cash equivalents.

iii) Liquidity risk

Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to lease out vacant units. In the next 12 months, $702,180 of liabilities will mature and will need to be settled by means of renewal or payment.

Due to the dynamic nature of the underlying business, the Trust aims to maintain flexibility and opportunities in funding by keeping committed credit lines available, obtaining additional mortgages as the value of investment properties increases, issuing equity and issuing convertible or unsecured debentures. During the six months ended June 30, 2017, the Trust was able to raise additional secured debt and unsecured debentures financing.

The key assumptions used in the Trust's estimates of future cash flows when assessing liquidity risk are: the renewal or replacement of the maturing revolving operating facility, secured debt and unsecured debentures, at reasonable terms and conditions in the normal course of business and no major bankruptcies of large tenants. Management believes that it has considered all reasonable facts and circumstances as of today in forming appropriate assumptions. However, as always, there is a risk that significant changes in market conditions could alter the assumptions used.

The Trust's liquidity position is monitored on a regular basis by management. A schedule of principal repayments on secured debt and other debt maturities is disclosed in Note 10.

b) Capital risk management

The Trust defines capital as the aggregate amount of Unitholders' equity, debt and Class D Units classified as a liability. The Trust's primary objectives when managing capital are:

- to safeguard the Trust's ability to continue as a going concern so that it can continue to provide returns for Unitholders; and
- to ensure the Trust has access to sufficient funds for operating, acquisition (including Earnouts) or development activities.

The Trust sets the amount of capital in proportion to risk. The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Trust may adjust the amount of distributions paid to Unitholders, issue new Units and debt or sell assets to reduce debt or fund operating, acquisition or development activities.

The Trust anticipates meeting all current and future obligations. Management expects to finance operating, future acquisitions, mortgages receivable, development costs and maturing debt from: (i) existing cash balances; (ii) a mix of debt secured by investment properties, operating facilities, issuance of equity and convertible and unsecured debentures; and (iii) the sale of non-core assets. Cash flow generated from operating activities is the source of liquidity to service debt (except maturing debt), sustaining capital expenditures, leasing costs and Unit distributions.

The Trust monitors its capital structure based on the following ratios: interest coverage ratio, debt to total assets and debt to total earnings before interest, taxes, depreciation and amortization ("EBITDA") and fair value changes associated with investment properties and financial instruments. These ratios are used by the Trust to manage an acceptable level of leverage and are not considered measures in accordance with IFRS, nor are there equivalent IFRS measures.

The following are the significant financial covenants that the Trust is required by its operating line lenders to maintain:

Ratio	Threshold
Debt to aggregate assets	65%
Secured debt to aggregate assets	40%
Fixed charge coverage ratio	1.5X
Unencumbered assets to unsecured debt	1.3X
Unitholders' equity	$2,000,000

The Trust's indentures require its unsecured debentures to maintain debt to gross book value including convertible debentures not more than 65%, an interest coverage ratio not less than 1.65 and Unitholders' equity not less than $500,000.

These covenants are required to be calculated based on Canadian generally accepted accounting principles ("GAAP") at the time of debt issuance. If the Trust does not meet all externally imposed financial covenants, then the related debt will become immediately due and payable unless the Trust is able to remedy the default or obtain a waiver from lenders. For the six months ended June 30, 2017, the Trust was in compliance with all externally imposed financial covenants.

26. Commitments and contingencies

The Trust has certain obligations and commitments pursuant to development management agreements to complete the purchase of Earnouts totalling approximately 0.6 million square feet of development space from Penguin and others over periods extending to 2020 based on a pre-negotiated formula, as more fully described in Note 4. As at June 30, 2017, the carrying value of these obligations and commitments included in properties under development was $70,945 (December 31, 2016 – $72,564). The timing of completion of the purchase of the Earnouts, and the final prices, cannot be readily determined because they are a function of future tenant leasing. The Trust has also entered into various other development construction contracts totalling $4,614 (excluding VMC – see Note 6) that will be incurred in future periods.

The Trust entered into agreements with Penguin in which the Trust will lend monies in the form of mortgages receivable, as disclosed in Note 5(a). The maximum amount that may be provided under the agreements totals $284,451 (Note 5), of which $127,294 has been provided at June 30, 2017 (December 31, 2016 – $124,778).

Letters of credit totalling $43,034 (including letters of credit drawn down under the revolving operating facility described in Note 10 (b) have been issued on behalf of the Trust by financial institutions as security for debt and for maintenance and development obligations to municipal authorities.

The Trust carries insurance and indemnifies its Trustees and officers against any and all claims or losses reasonably incurred in the performance of their services to the Trust to the extent permitted by law.

The Trust, in the normal course of operations, is subject to a variety of legal and other claims. Management and the Trust's legal counsel evaluate all claims on their apparent merits and accrue management's best estimate of the likely cost to satisfy such claims. Management believes the outcome of current legal and other claims filed against the Trust, after considering insurance coverage, will not have a significant impact on the Trust's unaudited interim condensed consolidated financial statements.

27. Subsequent events

On August 3, 2017, the Trust announced that it had entered into an agreement to purchase 12 income properties from OneREIT for a total purchase price of $429,000. The purchase price is expected to be satisfied by the assumption of property level and corporate level debt totalling $354,000 and the issuance of $75,000 in Trust Units. The closing of the purchase is expected to take place before the end of September 2017 and is subject to a court-approved plan of arrangement, regulatory and other customary closing conditions.

Corporate Information

TRUSTEES

Mitchell Goldhar[2]
President, Chief Executive Officer
Penguin Investments Inc.

Huw Thomas
Chief Executive Officer
Smart Real Estate Investment Trust

Jamie McVicar[1, 3]
Trustee

Kevin Pshebniski[1, 2]
President
Hopewell Development Corporation

Garry Foster[1, 2]
Trustee

Michael Young[2, 3]
Principal
Quadrant Capital Partners Inc.

Gregory Howard[2, 3]
Trustee

[1] Audit Committee
[2] Investment Committee
[3] Corporate Governance and Compensation Committee

SENIOR MANAGEMENT

Huw Thomas
Chief Executive Officer

Peter Forde
President & Chief Operating Officer

Peter Sweeney
Chief Financial Officer

Mauro Pambianchi
Chief Development Officer

Rudy Gobin
Executive Vice President
Portfolio Management & Investments

BANKERS

TD Bank Financial Group
BMO Capital Markets
RBC Capital Markets
CIBC World Markets
Scotia Capital
National Bank of Canada
HSBC Bank Canada
Desjardins Securities Inc.
Raymond James Ltd.
Canaccord Genuity Corp.

AUDITORS

PricewaterhouseCoopers LLP
Toronto, Ontario

LEGAL COUNSEL

Osler Hoskin & Harcourt LLP
Toronto, Ontario

REGISTRAR & TRANSFER AGENT

Computershare Trust Company of Canada
Toronto, Ontario

INVESTOR RELATIONS

Peter Sweeney
Chief Financial Officer
Tel: 905-326-6400 x7865
Fax: 905-326-0783
TSX: SRU.UN

SMARTREIT®

700 Applewood Crescent
Suite 200
Vaughan, Ontario
L4K 5X3

Telephone 905-326-6400
www.smartreit.com