SMARTCENTRES REIT
SMART TODAY SMART TOMORROW

YEAR-END

Management's Discussion and Analysis

DECEMBER 31, 2018

SMARTCENTRES®

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2018

About this Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") sets out SmartCentres Real Estate Investment Trust's ("SmartCentres" or the "Trust"), strategies and provides an analysis of the financial performance and financial condition for the year ended December 31, 2018, management's outlook and the risks facing the business.

This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2018 and December 31, 2017, and the notes contained therein. Such consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Canadian dollar is the functional and reporting currency for purposes of preparing the consolidated financial statements.

This MD&A is dated February 13, 2019, which is the date of the press release announcing the Trust's results for the year ended December 31, 2018. Disclosure contained in this MD&A is current to that date, unless otherwise noted.

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

Presentation of Non-GAAP Measures

Readers are cautioned that certain terms used in this MD&A such as Funds From Operations ("FFO"), "FFO per Unit growth", Transactional FFO, Net Asset Value ("NAV"), Adjusted Cashflow From Operations ("ACFO"), Net Operating Income ("NOI"), "Annual Run-Rate NOI", "Same Property 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") are 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 consolidated financial statements of the Trust for the year ended December 31, 2018. 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".

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 2018. 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 management believes are not representative of a company's economic earnings. 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 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.

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. In February 2017, REALpac issued a White Paper introducing a new non-GAAP financial measure called Adjusted Cashflow From Operations, which is intended to measure sustainable economic cash flows (see below for more on ACFO). This White Paper also re-defined AFFO as a measure of recurring economic earnings. Upon further consideration of the White Paper discussed above, management has concluded to adopt ACFO as a measure of sustainable cash flows and has no longer reported the previously reported AFFO, effective January 1, 2018.

For Unitholders that continue to use AFFO to evaluate the performance of the Trust, management continues to disclose relevant information, including leasing and building improvement costs incurred during the period, to enable Unitholders to make their own estimates of AFFO. Management believes that the disclosures included in the "Other Measures of Performance" and "Results of Operations" provide sufficient information for readers to determine their own estimates of AFFO.

Adjusted Cashflow From Operations (ACFO)
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 REALpac's "White Paper on Adjusted Cashflow From Operations (ACFO)" for IFRS issued in February 2017, and subsequently amended in February 2018. 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 initial issuance of the February 2017 White Paper on ACFO, 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, including those statements outlined under the headings "Business Overview and Strategic Direction", "Outlook" and "Annual Run-Rate NOI". 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 joint venture projects, including the described type, scope, costs and other financial metrics related thereto; the Trust's expectation that Walmart will continue to be the dominant anchor tenant in the Trust's property portfolio and that its presence will continue to attract other retailers and consumers; the Trust's expectations regarding future potential mixed-use development opportunities; ability to pay future distributions to Unitholders, view of term mortgage renewals including rates and upfinancing amounts, timing of future payments of obligations, intentions to obtain additional secured and unsecured financing and potential financing sources; the Trust's potential future pipeline and uncommitted pipeline forecasted annualized NOI and run-rate NOI; 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 to understand 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. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including risks associated with real property ownership, debt financing, interest and financing, capital requirements, credit risk, general uninsured losses, developments, future property acquisitions, competition for real property investments, environmental matters, land leases, potential conflicts of interest and tax-related matters. These risks and others are more fully discussed under the heading "Risks and Uncertainties" and elsewhere in this MD&A, as well as under the heading "Risk Factors" in the Trust's most recent annual information form. 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.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: a stable retail environment; relatively low and stable interest costs; a continuing trend toward land use intensification, including residential development in urban markets, access to equity and debt capital markets to fund, at acceptable costs, future capital requirements and to enable our refinancing of debts as they mature; the availability of investment opportunities for growth in Canada; and the timing and ability of the Trust to sell certain properties, and the valuations to be realized on property sales relative to current IFRS values. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable Canadian securities laws, and as such the financial outlook may not be appropriate for purposes other than this MD&A. 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, 2018, 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 also, to provide high-quality office space for tenants to locate effective workspaces. The Trust is also continuing to work on opportunities to provide residential housing (in various forms), seniors housing and self storage facilities at many 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 strong 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 a growing number of consumers and therefore other retailers.

As at December 31, 2018, the Trust has an ownership interest in 152 shopping centres with total income producing gross leasable area of 34.4 million square feet, one office property, seven development properties and four mixed-use properties, 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. In 2015, the Trust, through a subsidiary limited partnership, acquired the "SmartCentres" brand from Penguin, which has historically represented a family and value-oriented shopping experience. In 2017, the Trust changed its name from Smart Real Estate Investment Trust to SmartCentres Real Estate Investment Trust in order to further streamline the recognition, branding and goodwill associated with the SmartCentres' brand among investors, retailers, municipal officials and consumers.

Mixed-Use Development

A few examples of the Trust's evolution into mixed-use development are: (i) the Vaughan Metropolitan Centre ("VMC") in Vaughan, Ontario, (ii) the Laval high-rise residential project in Laval, Quebec, (iii) Leaside self storage in Toronto (Leaside), Ontario, and (iv) Oshawa South self storage in Oshawa, Ontario.

In addition, the Trust is currently working on initiatives for many other properties including: (i) the Toronto StudioCentre ("StudioCentre") in Toronto, Ontario, (ii) townhouses with Fieldgate, seniors residence towers with Revera and self-storage with SmartStop at the Vaughan North West ("Vaughan NW") shopping centre in Vaughan, Ontario, (iii) the development of up to 1.5 million square feet of residential space, in various forms, in Pointe-Claire, Quebec, (iv) the development of up to 2.5 million square feet of residential space, in various forms, at Westside Mall in Toronto, Ontario, and (v) the development of residential apartments, seniors residences and self-storage facilities, several of which were recently announced, at various shopping centres in the portfolio.

Acquisitions

Subject to the availability of acquisition opportunities, the Trust intends to grow distributions, in part through the accretive acquisition of properties. The Trust explores acquisition opportunities as they arise but will only pursue acquisitions that management believes are either strategic and/or accretive relative to its long-term cost of capital. The Trust measures accretion by assessing whether an acquisition will generate a sustainable economic return to Unitholders immediately upon closing.

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 and exclude the Trust's share of VMC which is reflected separately below. "Earnouts" are defined as the gross leasable area to be developed and leased to third parties, on lands previously purchased from Penguin and its partners. "Mezzanine Financing" purchase options are exercisable against the borrower of the mezzanine financing once a certain level of development and leasing at

a shopping centre is achieved and typically allow the Trust 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 December 31, 2018, the Trust's potential gross leasable area subject to retail Developments, Earnouts and Mezzanine Financing is summarized as follows:

(in thousands of square feet)	**December 31, 2018**
Retail developments	**2,850**
Premium outlets	**50**
Planned developments not subject to Earnouts	**2,900**
Planned developments subject to Earnouts	**314**
Subtotal	**3,214**
Lands under Mezzanine Financing	**615**
Potential gross leasable area	**3,829**

Pursuant to the transaction completed on May 28, 2015 (the "Transaction"), which involved the acquisition of both a 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 Developments and Earnouts and charges fees to the vendors for such management of Earnouts.

Professional Management

Through professional management of the portfolio, the Trust intends to ensure its properties portray an image that will continue to attract consumers and residents, as well as provide preferred locations for its office and retail tenants. Well-managed properties enhance the overall quality of shopping, working and living experiences. The Trust believes its professional management of the portfolio permitted the maintenance of a high in-place occupancy rate of 98.0% at December 31, 2018 (December 31, 2017 – 98.2%) and a committed occupancy rate of 98.1% (December 31, 2017 – 98.3%) that includes executed leases that have not commenced.

Outlook

Over the next five years, in addition to our various retail initiatives, we intend to commence mixed-use development initiatives in: (i) various forms of low-rise and high-rise housing, with particular emphasis on newly constructed purpose-built rental buildings and condominiums, (ii) seniors housing projects, (iii) self-storage facilities, (iv) office buildings, (v) Premium Outlets, (vi) medical centres and hotels, (vii) sound stages and related entertainment industry event facilities, and (viii) digital signs, electrical charging stations and similar forward-thinking initiatives. We believe that, collectively, these new mixed-use initiatives will create substantial opportunities for inherent growth in both NAV and FFO per unit and are consistent with our diversification strategy. Based on our most recent cost estimates and pro forma information, over the next five years, together with our partners, we expect to commence development on projects whose aggregate development costs are estimated to exceed $9.5 billion ($3.3 billion at our share). These and other future mixed use growth initiatives will be developed almost exclusively on sites that are in our existing portfolio of properties across Canada, thus greatly reducing the need to acquire expensive development lands, and they will be directed by our own in-house team of experienced development professionals, together with our "best-in-class" partners. These development initiatives represent 168 projects that are expected to be developed on 76 of our 164 properties. In addition, we continue to assess each of our existing properties to identify additional opportunities for mixed use development.

The financial impact of these development initiatives has begun to manifest in our operating results in Q4 2018, with the November 15, 2018 opening of the 144,000 square foot expansion of the Toronto Premium Outlets (which we own together with Simon Properties). The expanded 502,000 square foot shopping centre is home to a variety of new luxury brands which now includes Gucci, Prada, Montblanc and Zadig & Voltaire. Leasing in the newly expanded space has exceeded our expectations with all new units now spoken for. During the first 45 days of operation for the newly expanded centre, customer traffic and sales levels exceeded even our most optimistic expectations, providing further strong validation of the centre's dominance and its ability to generate FFO and NAV growth. We expect continued NOI growth in 2019 from the centre, and given the centre's unprecedented success, we are working to further enhance parking and traffic flow logistics. In addition, during Q4 we welcomed Marc Anthony Cosmetics as a new single floor tenant and an expanded BMO tenancy to the KPMG Tower at VMC. These two tenancies complete the office portion of the KPMG Tower, which is now 100% leased, and we have turned our attention to completing our leasing efforts for the project's ground floor retail space, which we expect to be fully leased during 2019.

During 2018, we completed developments to accommodate the expanding requirements of many well-known and well-respected Canadian retailers including HomeSense, Sleep Country, Rens Pets, Carter's, Sunset Grill and various other retailers. Our core portfolio of over 34 million square feet has been designed for both strength and agility, and it provides a safe and secure platform from which we can leverage our various mixed-use development opportunities. In this regard, we continue to work with our existing tenants to facilitate their evolving omni-channel and e-commerce platforms. During 2019, we expect to deliver new premises to well-known Canadian retailers including Indigo, Marshalls, HomeSense, Old Navy, PetSmart and Sleep Country.

Overall, in 2018, our portfolio generated growth in FFO per unit of 3.6%. This growth was primarily derived from: (i) incremental revenue associated with the 12 properties that were acquired as part of the OneREIT acquisition, (ii) savings in interest costs associated with refinancing those mortgages that matured in 2017 and 2018, (iii) the additional net income attributed to new leases that have commenced in the KPMG Tower at VMC, and (iv) lease termination fees of $2.7 million resulting from the decision by Rexall and Baron Sports to close their Maple Ridge and Pointe-Claire locations, respectively.

In January 2019, we completed a very successful new equity issue that totalled $230.0 million and we are grateful to both the institutional and retail investors that participated in this initiative for your continued support and confidence in SmartCentres. We took the opportunity to issue this new equity to assist with funding requirements that we expect over the next several years as our development pipeline builds. Accordingly, the funds raised have been applied against outstanding indebtedness to reduce our overall debt levels and related debt metrics, to appropriately and conservatively accommodate future levels of expected development financing that will be required to generate future FFO growth. Our successful equity issue will, however, have a dilutive impact on FFO per unit in 2019 and we estimate this to be approximately 3% (or $0.06).

Net of the impact of the recent equity issue, we expect growth in FFO per unit to be largely attributed to the commencement of new leases in the expanded Toronto Premium Outlets, the completion of lease-up of the remaining office and retail space in the KPMG Tower at VMC, the commencement of the PwC lease in the PwC Tower at VMC, the commencement of several new tenancies in the properties acquired as part of the OneREIT transaction, and the commencement of new tenancies in our existing portfolio of primarily Walmart anchored shopping centres.

Please note, however, that FFO per unit is expected to grow by over 10% in 2020, as we begin to experience the start of project completions in our large pipeline of mixed use developments. Specifically, in 2020, this new level of FFO per unit is expected to be principally driven by the completion and initial deliveries of units in at least the first two phases of the VMC Transit City condominiums.

We had previously planned a 230 unit townhouse development for our Vaughan North West site with closings commencing in 2020. However, together with our partner, Fieldgate, we have recently decided to consider higher density alternatives for the site which will be better suited to the market. Accordingly, income from this development is now expected to be deferred beyond 2020.

Construction of the PwC/YMCA Tower at SmartCentres Place continues to progress on time and on budget, with the building's interior work now well underway. The complex is expected to be ready for tenant fit-out later in the spring with commencement of operations in Q4 2019. We are continuing discussions with several prospective tenants concerning leasing of the top floor and expect to announce a fully leased building in the near future. There are currently four cranes (with a fifth crane soon to be erected) on our SmartCentres Place site reflecting the significant level of construction activity that is currently underway, including Transit City's first three 55-storey residential condominium towers, together with a new 1,100 unit multi-level parking facility. The first three 55-storey Transit City condominium towers that we are developing with our partner, CentreCourt Developments, represent over 1,700 residential units, all of which have been substantially presold with 20% purchaser deposits received. In addition, we recently announced another joint venture with Penguin and CentreCourt to develop and build Transit City condominium phases four and five at SmartCentres Place which, once complete, are expected to be 50 and 45 storeys respectively. These two new condominium phases, will be built together with a 35 storey purpose-built rental building that together will add approximately 1,600 additional residential units to the site. Also, discussions with prospective tenants concerning the site's third office tower are continuing. The growth potential for SmartCentres Place is closely linked to the various transit modes that directly serve the property, which include the VMC Subway Station which connects the site directly to downtown Toronto, the VIVA Bus Service, which continues its westerly expansion along Hwy 7, and the soon to be opened SmartCentres Place Bus Terminal, which will serve as the new hub for York Region Transit Services connecting into the VMC Subway Station. Also, one of the most significant construction initiatives to impact the VMC site is the commencement of the re-alignment of the off ramp from Hwy 400 at Hwy 7. This initiative, once complete in the fall of 2019, will see the northbound off ramp from Hwy 400 to Hwy 7 reconstructed eastward to align with a new 'at grade' link directly into the southern expansion of Applewood Crescent, which will permit traffic to flow directly from/to Hwy 400 into/out of SmartCentres Place.

With our partner, Jadco, we are well into construction of the first phase of the two phase, 338-unit, purpose-built residential rental project in Laval, with completion of the first phase expected in early 2020. Based on the market for rental accommodation in Laval and our current estimate for budgeted costs, once stabilized, we expect this project to yield a 5.5%-5.8% return on costs.

With our partner, SmartStop, we have completed the transfer of lands in both Toronto (Leaside) and Oshawa South. In Leaside, we have commenced construction of the self-storage facility, and in Oshawa, we will soon commence construction. These new facilities are proximate to our Leaside and Oshawa South shopping centres and once complete, these 4-storey self-storage facilities will each have approximately 1,000 units ranging in size from 25 to 300 square feet. Four other self-storage facilities have been approved including locations at Vaughan NW, Scarborough, and two locations in Brampton. Lands will be transferred to the partnership as soon as we receive municipal approvals. Based on the market for self-storage rental accommodation and our current estimate for budgeted costs, we expect returns on costs on these projects to be in the 7.0%-8.5% range.

Together with Revera Inc., we recently announced the execution of an overall agreement to develop and own new retirement living residences across Canada. We also announced the execution of specific site agreements to proceed with the first three projects, which will contain 536 units in Vaughan and Oakville. Construction of these three projects is expected to commence in 2020, subject to municipal approvals. We are also finalizing an arrangement with another partner to build seniors apartments/residences on undeveloped lands at our Laurentian Place shopping centre in Ottawa. Construction of this 400-unit development is expected to be completed in 2021, and based on our current budgets and estimates, this project is anticipated to generate a return on investment of 6.0% - 7.0%.

Work is also progressing on the Toronto StudioCentre, which we own together with Penguin on a 50:50 basis, where we are planning for additional mixed-use space that will approximate 1.0-1.2 million square feet and is expected to be completed over the next 7-10 years. This property continues to experience high demand for its sound stages and related facilities to support the growing levels of television and film production activity in the City of Toronto.
The Premium Outlets in Montreal (which we own together with Simon Properties) continues to experience high occupancy, with continuously improving traffic and sales levels. This continued strength has resulted in us beginning to plan for additional development on several out-parcels on this site that are expected to commence over the next several years. Also, we continue to work with our partner, Simon Properties, on two potential additional Premium Outlets locations in Canada.

For those projects for which construction is expected to begin imminently, we have either completed or are in the process of completing, construction financing facilities. At our share, respectively, these include $28.1 million for the PwC/YMCA Tower in VMC, $96.5 million for the first three towers in Transit City, $17.2 million for the first tower of the residential rental project in Montreal, $17.5 million for the new retail development in Orleans, $32.5 million for the parking facility and other offsite works at VMC, $66.5 million for the expansion of the parking and retail facilities at the Toronto Premium Outlets, and $60.0 million for the first four SmartStop Storage locations. In 2019, we expect to seek project financing to assist with the first retirement home developments.

We continue to focus on further fortifying our balance sheet and the recent highly successful $230.0 million equity issuance is indicative of this focus. Also, subsequent to year end, we announced our intent to early redeem $150.0 million in Series H 4.05% debentures which will be replaced with a new $150.0 million, 7 year, 3.59% fixed rate unsecured bank facility. This accretive financing initiative permits us certainty on interest rate for the next seven years and mitigates any potential dilutive impact from possible interest rate increases that could occur between now and the original July 2020 maturity date of the Series H debentures. The transaction also further strengthens our debt ladder and extends our weighted average term on unsecured debt beyond our current level of 4.8 years.

As at December 31, 2018, our overall debt levels continued to decline, and coupled with the recent successful $230.0 million equity issue that was completed in January 2019, they have declined further. At year end, our current Debt to Aggregate Assets ratio was 43.9% (2017 - 45.4%), Debt to Adjusted EBITDA ratio was 8.2x (2017 - 8.2x), and Interest Coverage ratio was 3.3x (2017 - 3.2x). Pro forma for the recent equity issuance, these metrics improve to 41.5%, 8.0x, and 3.5x, respectively. Also, at year end, our weighted average cost of secured and unsecured debt was 3.93% (2017 - 3.87%) and 3.51% (2017 - 3.42%), respectively. In an uncertain interest rate environment, as we recently did with the early redemption of the Series H debentures, we will continue to seek opportunities to fix interest rates and secure longer-term financing when appropriate. In addition, we are continuing our strategy to repay most maturing mortgages by using our line of credit on an interim basis, and then terming out selectively with unsecured debentures or similar unsecured facilities. Our intent is to continue to increase our unencumbered asset pool, which is currently valued at approximately $4.3 billion (2017 - $3.4 billion), with the ultimate goal of enhancing our current BBB (mid) credit rating.

In summary, we believe that we are uniquely equipped to provide both FFO and NAV growth over both the medium and longer terms to our unitholders with the strength, stability and security offered by our dominant operating platform, together with our growing mixed-use development platform.

Key Business Development, Financial and Operational Highlights for the Year Ended December 31, 2018

The Trust continued its growth through Developments and Earnouts in 2018, in addition to the Acquisitions, Developments and Earnouts that took place in 2017. During the year, the Trust also focused on managing the operation and development of existing properties and raising the capital required for future growth of the business.

Key business development highlights for the year ended December 31, 2018 include the following:

- In January 2018, the Trust and Jadco formed a 50:50 joint venture known as Laval Centre Apartments Limited Partnership, into which the Trust contributed development lands located in Laval, Quebec. Construction has commenced with the first phase expected to be substantially completed later in 2019.

- In February 2018, the Trust announced, along with Penguin, the establishment of a joint venture with Revera Inc., a leading owner, operator and investor in the senior living sector to jointly develop new retirement living residences across Canada.

- Management changes:
    - On February 14, 2018, the Trust announced that Huw Thomas, the Trust's former CEO, would step down at the end of his five-year contract in June 2018, but would remain as a trustee of the Trust. Mitchell Goldhar, formerly the Trust's non-executive Chairman, and largest Unitholder, became Executive Chairman and in that role increased his already significant involvement in all aspects of the Trust's business, including strategy, development, intensification initiatives, leasing and finance. Peter Forde, the Trust's former President and COO assumed the President and CEO role on Huw Thomas' departure. This leadership transition was a logical step as the Trust focuses more on development and intensification opportunities on its entire shopping centre portfolio.

- In May 2018, the Trust, together with its partners Penguin and CentreCourt, began construction on the three Transit City Condo towers located in SmartCentres Place, next to the new VMC subway station. Transit City Condos consist of three towers of 55 storeys each, totalling over 1,700 units. All of the units in each of the three towers are substantially sold out and financing is in place for all three towers. Completion of units in Phases 1 and 2 is expected in 2020.

- In June 2018, an investment property in Valleyfield, Quebec, adjacent to an existing property owned by the Trust, was acquired from a third party, totalling 54,193 square feet of leasable area for a total purchase price of $15.7 million, of which $15.5 million was paid in cash, adjusted for costs of acquisition and other working capital amounts.

- In June 2018, the Trust transferred a property located in Toronto (Leaside) into its 50:50 joint venture arrangement with SmartStop Asset Management, LLC ("SmartStop"). Under the terms of the joint venture arrangement, several sites currently owned by the Trust have initially been selected for potential development, along with additional future sites to be identified. The Trust will develop and construct the joint venture sites, and SmartStop will operate the SmartStop branded self-storage business.

- In July 2018, the Trust completed the redemption of the 5.50% Convertible Debentures which were assumed as part of the Arrangement, for $36.3 million in cash, which included the aggregate principal amount outstanding and accrued interest.

- In August 2018, the Board of Trustees approved an increase of $0.05 per Unit (2.9%) in annual distributions to $1.80 per Unit effective October 2018.

- In August 2018, the Trust completed a five-year $80.0 million unsecured credit facility at a very competitive interest rate with a large Canadian financial institution.

- In September 2018, the Trust, together with its partner Penguin, completed a 25-year term $122.0 million secured mortgage for the KPMG Tower at the VMC at a very competitive interest rate with a large Canadian insurance company.

- In September 2018, the Trust and SmartStop formed a 50:50 joint venture known as Oshawa South Self Storage Limited Partnership ("Oshawa South Self Storage LP"), into which the Trust contributed development lands located in Oshawa,

Ontario, previously presented as property under development and SmartStop contributed land and cash. The purpose of the joint venture is to own, develop and operate a self-storage rental facility in Oshawa.

- In November 2018, the Trust together with its partner Simon Properties completed the 144,000 square foot expansion of the Toronto Premium Outlets, which is fully leased, including some very exciting brand names such as Gucci, Prada, Montblanc and Zadig & Voltaire.

Financial and operational highlights for the year ended December 31, 2018 include the following:

- Net income and comprehensive income was $402.9 million, as compared to $355.9 million in the prior year, representing an increase of $47.0 million or 13.2%.[1]

- Rental from investment properties and other was $790.2 million, as compared to $747.2 million in the prior year, representing an increase of $43.0 million or 5.7%.[1]

- As at year end, committed and in-place occupancy rates were 98.1% and 98.0% respectively, compared to the prior year of 98.3% and 98.2% respectively.

- Cash flows provided by operating activities were $351.3 million, as compared to $353.1 million in the prior year, representing a decrease of $1.8 million or 0.5%.[1]

- Net income excluding loss on disposition and fair value adjustments was $352.8 million, as compared to $340.5 million in the prior year, representing an increase of $12.3 million or 3.6%.[2]

- FFO with one time adjustment and before Transactional FFO increased by $21.0 million or 6.0% to $368.3 million and by $0.08 or 3.6% to $2.28 on a per Unit basis (see "Other Measures of Performance" for details).[2]

- FFO with one time adjustment and Transactional FFO increased by $19.9 million or 5.7% to $371.3 million and by $0.07 or 3.1% to $2.30 on a per Unit basis (see "Other Measures of Performance" for details).[2]

- ACFO with one time adjustment increased by $12.6 million or 3.8% to $343.4 million compared to the prior year (see "Other Measures of Performance" for details).[2]

- ACFO with one time adjustment exceeded both distributions declared and distributions paid by $58.3 million and $115.4 million, respectively, compared to the prior year of $60.1 million and $111.8 million, respectively (see "Other Measures of Performance" for details).[2]

- Payout ratio to ACFO with one time adjustment increased by 1.2% to 83.0% compared to the prior year (see "Other Measures of Performance" for details).[2]

- Same properties' NOI increased by $2.1 million or 0.4% compared to the prior year.[2]

- The weighted average stabilized capitalization rate for the Trust's investment property portfolio was 5.92% (December 31, 2017 – 5.95%). In addition, the Trust recorded a fair value adjustment on revaluation of investment properties of $50.8 million, compared to the prior year of $15.1 million.

- The Trust's unencumbered pool of high-quality assets increased by $863.8 million or 25.5% to $4.3 billion compared to the prior year.

(1) Represents a GAAP measure.
(2) Represents a non-GAAP measure. See "Presentation of Non-GAAP Measures".

Subsequent to Year End:

- In January 2019 the Trust completed an equity offering of 7,360,000 Trust Units at a price of $31.25 per Trust Unit for gross proceeds of $230.0 million, including the exercise, in full, of the over-allotment option granted to the underwriters. The proceeds of this equity offering were primarily used to repay existing indebtedness.

- On February 5, 2019, the Trust and Penguin announced that they: (i) have entered into another joint venture with CentreCourt to develop two additional condominium towers, Towers 4 and 5 at SmartCentres Place, with 50 and 45 storeys, respectively, and (ii) alone will also develop a sixth tower at SmartCentres Place, which will be a purpose-built rental apartment with 35 storeys. The three towers total approximately 1,600 units.

- On February 6, 2019, The Trust announced a notice of redemption to holders of its 4.05% Series H senior unsecured debentures due July 27, 2020, representing a redemption in full of all of the currently outstanding debentures in the amount of $150.0 million. The Series H Debentures will be redeemed on March 8, 2019 ("Redemption Date") at a total redemption price of $1,021.87 plus accrued and unpaid interest of $4.44 up to but excluding the Redemption Date, both per $1,000.00 principal amount. The Trust has arranged with a major Canadian financial institution, a $150.0 million unsecured bank loan at a fixed rate of 3.59% for seven years, the proceeds from which will be used to redeem the Series H Debentures on the Redemption Date.

- On February 7, 2019, the Trust, Penguin and Revera Inc. announced they have executed an overall agreement to develop and own new retirement living residences across Canada. In addition, the Trust and Revera Inc. have executed specific site agreements to proceed with the first three projects in the Greater Toronto Area. These projects will include 536 units, consisting of seniors' apartments and retirement residences in Vaughan and Oakville. The total investment will be approximately $300.0 million. It is expected that construction on all three projects will start in Spring 2020, subject to municipal approvals. The Trust will have 50% ownership and act as the developer for these sites. Revera Inc. will operate the Revera branded retirement living residences.

- On February 12, 2019, the Trust announced that it has executed agreements in a 50:50 joint venture arrangement with SmartStop for two additional self-storage facilities, in Scarborough and Brampton. This brings the total number of SmartStop joint venture locations to six. The Trust will develop and construct the joint venture sites, and SmartStop will operate the SmartStop branded self-storage business.

Selected Consolidated Financial and Operational Information

The consolidated financial and operational information shown in the table below includes the Trust's share of equity accounted investments, see the "Equity Accounted Investments" section for details, and represents key financial and operational information for the years ended December 31, 2018 , December 31, 2017 and December 31, 2016 .

(in thousands of dollars, except per Unit and other non-financial data)	**2018**	2017	2016
Operational Information			
Number of retail and other properties	**152**	154	143
Number of properties under development	**7**	7	7
Number of office properties	**1**	1	1
Number of mixed-use properties	**4**	1	1
Total number of properties with an ownership interest	**164**	163	152
Gross leasable area (in thousands of sq. ft.)	**34,379**	34,157	31,939
Future estimated retail development area (in thousands of sq. ft.)	**3,214**	4,038	4,129
Lands under Mezzanine Financing (in thousands of sq. ft.)	**615**	614	698
Committed occupancy rate	**98.1%**	98.3%	98.5%
In-place occupancy rate	**98.0%**	98.2%	98.3%
Average lease term to maturity	**5.4 years**	5.8 years	6.2 years
Net rental rate (per occupied sq. ft.)	**$15.38**	$15.28	$15.29
Net rental rate excluding Anchors (per occupied sq. ft.)	**$21.82**	$21.61	$21.97
Financial Information			
Investment properties[(2)(3)]	**9,155,174**	8,952,467	8,424,860
Total assets[(1)]	**9,459,632**	9,380,232	8,738,878
Total unencumbered assets[(2)]	**4,250,800**	3,387,000	2,701,700
Debt[(2)(3)]	**4,236,364**	4,318,330	3,894,671
Debt to Aggregate Assets[(2)(3)]	**43.9%**	45.4%	44.3%
Debt to Gross Book Value[(2)(3)]	**51.1%**	52.3%	51.9%
Interest Coverage[(2)(3)]	**3.3X**	3.2X	3.1X
Debt to Adjusted EBITDA[(2)(3)]	**8.2X**	8.2X	8.4X
Equity (book value)[(1)]	**5,008,331**	4,827,457	4,663,944

(1) Represents a GAAP measure.

(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 the Trust's share of equity accounted investments.

The following table represents key financial, per Unit, and payout ratio information for the years ended December 31, 2018 and December 31, 2017:

(in thousands of dollars, except per Unit information)	**2018**	2017	Variance
Financial Information			
Rentals from investment properties and other[1]	**790,178**	747,248	42,930
Net income and comprehensive income[1]	**402,947**	355,926	47,021
Cash flows provided by operating activities[1]	**351,254**	353,082	(1,828)
Net income and comprehensive income excluding loss on disposition and fair value adjustments[2]	**352,825**	340,528	12,297
NOI[2][3]	**505,413**	477,528	27,885
FFO[2][3][4]	**367,186**	344,651	22,535
FFO with one time adjustment and before Transactional FFO[2][3][4]	**368,340**	347,372	20,968
FFO with one time adjustment and Transactional FFO[2][3][4]	**371,304**	351,441	19,863
ACFO[2][3][4][5]	**342,199**	328,076	14,123
ACFO with one time adjustment[2][3][4]	**343,353**	330,797	12,556
Distributions declared	**285,082**	270,665	14,417
Surplus of ACFO with one time adjustment over distributions declared[2]	**58,271**	60,132	(1,861)
Surplus of ACFO with one time adjustment over distributions paid[2]	**115,384**	111,803	3,581
Units outstanding[6]	**161,716,843**	159,720,126	1,996,717
Weighted average – basic	**160,700,157**	157,058,690	3,641,467
Weighted average – diluted[7]	**161,507,550**	157,722,407	3,785,143
Per Unit Information (Basic/Diluted)			
Net income and comprehensive income	**$2.51/$2.49**	$2.27/$2.26	$0.24/$0.23
Net income and comprehensive income excluding loss on disposition and fair value adjustments	**$2.20/$2.18**	$2.17/$2.16	$0.03/$0.02
FFO[2][3][4]	**$2.28/$2.27**	$2.19/$2.19	$0.09/$0.08
FFO with one time adjustment and before Transactional FFO[2][3][4]	**$2.29/$2.28**	$2.21/$2.20	$0.08/$0.08
FFO with one time adjustment and Transactional FFO[2][3][4]	**$2.31/$2.30**	$2.24/$2.23	$0.07/$0.07
Distributions declared	**$1.763**	$1.713	$0.050
Payout Ratio Information			
Payout ratio to FFO[2][3][4]	**77.5%**	78.2%	(0.7)%
Payout ratio to FFO with one time adjustment and before Transactional FFO[2][3][4]	**77.3%**	77.9%	(0.6)%
Payout ratio to FFO with one time adjustment and Transactional FFO[2][3][4]	**76.7%**	76.8%	(10.0)%
Payout ratio to ACFO[2][3][4][5]	**83.3%**	82.5%	0.8%
Payout ratio to ACFO with one time adjustment[2][3][4]	**83.0%**	81.8%	1.2%

(1) Represents a GAAP measure.
(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 the Trust's share of equity accounted investments.
(4) See "Other Measures of Performance" for a reconciliation of these measures to the nearest consolidated financial statement measure.
(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 2018 REALpac White Paper on ACFO. Comparison with other reporting issuers may not be appropriate. Payout ratio is calculated as declared distributions divided by ACFO.
(6) Total Units outstanding include Trust Units and LP Units, including 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.

Results of Operations

The Trust's real estate portfolio has grown through Developments and Earnouts during the course of the past year, in addition to the Acquisitions, Developments and Earnouts that took place in 2017, resulting in increases in operating results for the three months ended December 31, 2018, as compared to the three months ended December 31, 2017.

Income Statement for the Three Months Ended December 31, 2018 and December 31, 2017

The following represents the consolidated statement of income and comprehensive income including the Trust's share of equity accounted investments (a non-GAAP measure), for the three months ended December 31, 2018 and December 31, 2017:

(in thousands of dollars)	**Three Months Ended December 31, 2018**	Three Months Ended December 31, 2017	Variance
Net rental income and other			
Rentals from investment properties and other	**203,344**	200,070	3,274
Property operating costs and other	**(76,238)**	(74,610)	(1,628)
Net rental income and other	**127,105**	125,460	1,645
Other income and expenses			
General and administrative expense	**(6,164)**	(6,328)	164
Fair value adjustment on revaluation of investment properties	**16,873**	5,010	11,863
Gain (loss) on sale of investment properties	**174**	(231)	405
Interest expense	**(35,882)**	(35,700)	(182)
Interest income	**2,272**	1,985	287
Pre-sale costs on condominium sales	**—**	(72)	72
Loss on investment in equity accounted investments	**(289)**	(3,301)	3,012
Fair value adjustment on financial instruments	**(1,058)**	(3,391)	2,333
Acquisition related (loss) gain, net	**(453)**	18,479	(18,932)
Net income and comprehensive income	**102,578**	101,911	667

For the three months ended December 31, 2018, net income and comprehensive income increased by $0.7 million or 0.7% compared to the same quarter in 2017, which was primarily attributed to the following:

- $12.3 million increase in fair value adjustments on revaluation of investment properties principally due to changes in lease and NOI assumptions relating to the Trust's portfolio;
- $2.8 million increase in earnings from equity accounted investments;
- $2.5 million increase in the fair value adjustment on financial instruments principally due to the fluctuation in the Trust's unit price as compared to the same quarter in 2017 (as financial instruments are fair valued at the balance sheet date);
- $0.9 million increase in rental income and other due to the growth of the portfolio;
- $0.8 million increase in property operating cost recoveries; and
- $0.3 million increase in interest income;

Partially offset by the following:

- $18.9 million decrease in acquisition related gain, net, pursuant to the Arrangement.

NOI Quarterly Comparison to Prior Year

The following summarizes net income and comprehensive income, NOI, NOI related ratios, and recovery ratios, for the three months ended December 31, 2018 and December 31, 2017, and to provide additional information, reflects the Trust's share of equity accounted investments, the sum of which represents a non-GAAP measure:

(in thousands of dollars)	**Three Months Ended December 31, 2018**			Three Months Ended December 31, 2017			
	Trust	**Equity Accounted Investments**	**Total**	Trust	Equity Accounted Investments	Total	Variance
			(Non-GAAP)[1]			(Non-GAAP)[1]	(Non-GAAP)[1]
			(A)			(B)	(A-B)
Net income (loss) and comprehensive income (loss)[2]	**102,071**	**507**	**102,578**	110,422	(8,511)	101,911	667
Net base rent	**124,920**	**1,734**	**126,654**	124,342	1,755	126,097	557
Property tax and insurance recoveries	**46,474**	**483**	**46,957**	44,259	333	44,592	2,365
Property operating cost recoveries	**22,329**	**561**	**22,890**	22,176	310	22,486	404
Miscellaneous revenue	**3,527**	**517**	**4,044**	3,148	207	3,355	689
Rentals from investment properties	**197,250**	**3,295**	**200,545**	193,925	2,605	196,530	4,015
Service and other revenues	**2,799**	**—**	**2,799**	3,540	—	3,540	(741)
Rentals from investment properties and other	**200,049**	**3,295**	**203,344**	197,465	2,605	200,070	3,274
Recoverable property operating costs and taxes	**(70,252)**	**(933)**	**(71,185)**	(67,655)	(712)	(68,367)	(2,818)
Property management fees and costs	**(1,371)**	**(84)**	**(1,455)**	(1,364)	(63)	(1,427)	(28)
Non-recoverable costs	**(639)**	**(161)**	**(800)**	(1,187)	(43)	(1,230)	430
Property operating costs	**(72,262)**	**(1,178)**	**(73,440)**	(70,206)	(818)	(71,024)	(2,416)
Other expenses	**(2,799)**	**—**	**(2,799)**	(3,586)	—	(3,586)	787
Property operating costs and other	**(75,061)**	**(1,178)**	**(76,239)**	(73,792)	(818)	(74,610)	(1,629)
NOI[3]	**124,988**	**2,117**	**127,105**	123,673	1,787	125,460	1,645
NOI as a percentage of net base rent	**100.1%**	**122.1%**	**100.4%**	99.5%	101.8%	99.5%	0.9%
NOI as a percentage of rentals from investment properties	**63.4%**	**64.2%**	**63.4%**	63.8%	68.6%	63.8%	(0.4)%
NOI as a percentage of rentals from investment properties and other	**62.5%**	**64.2%**	**62.5%**	62.6%	68.6%	62.7%	(0.2)%
Recovery ratio (including prior year adjustments)	**97.9%**	**111.9%**	**98.1%**	98.2%	90.3%	98.1%	0.0%
Recovery ratio (excluding prior year adjustments)	**96.4%**	**110.9%**	**96.6%**	97.5%	94.1%	97.4%	(0.8)%

(1) Except for net income and comprehensive income, this column contains non-GAAP measures because of the fact that it includes figures that are recorded in equity accounted investments - that are not explicitly disclosed and/or presented in the consolidated financial statements for the years ended December 31, 2018 and December 31, 2017.

(2) Represents a GAAP measure.

(3) 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.

With respect to the total recovery ratio (including the Trust's share of equity accounted investments), both including and excluding prior year adjustments, the Trust recovered 98.1% and 96.6%, respectively, of total recoverable expenses during the three months ended December 31, 2018, compared to 98.1% and 97.4%, respectively, in the same quarter in 2017.

NOI Year-to-Date Comparison to Prior Year

The following summarizes net income and comprehensive income, NOI, and NOI related ratios, for the years ended December 31, 2018 and December 31, 2017, and to provide additional information, reflects the Trust's share of equity accounted investments, the sum of which represents a non-GAAP measure:

(in thousands of dollars)	2018			2017			
	Trust	**Equity Accounted Investments**	**Total**	Trust	Equity Accounted Investments	Total	Variance
			(Non-GAAP)[1]			(Non-GAAP)[1]	(Non-GAAP)[1]
			(A)			(B)	(A-B)
Net income (loss) and comprehensive income (loss)[2]	**392,408**	**10,539**	**402,947**	357,589	(1,663)	355,926	47,021
Net base rent	**498,276**	**6,918**	**505,194**	476,472	4,773	481,245	23,949
Property tax and insurance recoveries	**184,893**	**1,829**	**186,722**	174,506	938	175,444	11,278
Property operating cost recoveries	**78,630**	**1,931**	**80,561**	71,852	1,034	72,886	7,675
Miscellaneous revenue	**16,261**	**2,176**	**18,437**	11,202	577	11,779	6,658
Rentals from investment properties	**778,060**	**12,854**	**790,914**	734,032	7,322	741,354	49,560
Service and other revenues	**12,118**	**—**	**12,118**	13,216	—	13,216	(1,098)
Rentals from investment properties and other	**790,178**	**12,854**	**803,032**	747,248	7,322	754,570	48,462
Recoverable property operating costs and taxes	**(270,736)**	**(3,637)**	**(274,373)**	(253,596)	(2,322)	(255,918)	(18,455)
Property management fees and costs	**(6,117)**	**(300)**	**(6,417)**	(5,076)	(180)	(5,256)	(1,161)
Non-recoverable costs	**(3,955)**	**(720)**	**(4,675)**	(2,431)	(166)	(2,597)	(2,078)
Property operating costs	**(280,808)**	**(4,657)**	**(285,465)**	(261,103)	(2,668)	(263,771)	(21,694)
Other expenses	**(12,154)**	**—**	**(12,154)**	(13,271)	—	(13,271)	1,117
Property operating costs and other	**(292,962)**	**(4,657)**	**(297,619)**	(274,374)	(2,668)	(277,042)	(20,577)
NOI[3]	**497,216**	**8,197**	**505,413**	472,874	4,654	477,528	27,885
NOI as a percentage of net base rent	**99.8%**	**118.5%**	**100.0%**	99.2%	97.5%	99.2%	0.8%
NOI as a percentage of rentals from investment properties	**63.9%**	**63.8%**	**63.9%**	64.4%	63.6%	64.4%	(0.5)%
NOI as a percentage of rentals from investment properties and other	**62.9%**	**63.8%**	**62.9%**	63.3%	63.6%	63.3%	(0.4)%
Recovery ratio (including prior year adjustments)	**97.3%**	**103.4%**	**97.4%**	97.1%	84.9%	97.0%	0.4%
Recovery ratio (excluding prior year adjustments)	**96.8%**	**101.5%**	**96.8%**	96.8%	86.4%	96.7%	0.1%

(1) Except for net income and comprehensive income, this column contains non-GAAP measures because of the fact that it includes figures that are recorded in equity accounted investments - that are not explicitly disclosed and/or presented in the consolidated financial statements for the years ended December 31, 2018 and December 31, 2017.

(2) Represents a GAAP measure.

(3) 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.

For the year ended December 31, 2018, net income and comprehensive income increased by $47.0 million or 13.2% compared to the same period in 2017, which was primarily attributed to:

- $35.7 million increase in fair value adjustments on revaluation of investment properties which includes: (i) a fair value increase of $23.6 million for the Toronto Premium Outlets' expansion, (ii) a fair value increase of $26.6 million for both the Toronto and Montreal Premium Outlets resulting from increases in step rents, offset by (iii) a net fair value decrease of $14.5 million principally due to changes in lease, NOI and assumptions relating to the Trust's other investment properties;
- $23.5 million increase in rental income attributed to the properties acquired pursuant to the Arrangement, Toronto Premium Outlets' expansion, and other Earnouts and Developments;

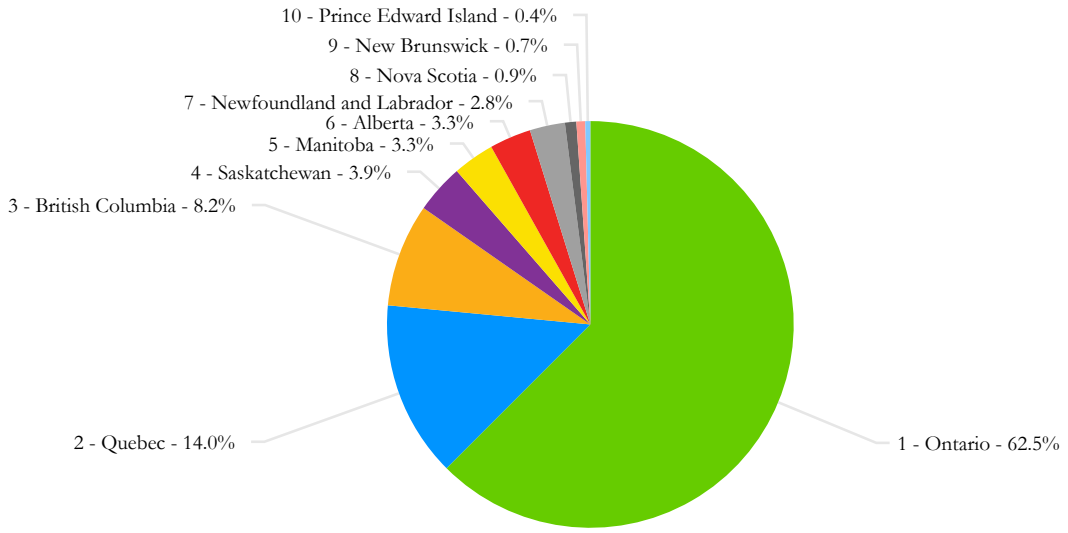
- $12.2 million increase in earnings from equity accounted investments, primarily due to both a fair value increase and an increase in rental revenues from an Investment Property (Creekside Crossing) acquired pursuant to the Arrangement; and
- $2.2 million increase in lease termination fees;

Partially offset by the following:

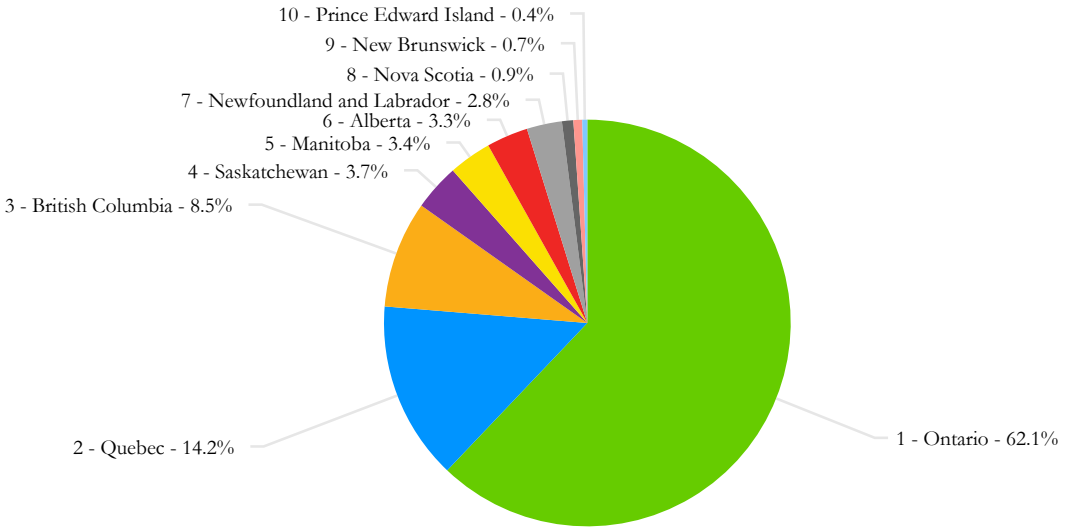
- $18.1 million decrease in acquisition related gain, net, pursuant to the Arrangement;
- $5.1 million increase in net interest expense principally due to the debt assumed as part of the Arrangement;
- $1.5 million increase in bad debt;
- $1.1 million increase in general and administrative expense, net attributed primarily to increases in both legal and professional fees;
- $0.5 million decrease in the fair value adjustment on financial instruments principally due to the fluctuation in the Trust's unit price as compared to the prior year (as financial instruments are fair valued at the balance sheet date); and
- $0.3 million increase in loss on sale of investment properties.

With respect to the total recovery ratio (including the Trust's share of equity accounted investments), both including and excluding prior year adjustments, the Trust recovered 97.4% and 96.8%, respectively, of total recoverable expenses during the year ended December 31, 2018, compared to 97.0% and 96.7%, respectively, in the prior year.

Gross Revenue by Province (%) (Year Ended December 31, 2018)



Gross Revenue by Province (Year Ended December 31, 2017)



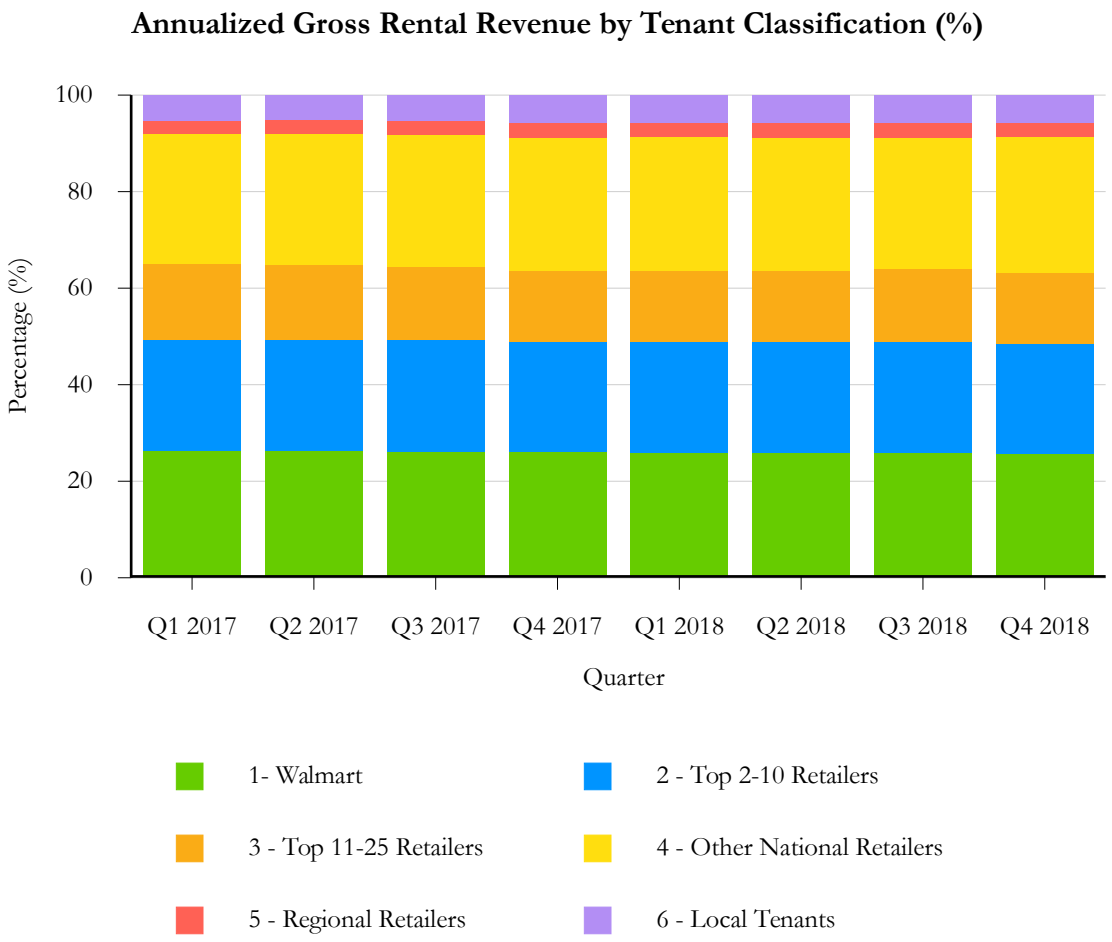
The Trust's portfolio is located across Canada with properties in each province. With respect to the portfolio's gross revenue, 76.5% (December 31, 2017 – 76.3%) is derived from Ontario and Quebec, primarily in the Greater Toronto and Greater Montreal areas.

Top 25 Tenants

The 25 largest tenants (by annualized gross rental revenue) account for 63.5% of portfolio revenue as follows:

#	Tenant	Number of Stores	Annualized Gross Rental Revenue ($ millions)	Percentage of Total Annualized Gross Rental Revenue	Leased Area (sq. ft.)	Leased Area as a Percentage of Total Gross Leasable Area
1	Walmart[1]	101	201.7	25.7%	14,105,787	41.0%
2	Canadian Tire, Mark's and FGL Sports	71	35.4	4.5%	1,372,717	4.0%
3	Winners, HomeSense, Marshalls	55	31.7	4.0%	1,383,967	4.0%
4	Loblaws and Shoppers Drug Mart	24	21.3	2.7%	899,056	2.6%
5	Lowe's, RONA	9	18.5	2.4%	1,023,223	3.0%
6	Sobeys	18	18.0	2.3%	782,029	2.3%
7	Reitmans	91	15.6	2.0%	506,485	1.5%
8	Best Buy	22	13.8	1.8%	504,321	1.5%
9	Dollarama	52	13.0	1.7%	490,904	1.4%
10	Michaels	25	11.9	1.5%	477,249	1.4%
11	LCBO	34	11.8	1.5%	326,970	1.0%
12	Recipe Unlimited (formerly Cara Operations)	56	11.4	1.4%	289,970	0.8%
13	Staples	21	9.9	1.3%	449,599	1.3%
14	Gap Inc.	24	8.5	1.1%	247,438	0.7%
15	Bonnie Togs	46	8.3	1.1%	225,652	0.7%
16	Bulk Barn	52	7.9	1.0%	242,998	0.7%
17	Toys R Us	7	7.3	0.9%	268,880	0.8%
18	CIBC	27	7.0	0.9%	147,298	0.4%
19	The Brick	10	6.8	0.9%	281,856	0.8%
20	Dollar Tree, Dollar Giant	27	6.6	0.8%	225,819	0.7%
21	Sleep Country	37	6.4	0.8%	172,860	0.5%
22	Metro	8	6.3	0.8%	306,664	0.9%
23	Sail	4	6.2	0.8%	226,255	0.7%
24	GoodLife Fitness Clubs	11	6.2	0.8%	249,417	0.7%
25	Ricki's, Cleo, Urban Barn & Warehouse One	37	6.1	0.8%	175,153	0.5%
		869	497.6	63.5%	25,382,567	73.9%

(1) The Trust has a total of 101 Walmart locations under lease, of which 98 are supercentres. The Trust has 14 shopping centres with Walmart as shadow anchors, of which 14 are supercentres.



The chart above reflects the stability of tenant revenue in the Trust's portfolio and the predominance of revenue generated from large national and regional retailers.

Same Properties 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 rents, lease terminations and other adjustments, and amortization of tenant improvements 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 December 31, 2018**	Three Months Ended December 31, 2017	Variance	Variance (%)
Net rental income	**124,988**	123,719	1,269	1.0 %
Service and other revenues	**2,799**	3,540	(741)	(20.9)%
Other expenses	**(2,799)**	(3,586)	787	(21.9)%
NOI[1]	**124,988**	123,673	1,315	1.1 %
NOI from equity accounted investments[1]	**2,117**	1,787	330	18.5 %
Total portfolio NOI before adjustments[1]	**127,105**	125,460	1,645	1.3 %
Adjustments:				
Royalties	**216**	184	32	17.4 %
Straight-lining of rents	**(21)**	(577)	556	(96.4)%
Lease termination and other adjustments	**(248)**	(531)	283	N/R[2]
Amortization of tenant improvements	**1,924**	1,690	234	13.8 %
Total portfolio NOI after adjustments[1]	**128,976**	126,226	2,750	2.2 %
NOI sourced from:				
Acquisitions	**(7,265)**	(6,692)	(573)	N/R[2]
Dispositions	**(13)**	(10)	(3)	N/R[2]
Earnouts and Developments	**(1,988)**	(366)	(1,622)	N/R[2]
Same Properties NOI[1]	**119,710**	119,158	552	0.5 %

(1) 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.

(2) N/R - Not representative

"Same properties" in the above table refer to those income properties that were owned by the Trust from October 1, 2017 to December 31, 2017 and from October 1, 2018 to December 31, 2018. The same properties NOI for the three months ended December 31, 2018 increased by $0.6 million or 0.5% compared to the same quarter in 2017, which was primarily due to:

- $0.7 million increase in miscellaneous revenue primarily from percentage rent, short-term rentals and storage rent; and
- $0.7 million decrease in bad debt expense;

Offset by the following:

- $0.8 million rental revenue decrease primarily due to higher vacancy.

The increase in NOI from acquisitions of $0.6 million, as illustrated in the above table, was principally attributed to the acquisition of a property in Valleyfield, Quebec, in June 2018. NOI related to Earnouts and Development increased by $1.6 million primarily due to the Toronto Premium Outlet expansion that took place in November 2018. The increase in NOI from equity accounted investments of $0.3 million is attributed to additional tenants taking space in the KPMG Tower in Vaughan and higher parking revenue due to the subway opening.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	**Year Ended December 31, 2018**	Year Ended December 31, 2017	Variance	Variance (%)
Net rental income	**497,252**	472,929	24,323	5.1 %
Service and other revenues	**12,118**	13,216	(1,098)	(8.3)%
Other expenses	**(12,154)**	(13,271)	1,117	(8.4)%
NOI[1]	**497,216**	472,874	24,342	5.1 %
NOI from equity accounted investments[1]	**8,197**	4,654	3,543	76.1 %
Total portfolio NOI before adjustments[1]	**505,413**	477,528	27,885	5.8 %
Adjustments:				
Royalties	**785**	705	80	11.3 %
Straight-lining of rents	**(1,296)**	(1,742)	446	(25.6)%
Lease termination and other adjustments	**(4,211)**	(1,375)	(2,836)	N/R[2]
Amortization of tenant improvements	**7,204**	6,789	415	6.1 %
Total portfolio NOI after adjustments[1]	**507,895**	481,905	25,990	5.4 %
NOI sourced from:				
Acquisitions	**(27,433)**	(6,692)	(20,741)	N/R[2]
Dispositions	**88**	(338)	426	N/R[2]
Earnouts and Developments	**(6,951)**	(3,335)	(3,616)	N/R[2]
Same Properties NOI[1]	**473,599**	471,540	2,059	0.4 %

(1) 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.

(2) N/R - Not representative

"Same properties" in the above table refer to those income properties that were owned by the Trust from January 1, 2017 to December 31, 2017 and from January 1, 2018 to December 31, 2018. The same properties NOI for the year ended December 31, 2018 increased by $2.1 million or 0.4% compared to the year ended December 31, 2017, which was primarily due to:

- $2.4 million increase in miscellaneous revenue primarily from percentage rent, short-term rentals and storage rent;
- $0.4 million increase in rental revenue mainly due to tenants' step-up rent and renewals, primarily attributable to the Premium Outlets, partially offset by higher vacancy; and
- $0.6 million increase in recovery revenue mainly due to prior year operation cost adjustments.

Offset by the following:

- $1.3 million increase in bad debt expense, which includes $0.9 million net reversal of bad debt expense in the comparative period.

Excluding the impact of a $1.1 million reversal in 2017 of previously recorded general bad debt provisions, year-over-year Same Properties NOI growth for the year ended December 31, 2018 would have been 0.7%.

The increase in NOI from acquisitions of $20.7 million, as illustrated in the above table, was principally attributed to the growth of the portfolio during the year ended December 31, 2018 primarily as a result of the Arrangement. The increase in NOI from equity accounted investments of $3.5 million is attributed to additional tenants taking space in the KPMG Tower in VMC, and one property acquired in connection with the Arrangement.

Annual Run-Rate NOI

Annual Run-Rate NOI is a forward-looking, non-GAAP measure. Management's estimate of the Annual Run-Rate NOI (excluding the impact of straight-line rent and other non-recurring items including but not limited to bad debt provisions and termination fees) at December 31, 2018 is $507.4 million.

The Annual Run-Rate NOI is computed by annualizing the current quarter NOI and making adjustments for the impact of straight-line rent and other non-recurring items including but not limited to bad debt provisions and termination fees. This estimate does not reflect income to be recognized from committed leases that have not yet commenced. Similarly, this estimate does not include the loss of income from space expected to be vacated over the next twelve months. The estimated Annual Run-Rate NOI improved by $1.7 million or 0.3% from December 31, 2017, which was primarily attributed to the Toronto Premium Outlets' expansion and other completed Earnouts and Developments.

The sensitivity analysis below shows the impact on Annual Run-Rate NOI relating to changes in the Annual Run-Rate NOI growth rate for the year ended December 31, 2018:

Growth rate change:	**(1.0)%[1]**	**(0.5)%[1]**	**Annualized December 31, 2018**	**0.5%[1]**	**1.0%[1]**
Annual Run-Rate NOI (in thousands of dollars)	502,284	504,821	**507,358**	509,895	512,431

(1) Sensitivity rates in the table above are provided for illustrative purposes only and are not indicative of future expectations in annual growth rates.

There are no assurances for Annual Run-Rate NOI growth rates, however, assuming a 1.0% NOI growth rate over 2019 and 2020, and all other variables remaining constant including total Units outstanding, FFO is forecasted to increase by $0.032 and $0.032 per Unit, respectively. Similarly, assuming a 1.0% reduction in the NOI growth rate over 2019 and 2020, FFO is forecasted to decrease by $0.032 and $0.032 per Unit, respectively. Annual Run-Rate NOI is forward-looking information. See "Forward-Looking Statements".

Adjusted EBITDA

The following table represents a reconciliation of net income and comprehensive income to Adjusted EBITDA for the 12 months ended December 31, 2018 and December 31, 2017:

(in thousands of dollars)	**Twelve Months Ended December 31, 2018**	Twelve Months Ended December 31, 2017	Variance
Net income and comprehensive income	**402,947**	355,926	47,021
Add (deduct) the following items[1]:			
Interest expense	**143,983**	133,486	10,497
Interest income	**(10,381)**	(8,582)	(1,799)
Yield maintenance on redemption of unsecured debentures	**—**	2,721	(2,721)
Amortization of equipment and intangible assets	**2,131**	2,087	44
Amortization of tenant improvements	**6,978**	6,635	343
Fair value adjustment on revaluation of investment properties	**(57,204)**	(12,664)	(44,540)
Fair value adjustment on financial instruments	**634**	(1,708)	2,342
Adjustment for supplemental contribution	**1,149**	3,303	(2,154)
Loss on sale of investment properties	**637**	288	349
Transition costs[2]	**1,154**	—	1,154
Transactional FFO – gain on sale of land to co-owners	**2,964**	4,069	(1,105)
Acquisition related gain, net	**(343)**	(18,479)	18,136
Adjusted EBITDA[1]	**494,649**	467,082	27,567

(1) 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.

(2) Transition costs include the costs of CEO transition and other related costs of $1.2 million for the year ended December 31, 2018 (year ended December 31, 2017 – n/a).

Leasing Activities and Lease Expiries

The Trust's portfolio of well-located, value-based and predominantly Walmart anchored shopping centres has provided an attractive foundation for many other retailers. Walmart's continued success in Canada results in additional customer visits to the sites that assist all tenants in the Trust's shopping centres. As such, the Trust has experienced industry-leading occupancy rates for the past decade and this is expected to continue given the value-orientation of the portfolio. The Trust will continue to proactively work with its existing tenants to both maximize retention and attract new tenants adding new uses to its available space.

Value-based retailers such as Costco, Canadian Tire, Dollarama, Winners, HomeSense, Marshalls and Old Navy have been performing well and are actively expanding their store numbers. Restaurant companies, including Recipe Unlimited (formerly Cara Operations), are in expansion mode and have been undertaking renovations to existing locations to ensure that their restaurant concepts are successful. Medical services such as clinics and diagnostic labs have been taking more space within the Trust's portfolio, in line with health needs from an aging population. The Trust will continue to focus its efforts to meet the needs of each community based on the specific requirements of each.

As the Trust continues to adapt to changes in the retail environment, the focus remains on maintaining a strong and resilient portfolio which meets the needs of each community with a variety of uses including grocery, pharmacy, restaurant, fitness and personal care. The combination of these uses maintains the Trust's strong value-oriented focus, while supporting its strategy to deliver new services and uses in each community.

Subsequent to the year ended December 31, 2018, as a result of the bankruptcy filings of Bombay & Bowring, the Trust experienced vacancy of approximately 103,000 square feet, which represents approximately 0.3% of the Trust's total portfolio of leasable area. All of these are part of Walmart anchored or shadow-anchored shopping centres, and the Trust expects to backfill these locations over the course of 2019. Recent leasing momentum in 2019 has been very robust wherein we have completed or are near complete on approximately 2.5 million square feet of 2019 lease renewals.

Leasing Activities

For the year ended December 31, 2018, the Trust achieved an in-place occupancy rate of 98.0% (December 31, 2017 – 98.2%). The Trust's committed occupancy rate, which represents the occupancy level for tenants taking occupancy after the quarter, for the year ended December 31, 2018 was 98.1% (December 31, 2017 – 98.3%). These reductions in occupancy levels as compared to the same period in 2017 results primarily from additional vacancy in the portfolio. As at December 31, 2018, approximately 35,457 square feet of space has been leased or is in the final stages of being leased for occupancy of vacant space in future quarters. The Trust's quarterly occupancy rate is summarized below for in-place occupancy as well as committed occupancy:

	Q4 2018	Q3 2018	Q2 2018	Q1 2018
In-place occupancy rate	**98.0%**	98.1%	98.0%	98.0%
Committed occupancy rate	**98.1%**	98.2%	98.2%	98.1%

The following table represents a continuity of the Trust's occupancy level for the year ended December 31, 2018:

(in square feet)	**Vacant Area**	**Occupied Area**	**Leasable Area**	**In-place Occupancy Level (%)**
Beginning balance – January 1, 2018	**625,540**	**33,531,545**	**34,157,085**	**98.2%**
New vacancies	529,274	(529,274)	—	
New leases	(372,203)	372,203	—	
Subtotal	782,611	33,374,474	34,157,085	
Acquisitions	—	54,193	54,193	
Transferred from properties under development to income properties	—	180,204	180,204	
KPMG Tower - transferred from properties under development to income properties	—	11,471	11,471	
Toronto Premium Outlet expansion - transferred from properties under development to income properties	—	73,246	73,246	
Transferred from income properties to properties under development	(94,466)	—	(94,466)	
Other[1]	(4,186)	1,825	(2,361)	
Ending balance – December 31, 2018	**683,959**	**33,695,413**	**34,379,372**	**98.0%**

(1) Represents unit area re-measurements within the portfolio.

2018 and 2019 Lease Expiries and Related Renewals

As at December 31, 2018, the Trust completed or was near completion on lease renewals totalling 2,190,696 square feet of space, representing approximately 78.7% of 2018 lease expiries (December 31, 2017 – 73.1% of 2017 expiries) at average rental rates per square foot of $19.78 on renewed leases (December 31, 2017 – $19.40) and $24.89 on leases near completion (December 31, 2017 – $18.93), respectively. As at December 31, 2018, for 2019 lease maturities, the Trust completed or was near completion on renewals totalling 2,475,403 square feet or 69.5% of 2019 maturities (December 31, 2017 – 59.8% of 2018 expiries).

	2018	2017	Variance
Lease expiries in the current year	**2,782,467**	2,043,495	738,972
Renewals year to date:			
Square feet – renewed	**2,068,357**	1,390,667	677,690
Square feet – near completion	**122,339**	103,128	19,211
Total renewals completed and near completion	**2,190,696**	1,493,795	696,901
Renewal percentage – complete and near completion	**78.7%**	73.1%	5.6%
Average net rent per square foot on renewed leases	**$19.78**	$19.40	$0.38
Average net rent per square foot on leases near completion	**$24.89**	$18.93	$5.96
Increase in average net rent per square foot on renewed leases	**$0.59**	$0.46	$0.13
Percentage increase in average net rent per square foot on renewed leases	**3.1%**	2.4%	0.7%
Percentage increase in average net rent per square foot on renewed leases excluding Anchor tenants	**3.2%**	2.5%	0.7%

Lease expiries for the total portfolio as at December 31, 2018 are as follows:

Year of Expiry	Total Area (sq. ft.)	Percentage of Total Area (%)	Annualized Base Rent ($000s)	Average Base Rent psf[1] ($)
Month-to-month and holdovers[2]	655,040	1.9%	11,728	17.90
2019	1,173,514	3.4%	22,827	19.45
2020	3,756,553	10.9%	54,325	14.46
2021	3,879,545	11.3%	56,084	14.46
2022	4,427,309	12.9%	63,692	14.39
2023	4,364,595	12.7%	75,174	17.22
2024	4,089,274	11.9%	59,147	14.46
Beyond	11,349,583	33.0%	175,194	15.44
Vacant	683,959	2.0%	—	—
Total	34,379,372	100.0%	518,171	15.38

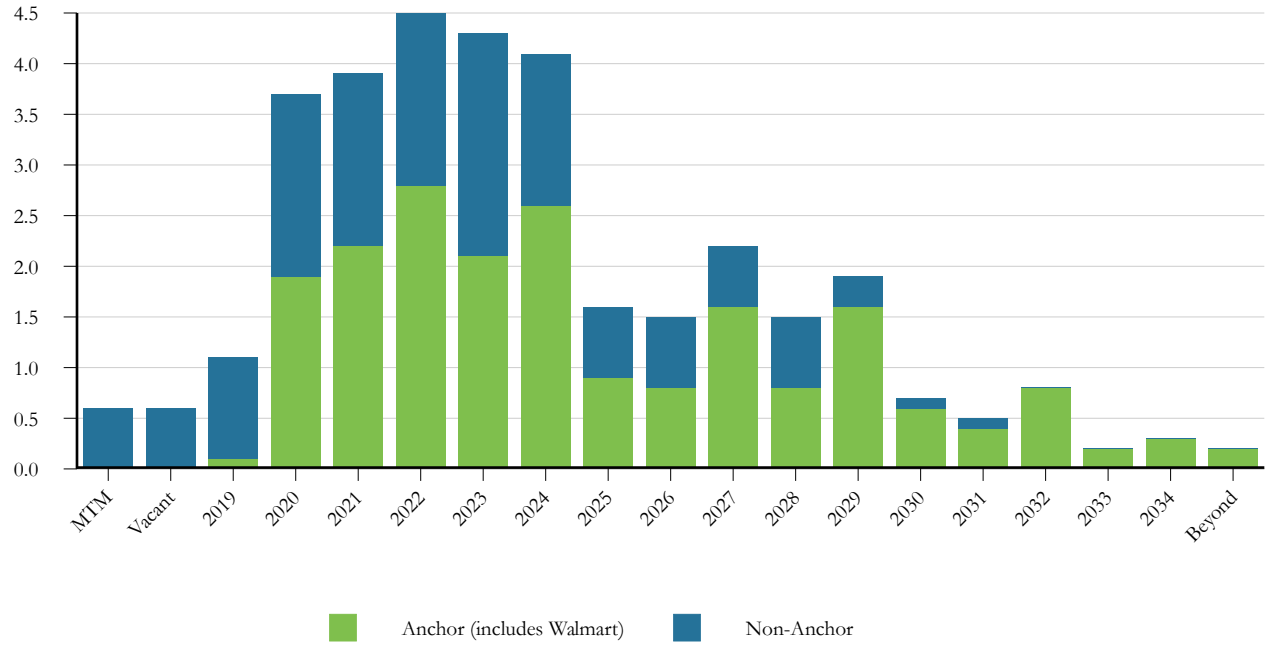
(1) The total average base rent per square foot excludes vacant space of 683,959 square feet.
(2) Includes Bombay & Bowring space totalling approximately 103,000 square feet.

Lease expiries for the portfolio excluding Anchor tenants as at December 31, 2018 are as follows:

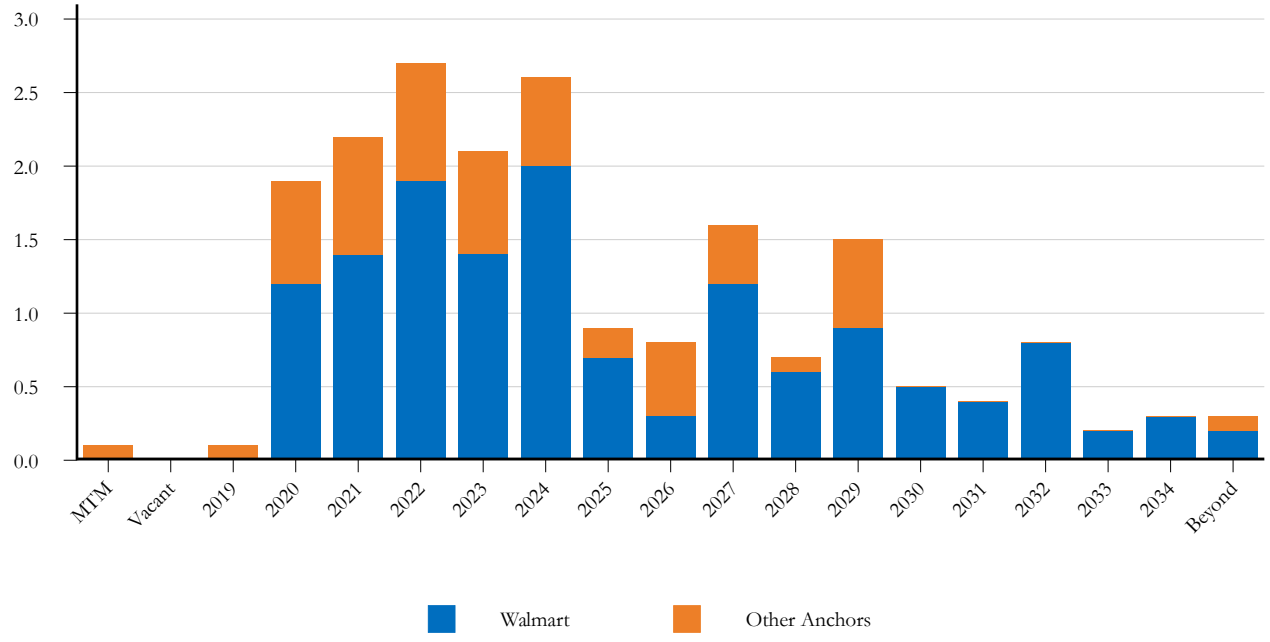
Year of Expiry	Total Area (excluding Anchor tenants) (sq. ft.)	Percentage of Total Area (excluding Anchor tenants) (%)	Proportion of Area (excluding Anchor tenants) (%)	Annualized Base Rent ($000s)	Average Base Rent psf[1] ($)
Month-to-month and holdovers[2]	606,432	1.8%	4.2%	10,901	17.98
2019	1,047,070	3.0%	7.3%	21,116	20.17
2020	1,848,767	5.4%	12.8%	37,118	20.08
2021	1,666,919	4.8%	11.5%	34,576	20.74
2022	1,675,446	4.9%	11.6%	37,679	22.49
2023	2,214,938	6.4%	15.3%	51,669	23.33
2024	1,518,525	4.4%	10.6%	34,252	22.56
Beyond	3,211,437	9.3%	22.2%	73,642	22.93
Vacant	649,508	1.9%	4.5%	—	—
Total	14,439,042	41.9%	100.0%	300,953	21.82

(1) The total average base rent per square foot excludes vacant space of 649,508 square feet.
(2) Includes Bombay & Bowring space totalling approximately 103,000 square feet.

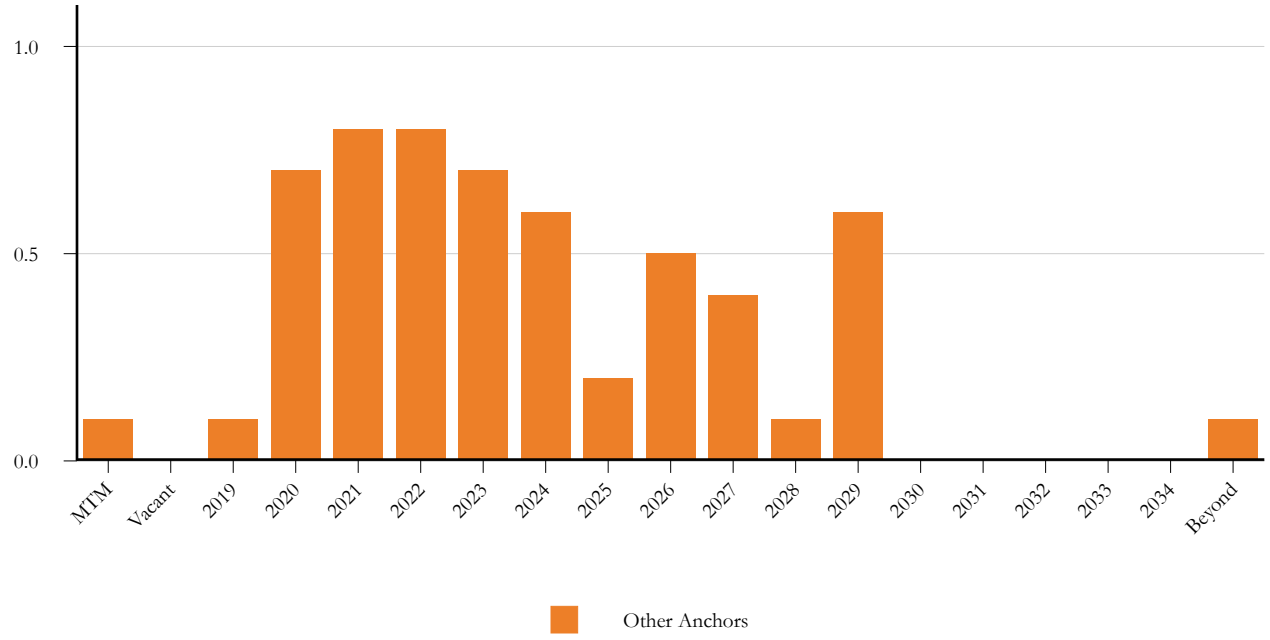
Lease Expiries
(in millions of square feet)



Lease Expiries – Walmart versus Other Anchors
(in millions of square feet)



Lease Expiries – Other Anchors
(in millions of square feet)



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 year; nor should they be viewed as an alternative to net income and comprehensive income, cash flows from operating activities or other measures of financial performance calculated in accordance with IFRS. The calculations are derived from the consolidated financial statements for the year ended December 31, 2018, unless otherwise stated, do not include any assumptions, do not include any forward-looking information and are consistent with prior reporting years.

Weighted Average Number of Units

The weighted average number of Trust Units and LP Units is used in calculating the Trust's net income and comprehensive income per Unit, net income and comprehensive income excluding loss on disposition and fair value adjustments per Unit, and FFO per Unit. The corresponding diluted per Unit amounts are adjusted for the dilutive effect of the vested portion of deferred units granted under the Trust's deferred unit plan unless they are anti-dilutive. To calculate diluted FFO per Unit for the year ended December 31, 2018, 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 per Unit calculations in this MD&A:

	Three Months Ended December 31			**Year Ended December 31**		
(number of Units)	**2018**	2017	Variance	**2018**	2017	Variance
Trust Units	**134,253,209**	132,333,681	1,919,528	**133,542,926**	131,127,619	2,415,307
Class B LP Units	**16,416,667**	16,353,564	63,103	**16,387,742**	16,350,990	36,752
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	**3,818,542**	3,798,484	20,058	**3,809,175**	3,780,574	28,601
Class B LP IV Units	**3,047,162**	3,046,121	1,041	**3,046,383**	3,046,121	262
Class B Oshawa South LP Units	**710,416**	688,336	22,080	**694,325**	688,336	5,989
Class D Oshawa South LP Units	**260,417**	251,649	8,768	**254,027**	251,649	2,378
Class B Oshawa Taunton LP Units	**374,223**	374,223	—	**374,223**	374,223	—
Class B Series ONR LP Units	**1,252,945**	1,213,219	39,726	**1,253,819**	305,798	948,021
Class B Series 1 ONR LP I Units	**132,881**	128,548	4,333	**132,881**	32,401	100,480
Class B Series 2 ONR LP I Units	**137,109**	132,638	4,471	**137,109**	33,432	103,677
LP Units	**27,217,909**	27,054,329	163,580	**27,157,231**	25,931,071	1,226,160
Total Units – Basic	**161,471,118**	159,388,010	2,083,108	**160,700,157**	157,058,690	3,641,467
Vested deferred units	**870,529**	690,209	180,320	**807,393**	663,717	143,676
Total Units and vested deferred units – Diluted	**162,341,647**	160,078,219	2,263,428	**161,507,550**	157,722,407	3,785,143

Funds From Operations

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 2018. 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 management believes are not representative of a company's economic earnings. 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 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 net income and comprehensive income can be found below.

Adjusted Funds From Operations

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. In February 2017, REALpac issued a White Paper introducing a new non-GAAP financial measure called Adjusted Cashflow From Operations, which is intended to measure sustainable economic cash flows (see below for more on ACFO). This White Paper also re-defined AFFO as a measure of recurring economic earnings. Upon further consideration of the White Paper discussed above, management has concluded to adopt ACFO as a measure of sustainable cash flows and has no longer reported the previously reported AFFO, effective January 1, 2018.

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 REALpac's "White Paper on Adjusted Cashflow From Operations (ACFO)" for IFRS issued in February 2017, and subsequently amended in February 2018. 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 initial issuance of the February 2017 White Paper on ACFO, there was no industry standard to calculate a sustainable, economic cash flow metric.

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

Determination of 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 Income Tax Act (Canada).

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. Management had historically targeted a payout ratio range of AFFO, which allowed for any unforeseen expenditures for the maintenance of productive capacity. Given that ACFO levels are likely subject to more volatility than AFFO levels, management expects to establish a targeted Payout Ratio for ACFO that is expected to be wider than the historical AFFO targeted payout ratio range. Given both existing ACFO and distribution levels, and 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-GAAP cash flow measures, which include consideration of the maintenance of productive capacity. Accordingly, the Trust does not use IFRS net income and comprehensive income as a proxy for distributions. Management will continue to assess the sustainability of cash and non-cash distributions in each financial reporting period.

Cash Flows from Operating Activities and Distributions Declared

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the table "Distributions and ACFO Highlights", provided later in this report, outlines the differences between cash flows provided by operating activities (per consolidated financial statements) and total distributions, as well as the differences between net income and comprehensive income (loss) and total distributions, in accordance with the guidelines.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles cash flows provided by operating activities to adjusted cash flows from operating activities for the years ended December 31, 2018 and December 31, 2017:

(in thousands of dollars)	**2018**	2017
Cash flows provided by operating activities	**351,254**	353,082
Deduct:		
Normalizing adjustments, the elimination of actual sustaining expenditures and other[1]	**(9,055)**	(25,006)
Adjusted cash flows from operating activities[2]	**342,199**	328,076
Distributions declared	**285,082**	270,665
Surplus of ACFO over distributions declared	**57,117**	57,411
Distributions from Units classified as equity	**281,400**	269,034
Distributions from Units classified as liabilities	**3,682**	1,631

(1) This represents the adjustments that are added to/deducted from, cash flows provided by operating activities, in order to determine ACFO. Please refer to the subsection entitled "Reconciliation of ACFO" provided later in this report, for details.

(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.

Reconciliation of FFO

The table and analysis below illustrate a reconciliation of the Trust's net income and comprehensive income (GAAP measures) to FFO, and FFO with one time adjustment and Transactional FFO (non-GAAP measures) for the three months ended December 31, 2018 and December 31, 2017:

(in thousands of dollars, except per Unit amounts)	**Three Months Ended December 31, 2018**	Three Months Ended December 31, 2017	Variance	Variance (%)
Net income and comprehensive income	**102,578**	101,911	667	0.7%
Add (deduct):				
Fair value adjustment on revaluation of investment properties[1]	**(17,448)**	(5,173)	(12,275)	N/R[8]
Fair value adjustment on financial instruments[2]	**1,058**	3,516	(2,458)	N/R[8]
Loss on sale of investment properties	**82**	132	(50)	N/R[8]
Amortization of intangible assets	**332**	332	—	—%
Amortization of tenant improvement allowance	**1,804**	1,635	169	10.3%
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	**1,328**	1,211	117	9.7%
Salaries and related costs attributed to leasing activities[3]	**1,485**	1,083	402	37.1%
Acquisition related gain, net	**453**	(18,479)	18,932	N/R[8]
Adjustments relating to equity accounted investments:				
Rental revenue adjustment – tenant improvement amortization	**59**	57	2	3.5%
Indirect interest with respect to the development portion[4]	**(32)**	412	(444)	N/R[8]
Fair value adjustment on revaluation of investment properties	**575**	162	413	N/R[8]
Fair value adjustment on financial instruments	**576**	(127)	703	N/R[8]
Loss on sale of investment properties	**—**	100	(100)	N/R[8]
Adjustment for supplemental contribution	**289**	3,303	(3,014)	N/R[8]
FFO[5]	**93,139**	90,075	3,064	3.4%
One time adjustment:				
Transition costs[6]	**(348)**	—	(348)	—%
FFO with one time adjustment and before Transactional FFO[5]	**92,791**	90,075	2,716	3.0%
Transactional FFO – gain on sale of land to co-owners	**—**	945	(945)	N/R[8]
FFO with one time adjustment and Transactional FFO[5]	**92,791**	91,020	1,771	1.9%
Per Unit – basic/diluted[7]:				
FFO[5]	**$0.58/$0.57**	$0.57/$0.56	$0.01/$0.01	1.8%/1.8%
FFO with one time adjustment and before Transactional FFO[5]	**$0.57/$0.57**	$0.57/$0.56	$0.00/$0.01	0.0%/1.8%
FFO with one time adjustment and Transactional FFO[5]	**$0.57/$0.57**	$0.57/$0.57	$0.00/$0.00	0.0%/0.0%
Payout Ratio:				
FFO[5]	**78.4%**	78.0%	0.4%	0.5%
FFO with one time adjustment and before Transactional FFO[5]	**78.7%**	76.7%	2.0%	2.6%
FFO with one time adjustment and Transactional FFO[5]	**78.7%**	75.9%	2.8%	3.7%

(1) Fair value adjustment on revaluation of investment properties is described in section "Investment Properties".

(2) Fair value adjustment on valuation of financial instruments comprises the following financial instruments: units classified as liabilities, Earnout options, deferred unit plan - vested portion, and fair value of interest rate swap agreements. The significant assumptions made in determining the fair value and fair value adjustments for these financial instruments are more thoroughly described in the Trust's consolidated financial statements for the year ended December 31, 2018.

(3) Adjusted salaries and related costs attributed to leasing of $1.5 million were incurred in the year ended December 31, 2018 (year ended December 31, 2017 – $1.1 million) and were eligible to be added back to FFO based on the definition of FFO, in the REALpac White Paper published in February 2018, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between Canadian publicly traded real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

(4) Indirect interest is not capitalized to properties under development of equity accounted investments 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 equity accounted investments multiplied by the Trust's weighted average cost of debt.

(5) 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.

(6) Transition costs include the costs of CEO transition and other related costs of $0.3 million for the three months ended December 31, 2018 (three months ended December 31, 2017 – n/a).

(7) Diluted FFO and diluted FFO with one time adjustment 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 for the year ended December 31, 2018, 870,529 vested deferred units are added back to the weighted average Units outstanding (year ended December 31, 2017 – 690,209 vested deferred units).

(8) N/R - Not representative

For the three months ended December 31, 2018, FFO with one time adjustment and before Transactional FFO increased by $2.7 million or 3.0% to $92.8 million, and by $0.01 or 1.8% to $0.57 on a per Unit basis, which was primarily due to: (i) a $1.6 million increase in NOI, (ii) a $0.4 million increase in FFO add back for the salaries and related costs attributed to leasing activities, (iii) a $0.3 million increase in interest income, and (iv) a $0.2 million decrease in interest expense, partially offset by (v) a $0.4 million increase in general and administrative expense.

The table and analysis below illustrate a reconciliation of the Trust's net income and comprehensive income (GAAP measures) to FFO, and FFO with one time adjustment and Transactional FFO (non-GAAP measures) for the years ended December 31, 2018 and December 31, 2017:

(in thousands of dollars, except per Unit amounts)	**Year Ended December 31, 2018**	Year Ended December 31, 2017	Variance	Variance (%)
Net income and comprehensive income	**402,947**	355,926	47,021	13.2 %
Add (deduct):				
Fair value adjustment on revaluation of investment properties[1]	**(50,765)**	(15,063)	(35,702)	N/R[9]
Fair value adjustment on financial instruments[2]	**7**	(624)	631	N/R[9]
Loss on sale of investment properties	**637**	288	349	N/R[9]
Amortization of intangible assets	**1,331**	1,331	—	— %
Amortization of tenant improvement allowance	**6,733**	6,635	98	1.5 %
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	**5,117**	2,753	2,364	85.9 %
Salaries and related costs attributed to leasing activities[3]	**5,029**	5,267	(238)	(4.5)%
Acquisition related gain, net	**(343)**	(18,479)	18,136	(98.1)%
Adjustments relating to equity accounted investments:				
Rental revenue adjustment – tenant improvement amortization	**230**	156	74	47.4 %
Indirect interest with respect to the development portion[4]	**925**	1,743	(818)	(46.9)%
Fair value adjustment on revaluation of investment properties	**(6,438)**	2,399	(8,837)	N/R[9]
Fair value adjustment on financial instruments	**627**	(1,084)	1,711	N/R[9]
Loss on sale of investment properties	**—**	100	(100)	N/R[9]
Adjustment for supplemental contribution	**1,149**	3,303	(2,154)	(65.2)%
FFO[5]	**367,186**	344,651	22,535	6.5 %
One time adjustment:				
Yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs	**—**	2,721	(2,721)	N/R[9]
Transition costs[6]	**1,154**	—	1,154	— %
FFO with one time adjustment and before Transactional FFO[5]	**368,340**	347,372	20,968	6.0 %
Transactional FFO – gain on sale of land to co-owners[7]	**2,964**	4,069	(1,105)	(27.2)%
FFO with one time adjustment and Transactional FFO[5]	**371,304**	351,441	19,863	5.7 %
Per Unit – basic/diluted[8]:				
FFO[5]	**$2.28/$2.27**	$2.19/$2.19	$0.09/$0.08	4.1%/3.7%
FFO with one time adjustment and before Transactional FFO[5]	**$2.29/$2.28**	$2.21/$2.20	$0.08/$0.08	3.6%/3.6%
FFO with one time adjustment and Transactional FFO[5]	**$2.31/$2.30**	$2.24/$2.23	$0.07/$0.07	3.1%/3.1%
Payout Ratio:				
FFO[5]	**77.5%**	78.2%	(0.7)%	(0.9)%
FFO with one time adjustment and before Transactional FFO[5]	**77.3%**	77.9%	(0.6)%	(0.8)%
FFO with one time adjustment and Transactional FFO[5]	**76.7%**	76.8%	(0.1)%	(0.1)%

(1) Fair value adjustment on revaluation of investment properties is described in section "Investment Properties".

(2) Fair value adjustment on valuation of financial instruments comprises the following financial instruments: units classified as liabilities, Earnout options, deferred unit plan – vested portion, and fair value of interest rate swap agreements. The significant assumptions made in determining the fair value and fair value adjustments for these financial instruments are more thoroughly described in the Trust's consolidated financial statements for the year ended December 31, 2018.

(3) Adjusted salaries and related costs attributed to leasing of $5.0 million were incurred in the year ended December 31, 2018 (year ended December 31, 2017 – $5.3 million) and were eligible to be added back to FFO based on the definition of FFO, in the REALpac White Paper published in February 2018, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between Canadian publicly traded real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

(4) Indirect interest is not capitalized to properties under development of equity accounted investments 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 equity accounted investments multiplied by the Trust's weighted average cost of debt.

(5) 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.

(6) Transition costs include the costs of CEO transition and other related costs of $1.2 million for the year ended December 31, 2018 (year ended December 31, 2017 – n/a).

(7) For the year ended December 31, 2018, Transactional FFO includes gains on the following: (i) the contribution of the Trust's 50% interest in a parcel of land located in Laval, Quebec, to a joint venture arrangement, Laval C Apartments LP; and (ii) the sale of a 25% interest in a parcel of land to a co-owner of VMC Residences III Limited Partnership to develop a residential condominium tower.

(8) Diluted FFO and diluted FFO with one time adjustment 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 for the year ended December 31, 2018, 807,393 vested deferred units are added back to the weighted average Units outstanding (year ended December 31, 2017 – 663,717 vested deferred units).

(9) N/R – Not representative

For the year ended December 31, 2018, FFO with one time adjustment and before Transactional FFO increased by $21.0 million or 6.0% to $368.3 million, and by $0.08 or 3.6% to $2.28 on a per Unit basis. This increase was primarily attributed to the following:

- $27.9 million increase in NOI attributed to the properties acquired pursuant to the Arrangement, Toronto Premium Outlets' expansion, and other Earnouts and Developments; and
- $1.7 million increase in interest income resulting from both additional loans (net) that were provided during the year, and higher interest rates as compared to the prior year; and
- $1.2 million increase in FFO with one time adjustment;

Partially offset by the following:

- $5.7 million increase in interest expense principally due to the additional debt assumed and LP Units issued which are classified as liabilities as part of the Arrangement;
- $2.7 million decrease in yield maintenance costs on redemption of unsecured debentures;
- $0.8 million decrease in FFO add back for indirect interest with respect to the development portion relating to equity accounted investment;
- $0.4 million increase in general and administrative expense; and
- $0.2 million decrease in FFO add back for salaries and related costs attributed to leasing activities.

Reconciliation of ACFO

The table and analysis below illustrate a reconciliation of the Trust's cash flows provided by operating activities to ACFO for the three months ended December 31, 2018 and December 31, 2017:

(in thousands of dollars)	**Three Months Ended December 31, 2018**	Three Months Ended December 31, 2017	Variance
Cash flows provided by operating activities	**131,475**	137,492	(6,017)
Adjustments to working capital items that are not indicative of sustainable cash available for distribution[1]	**(40,163)**	(37,113)	(3,050)
Notional interest capitalization[2]	**(32)**	412	(444)
Expenditures on direct leasing costs and tenant incentives	**557**	655	(98)
Expenditures on tenant incentives for properties under development	**6,538**	1,169	5,369
Actual sustaining capital expenditures	**(6,878)**	(7,013)	135
Actual sustaining leasing commissions	**(623)**	(424)	(199)
Actual sustaining tenant improvements	**154**	(782)	936
Non-cash interest expense	**(7,099)**	(9,847)	2,748
Non-cash interest income	**1,868**	1,565	303
Acquisition related gain	**453**	—	453
Transactional FFO – gain on sale of land to co-owners	**—**	945	(945)
ACFO[3]	**86,250**	87,059	(809)
One time adjustment:			
Transition costs[4]	**(348)**	—	(348)
ACFO with one time adjustment[3]	**85,902**	87,059	(1,157)
ACFO[3]	**86,250**	87,059	(809)
Distributions declared	**73,151**	70,191	2,960
Surplus of ACFO over distributions declared	**13,099**	16,868	(3,769)
Payout Ratio:			
ACFO[3]	**84.8%**	80.6%	4.2%
ACFO with one time adjustment[3]	**85.2%**	80.6%	4.6%

(1) Adjustment to working capital items include, but are not limited to, changes in prepaid expenses and deposits, accounts receivables, accounts payables and other working capital items that are not indicative of sustainable cash available for distribution.

(2) See "Indirect interest with respect to the development portion" as presented in the reconciliation of FFO for the three months ended December 31, 2018.

(3) 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.

(4) Transition costs include the costs of CEO transition and other related costs of $0.3 million for the three months ended December 31, 2018 (three months ended December 31, 2017 – n/a).

For the three months ended December 31, 2018, ACFO with one time adjustment decreased by $1.2 million or 1.3% to $85.9 million compared to the same quarter in 2017, which was primarily due to the following:

- $6.0 million decrease in cash flows provided by operating activities;
- $3.1 million decrease in adjustments to working capital items that are not indicative of sustainable cash available for distribution;
- $0.9 million decrease in gain on sale of land to co-owners; and
- $0.4 million decrease in indirect interest with respect to the development portion relating to equity accounted investment;

Partially offset by the following:

- $6.1 million decrease in net actual sustaining leasing commission, tenant improvements and capital expenditures;
- $2.8 million increase in non-cash interest expense; and
- $0.3 million increase in non-cash interest income.

The Payout Ratio relating to ACFO with one time adjustment for the three months ended December 31, 2018 increased by 4.6% to 85.2% compared to the same quarter last year, primarily due to the reasons noted above, coupled with additional distributions declared in 2017 and 2018.

The table and analysis below illustrate a reconciliation of the Trust's cash flows provided by operating activities to ACFO for the years ended December 31, 2018 and December 31, 2017:

(in thousands of dollars)	**Year Ended December 31, 2018**	Year Ended December 31, 2017	Variance
Cash flows provided by operating activities	**351,254**	353,082	(1,828)
Adjustments to working capital items that are not indicative of sustainable cash available for distribution[1]	**(10,053)**	(17,950)	7,897
Notional interest capitalization[2]	**925**	1,743	(818)
Expenditures on direct leasing costs and tenant incentives	**6,196**	5,142	1,054
Expenditures on tenant incentives for properties under development	**6,613**	1,169	5,444
Actual sustaining capital expenditures	**(11,230)**	(12,777)	1,547
Actual sustaining leasing commissions	**(1,979)**	(1,203)	(776)
Actual sustaining tenant improvements	**(4,262)**	(3,952)	(310)
Non-cash interest expense	**(4,876)**	(7,054)	2,178
Non-cash interest income	**6,990**	5,807	1,183
Acquisition related gain	**(343)**	—	(343)
Transactional FFO – gain on sale of land to co-owners	**2,964**	4,069	(1,105)
ACFO[3]	**342,199**	328,076	14,123
One time adjustment:			
Yield maintenance on redemption of unsecured debentures	**—**	2,721	(2,721)
Transition costs[4]	**1,154**	—	1,154
ACFO with one time adjustment[3]	**343,353**	330,797	12,556
ACFO[3]	**342,199**	328,076	14,123
Distributions declared	**285,082**	270,665	14,417
Surplus of ACFO over distributions declared	**57,117**	57,411	(294)
Payout Ratio:			
ACFO[3]	**83.3%**	82.5%	0.8%
ACFO with one time adjustment[3]	**83.0%**	81.8%	1.2%

(1) Adjustment to working capital items include, but are not limited to, changes in prepaid expenses and deposits, accounts receivables, accounts payables and other working capital items that are not indicative of sustainable cash available for distribution.

(2) See "Indirect interest with respect to the development portion" as presented in the reconciliation of FFO for the year ended December 31, 2018.

(3) 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.

(4) Transition costs include the costs of CEO transition and other related costs of $1.2 million for the year ended December 31, 2018 (year ended December 31, 2017 – $nil).

For the year ended December 31, 2018, ACFO with one time adjustment increased by $12.6 million to $343.4 million compared to the year ended December 31, 2017, which was primarily due to the following:

- $7.9 million increase in adjustments to working capital items that are not indicative of sustainable cash available for distribution;
- $6.9 million decrease in net actual sustaining leasing commission, tenant improvements and capital expenditures;
- $2.2 million increase in non-cash interest expense;
- $1.2 million increase in interest income; and
- $1.2 million increase in ACFO add back of CEO transaction and related costs;

Partially offset by the following:

- $2.7 million decrease in yield maintenance costs related to the redemption of unsecured debentures in 2017;
- $1.8 million decrease in cash flows provided by operating activities;
- $1.5 million decrease in gain on sale of land to co-owners; and
- $0.8 million decrease in indirect interest with respect to the development portion relating to equity accounted investment.

The Payout Ratio relating to ACFO with one time adjustment for the year ended December 31, 2018 increased by 1.2% to 83.0% compared to the year ended December 31, 2017, primarily due to the reasons noted above, coupled with additional distributions declared in 2017 and 2018.

Distributions and ACFO Highlights

The following table is provided for historical continuity only:

	Three Months Ended December 31			Year Ended December 31		
(in thousands of dollars)	**2018**	2017	Variance	**2018**	2017	Variance
Cash flows provided by operating activities	**131,475**	137,492	(6,017)	**351,254**	353,082	(1,828)
Distributions declared	**73,151**	70,191	2,960	**285,082**	270,665	14,417
Distributions paid	**57,864**	56,220	1,644	**227,969**	218,994	8,975
ACFO with one time adjustment[(1)]	**85,902**	87,059	(1,157)	**343,353**	330,797	12,556
Surplus of ACFO with one time adjustment over distributions declared	**12,751**	16,868	(4,117)	**58,271**	60,132	(1,861)
Surplus of ACFO with one time adjustment over distributions paid	**28,038**	30,839	(2,801)	**115,384**	111,803	3,581
Surplus of cash flows provided by operating activities over distributions declared	**58,324**	67,301	(8,977)	**66,172**	82,417	(16,245)
Surplus of cash flows provided by operating activities over distributions paid	**73,611**	81,272	(7,661)	**123,285**	134,088	(10,803)

(1) 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.

Amounts Receivable, Allowance for Expected Credit Loss, Prepaid Expenses and Deposits, Deferred Financing Costs and Other

The timely collection of amounts receivable is a critical component associated with the Trust's treasury management and cash management functions. The components of amounts receivable, allowance for expected credit loss, prepaid expenses and deposits, deferred financing costs and other are as follows:

	2018	2017	Variance
Amounts receivable			
Tenant receivables (a)	**17,329**	11,870	5,459
Unbilled other tenant receivables (b)	**7,574**	5,712	1,862
Receivables from related party - excluding equity accounted investments (c)	**16,741**	12,367	4,374
Receivables from related party - equity accounted investments (c)	**10,967**	3,539	7,428
Other non-tenant receivables	**3,030**	3,998	(968)
	55,641	37,486	
Allowance for expected credit loss	**(3,114)**	(3,237)	123
Prepaid expenses and deposits	**4,953**	5,579	(626)
Deferred financing costs	**1,638**	1,484	154
Other	**2,785**	2,017	768
	61,903	43,329	18,574

As at December 31, 2018, total amounts receivable, allowance for expected credit loss, prepaid expenses and deposits, deferred financing costs and other increased by $18.6 million compared to December 31, 2017. The following is a commentary on the material variances noted:

a) Tenant receivables
The $5.5 million increase in tenant receivables is primarily due to the seasonal billing of interim realty taxes for anchor and other major tenants that do not contribute instalment payments on a monthly basis. These amounts are considered to be current and/or collectible and are at various stages of the billing and collection process, as applicable.

b) Unbilled other tenant receivables
The $1.9 million increase in unbilled other tenant receivables is primarily due to:

(i) $0.7 million increase in accrued common area maintenance (CAM) receivable due to seasonal expenditures.
(ii) $0.4 million refundable tax for Toronto Premium Outlets.
(iii) Accrued $0.3 million in other rent adjustments.

c) Receivables from related party
The $4.4 million increase in receivables from related party - excluding equity accounted investments is primarily due to an increase in development and property management fees, share cost and other service fess pursuant to the Development and Services Agreement.

The $7.4 million increase in receivables from related party - equity accounted investments, is primarily due to an increase in development fees for the Penguin-Calloway Vaughan Partnership.

Mortgages, Loans and Notes Receivable, and Interest Income

The following table summarizes mortgages, loans and notes receivable as at December 31, 2018 and December 31, 2017:

(in thousands of dollars)	**2018**	2017	Variance
Mortgages, loans and notes receivable			
Mortgages receivable (Mezzanine Financing)	**134,221**	127,704	6,517
Loans receivable	**19,949**	31,503	(11,554)
Notes receivable	**2,979**	2,979	—
	157,149	162,186	(5,037)

Mortgages Receivable (Mezzanine Financing)

In addition to direct property acquisitions, the Trust has provided Mezzanine Financing to Penguin (see also, "Related Party") 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 December 31, 2018, the Trust had total commitments of $282.1 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 and accrued interest are 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	Interest Rate at Period End	Purchase Option % of Property[7]	Potential Area Upon Exercising Purchase Option (sq. ft.)
Salmon Arm, BC[1][2]	15,429	20,907	15,429	April 2019	5.05%	—	—
Innisfil, ON[1][3]	20,346	27,077	11,167	December 2020	6.75%	—	—
Aurora (South), ON[4]	16,192	30,543	16,192	March 2022	5.02%	50%	96,500
Mirabel (Shopping Centre), QC[5]	—	18,262	—	December 2022	7.50%	—	—
Mirabel (Option Lands), QC[6]	—	5,721	—	December 2022	7.50%	—	—
Pitt Meadows, BC[4]	27,864	68,664	27,864	November 2023	5.45%	50%	37,500
Vaughan (7 & 427), ON	17,714	53,127	17,714	December 2023	6.08%	50%	151,015
Caledon (Mayfield), ON[4]	9,442	14,033	9,442	April 2024	5.30%	50%	101,865
Toronto (StudioCentre), ON[1][4]	27,234	43,759	16,734	June 2024	5.27%	25%	227,831
	134,221	282,093	114,542		5.59%[8]		614,711

(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. The maturity on this loan was extended to April 2019, from December 2018.
(3) In August 2018, the interest rate on this mortgage reset 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%. Prior to August 2018, the interest rate was based on the banker's acceptance rate plus 2.0%.
(4) These loans were amended in 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 a purchase option from the borrower in these properties upon a certain level of development and leasing being achieved. As at December 31, 2018, it is management's expectation that the Trust will exercise these purchase options.
(8) Represents the weighted average interest rate.

Interest on these mortgages accrues monthly as follows: (i) 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 $106.6 million (December 31, 2017 – $120.5 million), and (ii) at fixed rates of 6.35% to 7.50% on mortgages receivable of $27.6 million (December 31, 2017 – $7.2 million) which 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 $71.0 million (December 31, 2017 – $77.5 million) may be accrued on certain of the 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, $114.5 million (December 31, 2017 – $108.0 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 (#)	Repayments of outstanding balances ($)
2019	1	15,429
2020	1	20,346
2022	3	16,192
2023	2	45,578
2024	2	36,676
	9	134,221

Loan amendments

In April 2017, there were four mortgages receivable for which the maturity dates were amended from an original range of years between 2017 to 2020 to a revised range of years between 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 the banker's acceptance rate 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.

The following table illustrates the interest accrued and repayments made for the years ended December 31:

(in thousands of dollars)	**2018**	2017
Interest accrued	**6,517**	5,283
Repayments	**—**	(2,357)
	6,517	2,926

Loans Receivable

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

Issued to	Maturity Date	Interest Rate	**2018**	2017
Unrelated party[1]	September 2018	4.50%	**—**	11,500
Unrelated party[2]	March 2019	5.50%	**9,804**	9,804
Penguin[3]	November 2020	Variable	**10,145**	10,199
			19,949	31,503

(1) This loan receivable was secured by either a first or second charge on properties, assignments of rents and leases, and general security agreements. The maturity date was September 30, 2018, and was repaid on October 2, 2018.

(2) In 2017, 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.

(3) This loan receivable 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 CDOR plus 145 basis points.

The following illustrates the activity in loans receivable for the years ended December 31:

(in thousands of dollars)	**2018**	2017
Loans issued	**—**	9,804
Advances	**112,340**	624
Interest accrued	**336**	255
Repayments	**(124,230)**	(30,314)
	(11,554)	(19,631)

In February 2018, the Trust advanced a loan in the amount of $111.8 million to the Penguin-Calloway Vaughan Partnership ("PCVP") (in which the Trust has a 50% interest) that was interest bearing at 2.31% per annum from the advance date to March 20, 2018, and thereafter was equal to 76 basis points plus the 90-day Canadian Dealer Offer Rate (CDOR) and was payable on March 21, June 21, September 21 and December 21. In September 2018, the loan receivable was fully repaid and closed. The Trust reflected the activity

from the PCVP as an equity accounted investment (see also Note 6, "Equity accounted investments" in the consolidated financial statements).

Notes Receivable

Notes receivable of $3.0 million (December 31, 2017 – $3.0 million) have been granted to Penguin (see also, "Related Party" section). These secured demand notes bear interest at 9.00% per annum.

Interest Income

The following table summarizes the components of interest income for the years ended December 31, 2018 and December 31, 2017:

(in thousands of dollars)	**2018**	2017	Variance
Interest income			
Mortgage interest (a)	**6,517**	5,283	1,234
Loan interest (b)	**3,037**	2,580	457
Note receivable interest	**268**	268	—
Bank interest	**559**	451	108
	10,381	8,582	1,799

(a) Mortgage interest

Mortgage interest increased by $1.2 million compared to the prior year, which was primarily due to an increase in variable interest rates, as well as the impact from compounding interest on outstanding mortgages receivable.

(b) Loan interest

Loan interest increased by $0.5 million compared to the prior year, which was primarily due to eight months of interest for the period from February to September 2018 in connection with the loan receivable from the PCVP in the amount of $111.8 million, offset by the interest income in the prior year associated with the loan receivable from OneREIT which was settled in October 2017 pursuant to the Arrangement.

Interest Expense

The following table summarizes the components of interest expense for the three months ended and years ended December 31, 2018 and December 31, 2017:

	Three Months Ended December 31			Year Ended December 31		
(in thousands of dollars)	**2018**	2017	Variance	**2018**	2017	Variance
Interest at stated rates	**38,735**	39,338	(603)	**156,723**	148,677	8,046
Amortization of acquisition date fair value adjustments on assumed debt	**(545)**	(779)	234	**(2,348)**	(3,051)	703
Amortization of deferred financing costs	**850**	632	218	**3,406**	3,273	133
Distributions on vested deferred units and Units classified as liabilities	**1,329**	1,211	118	**5,117**	2,753	2,364
	40,369	40,402	(33)	**162,898**	151,652	11,246
Less:						
Interest capitalized to properties under development	**(5,023)**	(5,116)	93	**(20,858)**	(19,682)	(1,176)
Interest capitalized to residential development inventory	**(219)**	(132)	(87)	**(817)**	(323)	(494)
Interest associated with operating activities	**35,127**	35,154	(27)	**141,223**	131,647	9,576
Yield maintenance on redemption of unsecured debentures	**—**	—	—	**—**	2,721	(2,721)
Total interest expense	**35,127**	35,154	(27)	**141,223**	134,368	6,855
Weighted average interest rate (inclusive of deferred financing costs)	**3.72%**	3.77%	(0.05)%	**3.76%**	3.79%	(0.03)%

For the year ended December 31, 2018, interest expense incurred totalled $141.2 million, representing an increase of $6.9 million compared to the prior year. This increase of $6.9 million was primarily due to the following:

- an $8.0 million increase in interest at stated rates principally due to additional debt assumed of $303.1 million pursuant to the Arrangement; and
- a $2.4 million increase in distributions on vested deferred units and Units classified as liabilities primarily due to the issuance of additional Units classified as liabilities in connection with the Arrangement;

Offset by the following:

- a $2.7 million decrease in yield maintenance on redemption of unsecured debentures as none were redeemed during the year ended December 31, 2018; and
- a $1.2 million increase in interest capitalized to properties under development.

General and Administrative Expense

The following summarizes general and administrative expense before allocation, general and administrative expense, net (as presented in the consolidated statements of income and comprehensive income), general and administrative expense excluding internal leasing expense, and general and administrative expense, net as a percentage of rental from investment properties, for the years ended December 31, 2018 and December 31, 2017:

(in thousands of dollars)	Note[1]		**2018**	2017	Variance
Salaries and benefits			**48,201**	44,948	3,253
Master planning services fee charged by Penguin per the Services Agreement	21		**3,500**	3,500	—
Professional fees			**4,219**	2,644	1,575
Public company costs			**2,636**	1,965	671
Rent and occupancy			**2,518**	2,534	(16)
Amortization of intangible assets	8		**1,331**	1,331	—
Other costs including information technology, marketing, communications and other employee expenses[2]			**6,878**	5,510	1,368
Total general and administrative expense before allocation		**(A)**	**69,283**	62,432	6,851
Less:					
Costs to provide transition services charged to Penguin	21		**(3,417)**	(4,000)	583
Time billings, leasing, management fees, development fees and other fees	21		**(7,893)**	(7,564)	(329)
Shared service costs charged to Penguin and a third party	21		**(808)**	(1,651)	843
Total amounts charged to Penguin and third parties		**(B)**	**(12,118)**	(13,215)	1,097
Allocated to property operating costs			**(14,710)**	(13,052)	(1,658)
Capitalized to properties under development and other assets			**(18,025)**	(12,788)	(5,237)
Total amounts allocated and capitalized		**(C)**	**(32,735)**	(25,840)	(6,895)
Total amounts charged to Penguin and third parties, allocated and capitalized		**(D = B + C)**	**(44,853)**	(39,055)	(5,798)
General and administrative expense (net)		**(E = A + D)**	**24,430**	23,377	1,053
Less:					
Adjusted salaries and related costs attributed to leasing[3]		**(F)**	**(5,029)**	(5,267)	238
General and administrative expense excluding internal leasing expense		**(G = E + F)**	**19,401**	18,110	1,291
As a percentage of rentals from investment properties[4]			**3.1%**	3.2%	(0.1)%

(1) The note reference relates to the corresponding note disclosure in the consolidated financial statements for the year ended December 31, 2018.

(2) For the year ended December 31, 2018, other costs including information technology, marketing, communications and other employee expenses include $0.5 million of aborted deals' expense (year ended December 31, 2017 – $0.2 million), which were previously capitalized.

(3) Adjusted salaries and related costs attributed to leasing of $5.0 million were incurred in the year ended December 31, 2018 (year ended December 31, 2017 – $5.3 million) and were eligible to be added back to FFO based on the definition of FFO, in the REALpac White Paper published in February 2018, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between Canadian publicly traded real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

(4) Determined as general and administrative expense (net) divided by rental revenue from investment properties including rental revenue from equity accounted investments.

Total general and administrative expense before allocation

For the year ended December 31, 2018, total general and administrative expense before allocation was $69.3 million, representing an increase of $6.9 million or 11.0% compared to the prior year. The increase can be attributed primarily to: (i) a $2.3 million increase in salaries and benefits principally because the closing date of the Arrangement was October 4, 2017 and therefore, the comparative prior year period does not include a full year of additional staff and related costs, (ii) a $1.0 million increase in deferred unit plan ("DUP") costs associated with the vesting of previously unvested grants pursuant to the CEO transition that occurred in June 2018, (iii) a $1.5

million increase in legal and professional fees, (iv) a $0.7 million increase in public company costs, and (v) a $1.4 million increase in other costs including information technology, marketing, communication and other employee expenses.

Total amounts charged to Penguin and third parties, allocated and capitalized

Total amounts charged to Penguin and third parties, allocated and capitalized of $44.9 million increased by $5.8 million or 14.8% for the year ended December 31, 2018 compared to the prior year. This increase is primarily due to: (i) an increase in the amounts capitalized to property under development and other assets of $4.3 million, (ii) an increase in amounts allocated to property operating costs of $1.7 million, and offset by (iii) a decrease in the amounts charged to Penguin and third parties of $0.2 million.

Earnouts and Developments Completed on Existing Properties

During the three months ended December 31, 2018, $96.4 million of Earnouts and Developments (including Developments relating to equity accounted investments) were completed and transferred to income properties, compared to $54.3 million in the comparative quarter in 2017.

	Three Months Ended December 31, 2018			Three Months Ended December 31, 2017		
(in millions of dollars)	**Area (sq. ft.)**	**Investment ($)**	**Annualized Yield (%)**	Area (sq. ft.)	Investment ($)	Annualized Yield (%)
Earnouts	**1,751**	**0.7**	**6.4%**	3,544	1.9	6.4%
Developments	**145,380**	**89.7**	**6.9%**	150,154	39.1	6.3%
Developments – equity accounted investments	**10,982**	**6.0**	**4.9%**	24,126	13.3	4.9%
	158,113	**96.4**	**6.8%**	177,824	54.3	5.75%

During the year ended December 31, 2018, $131.5 million of Earnouts and Developments (including Developments relating to equity accounted investments) were completed and transferred to income properties, compared to $107.1 million in 2017.

	Year Ended December 31, 2018			Year Ended December 31, 2017		
(in millions of dollars)	**Area (sq. ft.)**	**Investment ($)**	**Annualized Yield (%)**	Area (sq. ft.)	Investment ($)	Annualized Yield (%)
Earnouts	**26,557**	**6.0**	**6.9%**	15,899	7.4	6.5%
Developments	**226,502**	**119.2**	**6.7%**	235,545	60.6	6.3%
Developments – equity accounted investments	**11,862**	**6.3**	**4.9%**	77,863	39.1	5.2%
	264,921	**131.5**	**6.6%**	329,307	107.1	5.79%

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 level and 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").

The sustaining capital expenditures are those of a capital nature that are not considered to increase or enhance the productive capacity of the Trust, but rather maintain the productive capacity of the Trust. Leasing and related costs, which include tenant improvements, leasing commissions and related costs, vary with the timing of renewals, vacancies, tenant mix and market conditions. Leasing and related costs are generally lower for renewals of existing tenants when compared to new leases. Leasing and related costs also include internal expenses for leasing activities, primarily salaries, which are eligible to be added back to FFO based on the definition of FFO in the REALpac White Paper published in February 2018. The sustaining capital expenditures and leasing costs are based on actual costs incurred during the period. FFO is a non-IFRS measure. See "Presentation of Non-GAAP Measures" and "Other Measures of Performance".

The following is a discussion and analysis of capital expenditures of a maintenance nature (actual sustaining recoverable and non-recoverable capital expenditures and leasing costs). Earnouts, Acquisitions and Developments are discussed elsewhere in the MD&A. 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 December 31			**Year Ended December 31**		
(in thousands of dollars, except per Unit amounts)	**2018**	2017	Variance	**2018**	2017	Variance
Adjusted salaries and related costs attributed to leasing	**1,485**	1,083	402	**5,029**	5,267	(238)
Actual sustaining leasing commissions	**623**	424	199	**1,979**	1,203	776
Actual sustaining tenant improvements	**(154)**	782	(936)	**4,262**	3,952	310
Total actual sustaining leasing and related costs	**1,954**	2,289	(335)	**11,270**	10,422	848
Actual sustaining capital expenditures (recoverable and non-recoverable)	**6,878**	7,013	(135)	**11,230**	12,777	(1,547)
Total actual sustaining leasing costs and capital expenditures	**8,832**	9,302	(470)	**22,500**	23,199	(699)
Per Unit – diluted	**$0.05**	$0.06	-$0.01	**$0.14**	$0.15	-$0.01

Investment Properties

The portfolio consists of 34.4 million square feet of income producing gross leasable area and 3.2 million square feet of future potential gross leasable area in 164 properties and the option to acquire a 50.0% interest in four investment properties and 25.0% interest in another investment property (0.6 million square feet) 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 continues to expand the breadth of its portfolio to include residential (single family, condominium and rental), retirement homes, office, and self storage, either on its large urban properties as an adjunct to its well-located existing 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 December 31, 2018, the fair value of investment properties, including investment properties classified as equity accounted investments, totalled $9,155.2 million, compared to $8,952.5 million at December 31, 2017, resulting in a net increase of $202.7 million. This net increase of $202.7 million was primarily due to the following:

- additions to investment properties of $131.5 million (where $97.0 million relates to the Trust and $34.5 million relates to equity accounted investments) predominantly from the expansion of the Toronto Premium Outlets and the construction of the PwC Tower at VMC as part of the PCVP joint venture (see also, "Equity accounted investments");
- fair value adjustments of $57.2 million due to adjustments to underlying assumptions in valuation models including but not limited to net operating income, capitalization rates and leasing assumptions (where $50.8 million relates to the Trust and $6.4 million relates to equity accounted investments);
- acquisition, and related adjustments, of investment properties of $22.4 million which primarily relates to: a $15.7 million acquisition of a property in Valleyfield, Quebec, from a third party, and a $5.7 million acquisition of development lands at Toronto (Leaside) and Oshawa, Ontario, which is recorded in equity accounted investments;
- capitalized interest of $21.0 million (where $20.9 million relates to the Trust and $0.2 million relates to equity accounted investments); and
- $5.7 million of the Trust's Earnout Fees on properties subject to development management agreements, all of which relates to the Trust;

Partially offset by the following:

- dispositions of $35.2 million, which primarily relates to $11.8 million of development lands as part of the Trust's contribution to joint ventures, Laval C Apartments LP, Leaside SAM LP and Oshawa South Self Storage LP (see also, "Equity accounted investments"), $7.0 million of development lands were sold to third parties at Laval, Quebec and $16.2 million of development land transferred to Residences III LP in connection with the Transit City condominium, as recorded in equity accounted investments.

The following table summarizes the changes in values of investment properties including the Trust's share of equity accounted investments for the years ended December 31, 2018 and December 31, 2017:

	2018			2017		
(in thousands of dollars)	**Income Properties**	**Properties Under Development**	**Total Investment Properties**	Income Properties	Properties Under Development	Total Investment Properties
Investment properties						
Balance – beginning of year	**8,220,153**	**513,156**	**8,733,309**	7,757,109	485,308	8,242,417
Acquisition, and related adjustments, of investment properties	**15,761**	**645**	**16,406**	399,064	14,936	414,000
Transfer to income properties from properties under development	**146,966**	**(146,966)**	**—**	62,586	(62,586)	—
Transfer from income properties to properties under development	**(16,199)**	**16,199**	**—**	(30,500)	30,500	—
Earnout Fees on properties subject to development management agreements	**2,850**	**2,865**	**5,715**	5,101	—	5,101
Additions to investment properties	**13,022**	**83,971**	**96,993**	14,343	73,095	87,438
Capitalized interest	**—**	**20,858**	**20,858**	—	19,618	19,618
Transfer to residential development inventory	**—**	**—**	**—**	—	(19,392)	(19,392)
Dispositions	**(43)**	**(18,946)**	**(18,989)**	(8,016)	(22,920)	(30,936)
Net additions	**162,357**	**(41,374)**	**120,983**	442,578	33,251	475,829
Fair value adjustment on revaluation of investment properties	**22,003**	**28,762**	**50,765**	20,466	(5,403)	15,063
Balance – end of year	**8,404,513**	**500,544**	**8,905,057**	8,220,153	513,156	8,733,309
Investment properties classified as equity accounted investments						
Balance – beginning of year	**130,530**	**88,628**	**219,159**	59,277	123,167	182,443
Acquisitions	**—**	**6,028**	**6,028**	35,088	2,118	37,205
Transfer to income properties from properties under development[1]	**5,296**	**(5,296)**	**—**	41,837	(41,837)	—
Additions to investment properties	**115**	**34,432**	**34,547**	—	21,481	21,481
Dispositions	**—**	**(16,214)**	**(16,214)**	—	(20,046)	(20,043)
Capitalized interest	**—**	**158**	**158**	—	472	472
Fair value adjustment on revaluation of investment properties	**1,387**	**5,052**	**6,439**	(5,672)	3,273	(2,399)
Balance – end of year	**137,328**	**112,788**	**250,117**	130,530	88,628	219,159
Total balance (including investment properties classified as equity accounted investments) – end of year	**8,541,841**	**613,332**	**9,155,174**	8,350,683	601,784	8,952,467

(1) For the year ended December 31, 2018, the transfer from properties under development to income properties included a prior period transfer adjustment of $0.3 million (year ended December 30, 2017 – $nil).

.

Valuation Methodology

From January 1, 2016 to December 31, 2018, the Trust has had approximately 64.6% (by value) or 57.5% (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 consolidated financial statements for the year ended December 31, 2018 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 year ended December 31, 2018, investment properties (including properties under development) with a total carrying value of $2,038.0 million (December 31, 2017 – $1,804.1 million) were valued internally by the Trust with updated capitalization rates provided by external parties, and investment properties with a total carrying value of $6,867.0 million (December 31, 2017 – $7,111.3 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 December 31, 2018 was 5.82% (December 31, 2017 – 5.85%).

Acquisitions of Investment Properties

Acquisition during the year ended December 31, 2018

In June 2018, the Trust completed the acquisition of a property in Valleyfield, Quebec (which is adjacent to one of the Trust's existing properties), from a third party, totalling 54,193 square feet of leasable area. The total purchase price of this acquisition was $15.7 million after adjusting for costs of acquisition and other working capital amounts, of which $16.1 million was paid in cash.

In September 2018, the Trust completed the acquisition of a parcel of development land beside Cornwall SmartCentre in Cornwall, Ontario, from a third party, totalling approximately one acre in size. The total purchase price of this acquisition was $0.6 million, which was paid in cash, adjusted for costs of acquisition and other working capital amounts.

Properties Under Development

At December 31, 2018, the fair value of properties under development including properties under development recorded in equity accounted investments totalled $613.3 million compared to $601.8 million at December 31, 2017, resulting in a net increase of $11.5 million (for details on the factors influencing this change, see the "Investment Properties" section), presented as follows:

(in thousands of dollars)	**2018**	2017	Variance
Earnouts subject to option agreements[1]	**50,636**	49,599	1,037
Developments	**449,908**	463,557	(13,649)
Total	**500,544**	513,156	(12,612)
Equity accounted investments	**112,788**	88,628	24,160
Total including equity accounted investments	**613,332**	601,784	11,548

(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 6.00% to 7.40%, 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 13(b) of the consolidated financial statements for the year ended December 31, 2018.

Potential Future Pipeline

Total future retail Earnouts, Developments and options under Mezzanine Financing could increase the existing Trust portfolio by an additional 3.8 million square feet. With respect to the future pipeline, commitments have been negotiated on 219,000 square feet.

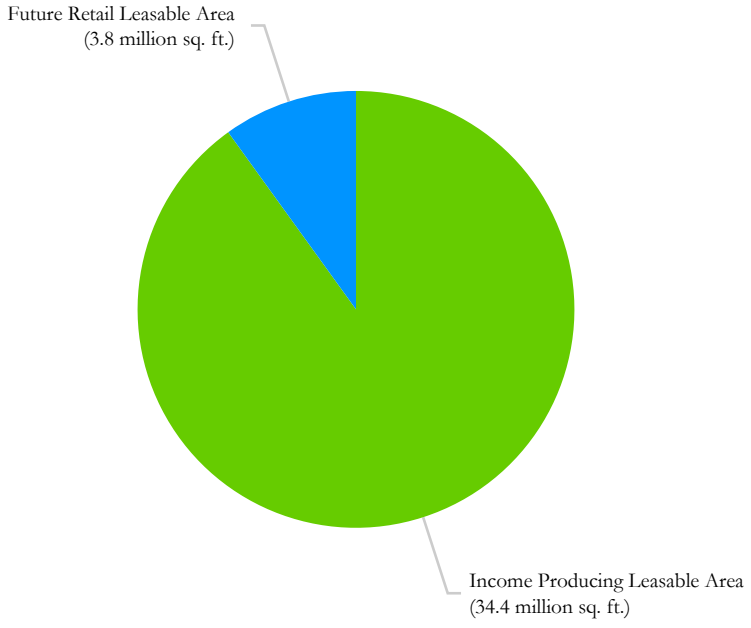
In addition to these initiatives, the Trust is currently assessing additional future potential intensification opportunities that may exist in its portfolio:

- Pending finalization of the development plan with the City of Vaughan, the Trust expects that VMC will over time have the potential to build, inclusive of completed and phases currently under development, 5.0 million to 5.5 million square feet of office, retail and residential space (at the Trust's 50% interest).

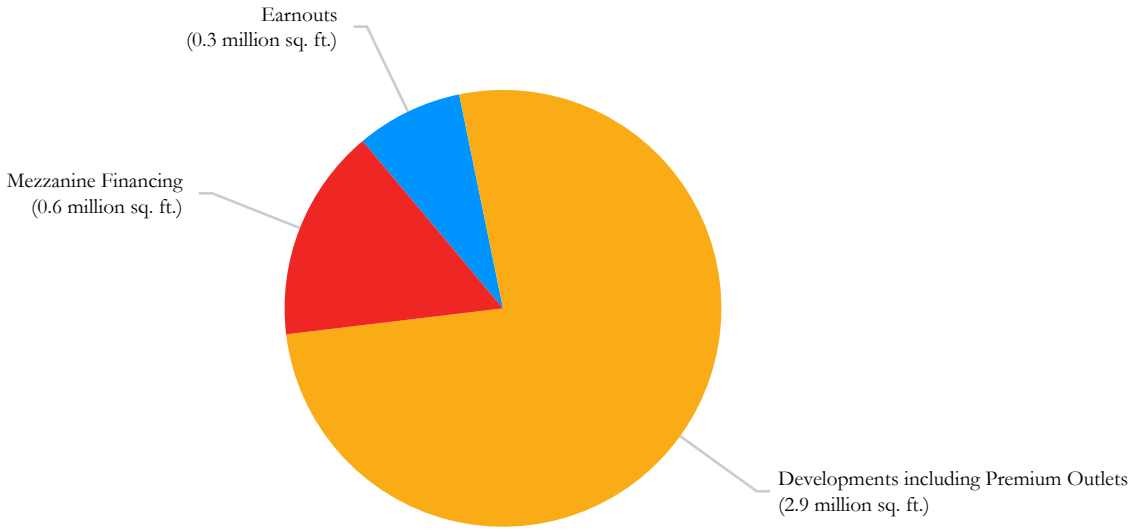
- In addition to VMC, the Trust has identified over 70 sites within its portfolio that have the potential to add, at the Trust's share, in excess of 10.0 million square feet for residential, self storage, and other non-retail uses over the medium to long term at sites including Westside Mall in Toronto, Vaughan North West, Highway 400/7, Laval Centre and Pointe-Claire in Montreal and South Keys in Ottawa, as well as a significant number of shopping centre sites with adjacent vacant development land.

- The Trust is continuing its 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. This is expected to occur on adjacent vacant land that would have historically been designated for retail development or in designated parking areas that are no longer needed.

Gross Leasable Area Upon Completion of Retail Pipeline - excludes non-retail development initiatives (38.2 million square feet)



Future Leasable Area Upon Completion of Retail Pipeline - excludes non-retail development initiatives (3.8 million square feet)



(in thousands of square feet)	Committed	Years 0–3	Beyond Year 3	Total[1]
Earnouts	60	176	78	314
Developments	159	1,333	1,358	2,850
Premium Outlets	—	—	50	50
	219	1,509	1,486	3,214
Mezzanine Financing	—	—	615	615
	219	1,509	2,101	3,829

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

During the year ended December 31, 2018, the future retail properties under development pipeline decreased by 824,000 square feet to a total of 3.2 million square feet. The change is summarized as follows:

(in thousands of square feet)	Total Area
Future retail properties under development pipeline – January 1, 2018	4,038
Add:	
Properties transferred from investment properties to properties under development	48
Net adjustment to project densities	7
Less:	
Properties subject to future parcel sales and non-retail intensification/developments	(553)
Completion of Earnouts and Developments	(246)
Pipeline for office development	(80)
Net change	(824)
Future retail properties under development pipeline – December 31, 2018	3,214

Committed Retail Pipeline

The following table summarizes the committed investment by the Trust in properties under development as at December 31, 2018:

(in millions of dollars)	Total	Costs Incurred	Estimated Future Development Costs
Earnouts	19	7	12
Developments	50	34	16
	69	41	28

The completion of these committed Earnouts and Developments as currently scheduled is expected to have an average estimated yield of 5.9% in 2019 and 7.6% in 2020, which, based on the committed lease arrangements with respect to such Earnouts and Developments, should increase FFO per Unit by $0.003 in 2019 and an additional $0.001 in 2020.

Uncommitted Retail 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	Costs Incurred[1]	Future Development Costs
Earnouts	56	27	83	5	78
Developments	401	459	860	351	509
Premium Outlets	—	24	24	3	21
	457	510	967	359	608

(1) Properties under development totalled $613.3 million (including equity accounted investments of $109.8 million) which primarily consists of costs of $359.0 million in the uncommitted pipeline, costs of $41.0 million in the committed pipeline, costs of $97.7 million in potential land/parcel sales and costs of $112.8 million of future development land in VMC plus $3.3 million of non-cash development costs relating to future land development and cumulative fair value loss on revaluation of properties under development.

Approximately 9.8% of the properties under development – representing a proportion of gross investment cost (committed and uncommitted) relating to Earnouts ($102.0 million, divided by total potential future development pipeline of $1,036.0 million) – representing 314,000 square feet 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 stabilized, long-term financing will be arranged. With respect to the remaining gross leasable area, it is expected that 3.1 million square feet of future space will be developed as the Trust leases space and finances the construction costs.

Residential Development Inventory

In 2017, the Trust entered into a co-ownership agreement and related agreements with Fieldgate under which it acquired a 50% interest in the Vaughan NW development lands to develop and sell residential townhouse units.

The following summarizes the activity in residential development inventory for the years ended December 31, 2018 and December 31, 2017:

(in thousands of dollars)	**2018**	2017
Balance – beginning of year	**20,267**	—
Transfer of fair value from properties under development	**—**	19,392
Costs capitalized	**3,162**	875
Balance – end of year	**23,429**	20,267

Equity Accounted Investments

The following summarizes the Trust's ownership interest in each equity accounted investment as reflected in the Trust's consolidated financial statements:

Equity Accounted Investment	**Principal Intended Activity**	**2018**	2017
Investment in associates:			
PCVP	Own, develop and operate investment properties	**50%**	50%
Residences LP	Own, develop and sell two residential condominium towers	**25%**	25%
Residences III LP	Own, develop and sell a residential condominium tower	**25%**	25%
East Block Residences LP	Own, develop and sell two residential condominium towers	**25%**	N/A
Investment in joint ventures:			
1500 Dundas East LP	Own and operate a retail investment property	**30%**	30%
Laval C Apartments LP	Own, develop and operate residential apartments	**50%**	N/A
Leaside SAM LP	Own, develop and operate a self-storage facility	**50%**	N/A
Oshawa South Self Storage LP	Own, develop and operate a self-storage facility	**50%**	N/A

The following summarizes key components relating to the Trust's equity accounted investments:

	2018			2017		
(in thousands of dollars)	**Investment in Associates**	**Investment in Joint Ventures**	**Total**	Investment in Associates	Investment in Joint Ventures	Total
Investment – beginning of year	**109,316**	**16,046**	**125,362**	122,677	—	122,677
Contributions	**18,808**	**12,976**	**31,784**	17,824	15,847	33,671
Earnings (loss)	**8,963**	**1,576**	**10,539**	(2,006)	343	(1,663)
Distributions received	**(20,803)**	**(576)**	**(21,379)**	(29,179)	(144)	(29,323)
Investment – end of year	**116,284**	**30,022**	**146,306**	109,316	16,046	125,362

a) Investment in associates

In 2012, the Trust entered into the Penguin-Calloway Vaughan Partnership ("PCVP") with Penguin (see also Note 21, "Related party transactions") to develop the Vaughan Metropolitan Centre ("VMC"), which is expected to consist of approximately 10.0 million to 11.0 million square feet once fully developed, on 53 acres of development land in Vaughan, Ontario.

In 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, CentreCourt Developments, to develop residential condominium towers, located on the VMC site.

In 2018, the Trust entered into the VMC East Block Residences Limited Partnership ("East Block Residences LP") with Penguin and a third party, CentreCourt Developments, to develop additional residential condominium towers, located on the VMC site.

The following summarizes the associated major mixed-use initiatives:

	Project	Type	Estimated GLA (sq. ft.)/ units	Trust Share	Expected Completion Year
PCVP	KPMG (Tower #1)	Office	360,000 sq. ft.	50%	Completed
	PwC (Tower #2)	Office	105,000 sq. ft.	50%	2019
	Office (Tower #3)	Office	600,000 sq. ft.	50%	2024
	Office (Tower #4)	Office	300,000 sq. ft.	50%	2026
	Residential Rental	Apartments	480 units	50%	2023-2024
Residences LP	Transit City I	Condo	551 units	25%	2020
	Transit City II	Condo	559 units	25%	2020
Residences III LP	Transit City III	Condo	606 units	25%	2021
East Block Residences	Transit City IV and V	Condo	1,015 units	25%	2023-2024

b) Investment in joint ventures

In 2017, pursuant to the Arrangement, the Trust acquired an equity interest in 1500 Dundas East Limited Partnership ("1500 Dundas East LP"), which holds ownership of a retail investment property in Mississauga, Ontario (Creekside Crossing).

In January 2018, the Trust and Jadco formed a 50:50 joint venture known as Laval Centre Apartments Limited Partnership ("Laval C Apartments LP"), into which the Trust contributed development lands located in Laval, Quebec, previously presented as property under development and Jadco contributed cash. The purpose of the joint venture is to own, develop and operate residential apartments in Laval.

In June 2018, the Trust and SmartStop formed a 50:50 joint venture known as Leaside SAM Limited Partnership ("Leaside SAM LP"), into which the Trust contributed development lands located in Toronto (Leaside), Ontario, previously presented as property under development and SmartStop contributed land and cash. The purpose of the joint venture is to own, develop and operate a self storage rental facility in Toronto (Leaside).

In September 2018, the Trust and SmartStop formed a 50:50 joint venture known as Oshawa South Self Storage Limited Partnership ("Oshawa South Self Storage LP"), into which the Trust contributed development lands located in Oshawa, Ontario, previously presented as property under development and SmartStop contributed land and cash. The purpose of the joint venture is to own, develop and operate a self-storage rental facility in Oshawa.

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 2018 annual general meeting of Unitholders that was held on May 16, 2018, the Trust issued 266,943 additional Special Voting Units ("Additional Special Voting Units"). These Additional 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, 2018, which is filed on SEDAR. As at December 31, 2018, Penguin owned 21.8% of the aggregate issued and outstanding Trust Units in addition to the Special Voting Units noted above. The 21.8% ownership would increase to 26.1% 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 December 31, 2018, 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 elsewhere in this MD&A, the Trust has the following agreements with Penguin:

1) Pursuant to the Development and Services Agreement, the Trust and certain subsidiary limited partnerships of the Trust provide the following services to Penguin over 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) Pursuant to the Services Agreement, Penguin provides certain advisory, consulting and strategic services to the Trust 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 in the Trust's consolidated financial statements (including Note 3 referring to the purchase of Earnouts, Note 4(d) referring to Leasehold property interests, Note 5 referring to Mortgages, loans and notes receivable, Note 6(a)(ii) referring to a Supplemental Development Fee Agreement, and Note 17 referring to Rentals from investment properties and other), 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 equity accounted investments:

(in thousands of dollars)	Note	**2018**	2017
Related party transactions with Penguin			
Revenues:			
Service and other revenues:			
Transition services fee revenue		**3,417**	4,000
Management fee and other services revenue pursuant to the Development and Services Agreement		**5,794**	5,851
Support services		**808**	973
	17	**10,019**	10,824
Interest income from mortgages and loans receivable[1]		**7,123**	5,807
Head lease rents and operating cost recoveries included in head lease rentals from income properties		**1,067**	1,269
Expenses and other payments:			
Master planning services:			
Capitalized to properties under development and properties held for development		**3,500**	3,500
Development fees and costs (capitalized to investment properties)		**10**	81
Interest expense (capitalized to properties under development)		**31**	12
Opportunity fees (capitalized to properties under development)[2]		**2,674**	2,498
Rent and operating costs (included in general and administrative expense and property operating costs)		**2,274**	2,307
Salaries, benefits and other compensation costs (included in general and administrative expense)		**534**	N/A
Time billings and other administrative costs (included in general and administrative expense and property operating costs)		**85**	184
Leasing and consulting service fees (included in general and administrative expense)		**—**	229
Marketing cost sharing (included in property operating costs)		**53**	53
Related party transactions with PCVP			
Revenues:			
Interest income from mortgages and loans receivable		**1,768**	—

(1) Includes $6.5 million of accrued interest from mortgages receivable (see "Mortgages, Loans and Notes Receivable, and Interest Income").
(2) These amounts relate to accrued interest on prepaid land costs subject to future Earnouts.

(in thousands of dollars)	Note	**2018**	2017
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable[1]	10(c)	**16,741**	12,366
Mortgages receivable	5(a)	**134,221**	127,704
Loans receivable	5(b)	**10,145**	10,199
Notes receivable	5(c)	**2,979**	2,979
Total receivables		**164,086**	153,248
Payables and other accruals:			
Accounts payable	12(c)	**13,834**	9,222
Future land development obligation	12(c)	**26,567**	26,642
Secured debt		**2,635**	1,338
Total payables and other accruals		**43,036**	37,202

(1) Excludes amounts receivable presented below as part of balances with equity accounted investments.

The following table summarizes the related party balances with the Trust's equity accounted investments:

	Note	**2018**	2017
Related party balances with disclosed elsewhere in the financial statements			
Amounts receivable[1]	10(c)	**10,967**	3,539
Other unsecured debt	11(b)(ii)	**3,766**	—

[1] Amounts receivable includes Penguin's portion, which represents $5.3 million (December 31, 2017 – $3.2 million) relating to Penguin's 50% investment in the PCVP and 25% investment in Residences LP.

Mortgages receivable

As at December 31, 2018, the weighted average interest rate associated with mortgages receivable from Penguin was 5.59% (December 31, 2017 – 4.47%) (see also Note 5, "Mortgages, loans and notes receivable" in the Trust's consolidated financial statements).

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 2019 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 has entered into leasehold agreements with Penguin for 15 investment properties (see also Note 4, "Investment properties" in the Trust's consolidated financial statements).

Other related party transactions:

(in thousands of dollars)	**2018**	2017
Legal fees paid to a law firm in which a partner, Mr. Gregory Howard, is a trustee of the Trust:		
Costs associated with the Arrangement	**21**	851
Capitalized to investment properties	**869**	88
Included in general and administrative expense	**778**	393
Included in disposition of investment properties	**—**	125
	1,668	1,457
Accounts payable to a legal firm in which a partner is a trustee of the Trust:	**158**	—

Capital Resources and Liquidity

As at December 31, 2018 and December 31, 2017, the Trust had the following capital resources available:

(in thousands of dollars)	**2018**	2017	Variance
Cash and cash equivalents	**29,444**	162,700	(133,256)
Unused operating facilities	**369,060**	483,138	(114,078)
	398,504	645,838	(247,334)

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 December 31, 2018, the Trust's capital resources decreased by $247.3 million compared to December 31, 2017, which is primarily due to the following:

- net repayments on secured debt and other debt of $288.8 million;
- additions to investment properties including Acquisitions and Earnouts of $133.6 million; and
- redemption of convertible debentures of $36.3 million;

Partially offset by the following:

- net proceeds from revolving operating facilities of $121.0 million;
- proceeds from issuance of other secured debt of $84.1 million; and
- net repayments of mortgages and loans receivable of $11.9 million, which was primarily due to the advance and repayment of the loan issued to the PCVP of $111.8 million (see "Mortgages, Loans and Notes Receivable, and Interest Income" 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 December 31, 2018 is 51.1% (December 31, 2017 – 52.3%). Including the Trust's capital resources as at December 31, 2018, the Trust could invest an additional $1,453.7 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, including the estimated costs of the planned development pipeline noted below, total $4.3 billion, 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 December 31, 2018.

As at December 31, 2018, the timing of the Trust's future obligations is as follows:

(in thousands of dollars)	**Total**	**2019**[3]	**2020**	**2021**	**2022**	**2023**	**Thereafter**
Secured debt	2,103,377	380,517	201,492	258,034	326,449	223,163	713,722
Unsecured debt	1,893,766	—	400,000	153,766	300,000	200,000	840,000
Revolving operating facility	121,000	—	—	—	—	121,000	—
Mortgage receivable advances (repayments)[1]	147,871	21,550	16,540	31,983	6,284	31,253	40,261
Development obligations (commitments)[2]	20,624	20,624	—	—	—	—	—
	4,286,638	422,691	618,032	443,783	632,733	575,416	1,593,983

(1) Mortgages receivable of $134.2 million at December 31, 2018, and further forecasted commitments of $147.9 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.

(2) The Trust is in the process of refining its estimates of development obligations for the years subsequent to 2019. This total does not include commitments associated with equity accounted investments of $262.0 million, of which the Trust's share is $75.5 million.

(3) The outstanding amount of an unsecured credit facility totaling $80.0 million and a revolving operating facility totaling $121.0 million, which were both classified as current portion of debt in the Trust's consolidated balance sheet for the year ended December 31, 2018, are grouped as future obligations in 2023 according to the maturity date of the facilities. In addition, both of these facilities were repaid on or before February 2019.

The following represents the Trust's net working capital surplus for the years ended December 31, 2018 and December 31, 2017:

(in thousands of dollars)	**2018**	2017
Current assets	**140,009**	252,492
Less: Current liabilities	**(797,147)**	(619,592)
Working capital deficiency	**(657,138)**	(367,100)
Less: Current portion of debt	**(580,530)**	(415,133)
Net working capital (deficiency) surplus	**(76,608)**	48,033

As at December 31, 2018 the Trust experienced a working capital deficiency of $657.1 million (December 31, 2017 – $367.1 million). This deficiency includes mortgages, unsecured debentures and operating lines of credit of $580.5 million (December 31, 2017 – $415.1 million) that have maturity dates within 12 months of the balance sheet date. It is management's intention to either repay or refinance these maturing liabilities with newly issued secured or unsecured debt, equity or, in certain circumstances not expected to occur frequently, the disposition of certain assets. Any net working capital deficiencies are funded with the Trust's existing $500.0 million revolving operating facility.

As noted in the Subsequent Events section, in January 2019, the Trust successfully raised $230.0 million in new equity. The Trust used approximately $200.0 million of these proceeds to repay outstanding amounts on its operating lines of credit and the balance is intended to be used for other general purposes. It is management's intention to either repay or refinance $314.5 million of maturing secured debt in 2019. Potential upfinancing on maturing debt using a 65% loan to value and a 6.25% capitalization rate amounts to $127.0 million in 2019 and $66.0 million in 2020. In addition, the Trust has an unencumbered asset pool with an approximate fair value totalling $4.3 billion, which can generate gross financing proceeds on income properties of approximately $2,763.0 million using a 65% loan to value. The secured debt, unsecured debt, mortgage receivable advances and development obligations will be funded by additional term mortgages, net proceeds on the sale of certain assets, existing cash or operating lines, the issuance of convertible and unsecured debentures, and equity Units, as necessary.

The Trust's estimated potential development pipeline of $1,036.0 million consists of $102.0 million estimated to be payable in Earnouts and $934.0 million estimated for the costs of developing land categorized in Developments. Costs totalling $400.0 million have been incurred to date with a further $636.0 million of potential Development costs still to be funded. The future funding includes $90.0 million for future Earnouts that will be paid once a lease has been executed and construction of the space commenced. The remaining $546.0 million of costs of developing lands categorized under Developments will proceed once the Trust has an executed lease and financing is in place. Management expects this pipeline to be developed over the next three years and thereafter.

Debt

Summary of activities during the year ended December 31, 2018

The following table summarizes total debt before equity accounted investments and total debt including equity accounted investments, for the years ended December 31, 2018 and December 31, 2017 as follows:

	2018				2017			
(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	**2,103,379**	**50%**	**4.4**	**3.93%**	2,393,633	55%	4.6	3.87%
Unsecured debt	**1,886,105**	**45%**	**4.8**	**3.53%**	1,800,650	42%	5.8	3.42%
Convertible debentures	**—**	**—%**	**0.0**	**—%**	36,677	1%	2.5	5.50%
Revolving operating facility	**121,000**	**2%**	**4.6**	**3.64%**	—	—%	N/A	—%
Total debt before equity accounted investments	**4,110,484**	**97%**	**4.7**	**3.73%**	4,230,960	98%	5.1	3.69%
Share of debt classified as equity accounted investments	**125,880**	**3%**	**14.1**	**3.85%**	87,370	2%	3.8	3.33%
Total debt including equity accounted investments	**4,236,364**	**100%**	**4.9**	**3.73%**	4,318,330	100%	5.1	3.69%

The following table summarizes the activity in debt excluding debt recorded in equity accounted investments, for the year ended December 31, 2018:

(in thousands of dollars)	Secured Debt	Unsecured Debt	Convertible Debentures	Revolving Operating Facility	Total
Balance – January 1, 2018	**2,393,633**	**1,800,650**	**36,677**	**—**	**4,230,960**
Borrowings	47,691	83,766	—	380,000	511,457
Scheduled amortization	(67,905)	—	—	—	(67,905)
Repayments	(363,629)	—	(36,250)	(259,000)	(658,879)
Amortization of acquisition fair value adjustments, net of additions	(2,348)	—	—	—	(2,348)
Unamortized acquisition date fair value adjustment	—	—	(427)	—	(427)
Financing costs incurred, net of additions	937	1,689	—	—	2,626
Balance – December 31, 2018	**2,103,379**	**1,886,105**	**—**	**121,000**	**4,110,484**

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 2019 and 2020 were refinanced using a 10-year secured rate of 3.77%, annualized FFO would decrease by $0.003 per Unit for 2019 and increase by $0.010 per Unit for 2020. FFO is a non-IFRS measure, see "Presentation of Non-GAAP Measures" for further information.

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 (%)
2019	66,051	314,466	380,517	18%	3.72%
2020	61,250	140,242	201,492	10%	5.16%
2021	55,798	202,236	258,034	12%	4.22%
2022	51,189	275,260	326,449	16%	3.54%
2023	42,914	180,249	223,163	11%	4.59%
Thereafter	89,289	624,433	713,722	33%	3.64%
Total	366,490	1,736,886	2,103,377	100%	3.93%
Acquisition date fair value adjustment			5,514		
Unamortized financing costs			(5,512)		
			2,103,379		

Unsecured Debt

The following table summarizes the components of unsecured debt:

(in thousands of dollars)	2018	2017
Unsecured debentures (a)	**1,802,339**	1,800,650
Other unsecured debt (b)	**3,766**	—
Credit facility (c)	**80,000**	—
	1,886,105	1,800,650

a) Unsecured Debentures

The following unsecured debentures were issued and outstanding as at December 31, 2018 and December 31, 2017:

(in thousands of dollars)	Maturity Date	Annual Interest Rate	2018	2017
Series H	July 27, 2020	4.050%	**150,000**	150,000
Series I	May 30, 2023	3.985%	**200,000**	200,000
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**	150,000
Series R	December 21, 2020	Variable[1]	**250,000**	250,000
Series S	December 21, 2027	3.834%	**250,000**	250,000
		3.53%[2]	**1,810,000**	1,810,000
Less: Unamortized financing costs			**(7,661)**	(9,350)
			1,802,339	1,800,650

(1) These unsecured debentures carry a floating rate of three-month CDOR plus 66 basis points.
(2) Represents the weighted average annual interest rate and excludes deferred financing costs.

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 fulfil 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 December 31, 2018.

b) Other unsecured debt

Other unsecured debt totalling $3.8 million (December 31, 2017 – $nil) pertains to loans received from equity accounted investments (see also, "Equity accounted investments") in connection with contribution agreements relating to joint ventures. The loans are non-interest bearing with repayment terms based on the distributions that are to be paid pursuant to the limited partnership agreements.

c) Credit facility

In August 2018, the Trust entered into an unsecured non-revolving credit facility totalling $80.0 million, bearing interest at a variable interest rate based on either bank prime rate plus 20 basis points or the banker's acceptance rate plus 120 basis points, and matures on July 31, 2023. As at December 31, 2018, $80.0 million was drawn (December 31, 2017 – $nil).

Convertible Debentures

5.50% convertible unsecured subordinated debentures, due on June 30, 2020

In July 2018, the Trust completed the redemption of the 5.50% Convertible Debentures for $36.3 million in cash, which included the aggregate principal amount outstanding and accrued interest. The $36.3 million of 5.50% Convertible Debentures were interest bearing at 5.50% per annum, which was payable semi-annually on June 30 and December 31 each year and were scheduled to mature on June 30, 2020. The 5.50% Convertible Debentures were convertible at the debenture holder's option into fully paid Units at any time prior to the earlier of the maturity date and the date fixed for redemption at a conversion price of $51.57 per Unit. During the year ended December 31, 2018, $nil of the face value of the 5.50% Convertible Debentures (December 31, 2017 – $nil) was converted into Trust Units.

Revolving Operating Facility

As at December 31, 2018, the Trust has a $500.0 million unsecured revolving operating facility bearing interest at a variable interest rate based on either bank prime rate plus 45 basis points or the banker's acceptance rate plus 145 basis points, which matures on July 31, 2023. The 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.

(in thousands of dollars)	2018	2017
Revolving operating facility	**500,000**	500,000
Lines of credit – outstanding	**(121,000)**	—
Letters of credit – outstanding	**(9,940)**	(16,862)
Remaining unused operating facility	**369,060**	483,138

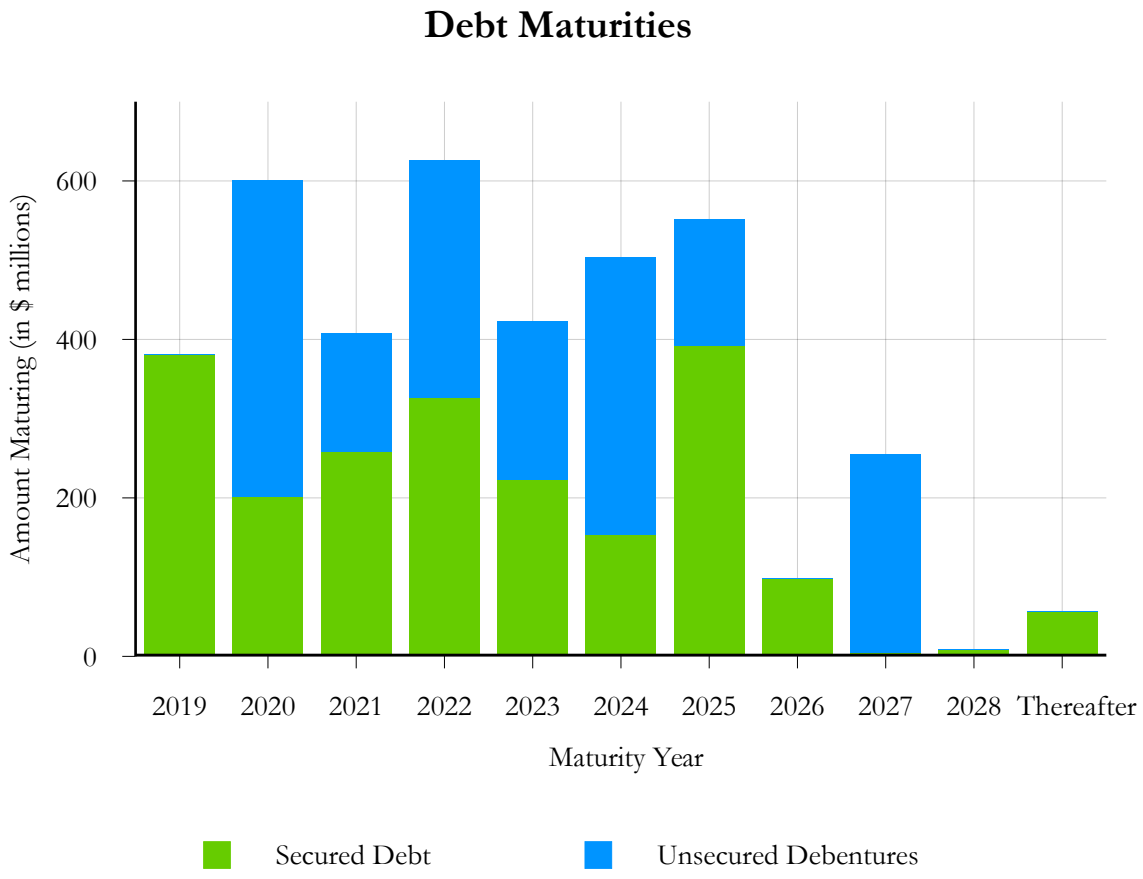
In addition to the letters of credit outstanding on the Trust's revolving operating facility (see above), the Trust also has $52.1 million of letters of credit outstanding with other financial institutions as at December 31, 2018 (December 31, 2017 – $37.8 million).

Unencumbered Assets

As at December 31, 2018, the Trust had $4.3 billion of unencumbered assets (December 31, 2017 – $3.4 billion), which reflects the Trust's share of the value of investment properties. In connection with this pool of unencumbered assets, management estimates that the total Forecasted Annualized NOI for 2019 will be $251.6 million. Forecasted Annualized NOI is representative of board approved budgets, and includes all known leasing and cost assumptions pertaining to the Trust's income properties that are not encumbered by secured debt, and is a forward-looking non-GAAP measure. See "Presentation of Non-GAAP Measures".

Debt Maturities

The following graph illustrates the debt maturities for secured debt and unsecured debentures:



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, suspension 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, debt to aggregate assets, debt to gross book value, 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. See "Presentation of Non-GAAP Measures". These ratios are as follows:

Ratios	**2018**	2017
Interest coverage	**3.3X**	3.2X
Interest coverage (net of capitalized interest expense)[1]	**3.8X**	3.7X
Debt to aggregate assets	**43.9%**	45.4%
Debt to gross book value (excluding convertible debentures)	**51.1%**	52.3%
Debt to gross book value (including convertible debentures)	**51.1%**	52.8%
Debt to Adjusted EBITDA	**8.2X**	8.2X

(1) This ratio is not stipulated by the Declaration of Trust and is disclosed for information purposes.

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. These ratios and financial covenants are as follows:

Ratios	Threshold	**2018**	2017
Debt to aggregate assets	65%	**43.9%**	45.4%
Secured debt to aggregate assets	40%	**23.1%**	26.1%
Fixed charge coverage	1.5X	**2.2X**	2.1X
Unencumbered assets to unsecured debt	1.3X	**2.1X**	1.8X
Unitholders' equity (in thousands)	$2,000,000	**$5,008,331**	$4,827,457

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

Ratios	Threshold	**2018**	2017
Debt to gross book value (excluding convertible debentures)	60%	**51.1%**	52.3%
Debt to gross book value (including convertible debentures)	65%	**51.1%**	52.8%
Interest coverage	1.65X	**3.3X**	3.2X
Unitholders' equity (in thousands)	$500,000	**$5,008,331**	$4,827,457

For the year ended December 31, 2018, the Trust was in compliance with all financial covenants.

Unitholders' Equity

The Unitholders' equity of the Trust is calculated based on the equity attributable to the holders of Trust Units and Limited Partnership Units ("Exchangeable Securities") that are exchangeable into Trust Units on a one-for-one basis. These Limited Partnership Units consist of Class B Units of the Trust's subsidiary limited partnerships. Certain of the Trust's subsidiary limited partnerships also have Units classified as liabilities that are exchangeable on a one-for-one basis for Units. The following is a summary of the number of Units outstanding for the years ended December 31, 2018 and December 31, 2017:

Type	Class and Series	2018	2017	Variance
Trust Units	N/A	**134,498,397**	132,612,320	1,886,077
Smart Limited Partnership	Class B Series 1	**14,746,176**	14,746,176	—
Smart Limited Partnership	Class B Series 2	**950,059**	886,956	63,103
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	**664,214**	647,934	16,280
Smart Limited Partnership III	Class B Series 5	**572,337**	572,337	—
Smart Limited Partnership III	Class B Series 6	**449,375**	449,375	—
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	**3,052,504**	3,046,121	6,383
Smart Oshawa South Limited Partnership	Class B Series 1	**710,416**	688,336	22,080
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**374,223**	374,223	—
Total Units classified as equity		**159,627,274**	157,633,351	1,993,923
Smart Limited Partnership	Class D Series 1	**311,022**	311,022	—
Smart Oshawa South Limited Partnership	Class D Series 1	**260,417**	251,649	8,768
ONR Limited Partnership	Class B	**1,248,140**	1,254,114	(5,974)
ONR Limited Partnership I	Class B Series 1	**132,881**	132,881	—
ONR Limited Partnership I	Class B Series 2	**137,109**	137,109	—
Total Units classified as liabilities		**2,089,569**	2,086,775	2,794
Total Units		**161,716,843**	159,720,126	1,996,717

The following is a summary of the activities having an impact on Unitholders' equity for the years ended December 31, 2018 and December 31, 2017:

(in thousands of dollars)	2018	2017
Unitholders' equity – beginning of the year	**4,827,457**	4,663,944
Issuance of Trust Units	**56,656**	75,821
Units issuance cost	**(250)**	—
Deferred Units exchanged for Trust Units	**—**	251
Issuance of LP Units classified as equity	**3,245**	832
Units exchanged	**191**	—
Net income and comprehensive income	**402,947**	355,926
Distributions to other non-controlling interest	**(515)**	(283)
Distributions	**(281,400)**	(269,034)
Unitholders' equity – end of the year	**5,008,331**	4,827,457

During the year ended December 31, 2018, the Trust issued $60.1 million in Units as follows:

	Trust Units (#)	LP Units (#)	Total Units (#)	2018 ($ thousands)
Earnout options exercised	—	107,846	107,846	**3,245**
Distribution reinvestment plan (DRIP)	1,880,103	—	1,880,103	**56,656**
Units exchanged	5,974	—	5,974	**191**
Total change in Unit equity	1,886,077	107,846	1,993,923	**60,092**

During the year ended December 31, 2018, distributions declared by the Trust totalled $285.1 million, of which $281.4 million relates to distributions on Units classified as equity, and $3.7 million relates to distributions on Units classified as liabilities that is treated as interest expense (December 31, 2017 – $270.7 million, of which $269.0 million relates to distributions on Units classified as equity, and $1.6 million relates to distributions on Units classified as liabilities that is treated as interest expense), or $1.7625 per Unit

(December 31, 2017 – $1.7128 per Unit); the distributions on Units classified as liabilities increased by $2.1 million compared to the year ended December 31, 2017, primarily due to the issuance of additional Units classified as liabilities in connection with the Arrangement. For the year ended December 31, 2018, the Trust paid $228.4 million in cash distributions and the balance of $56.7 million by issuing 1,880,103 Trust Units under the DRIP (December 31, 2017 – $219.9 million in cash distributions and the balance of $50.7 million represented by 1,625,403 Trust Units under the DRIP).

Declared distributions and declared distributions net of DRIP for the year ended December 31, 2018 compared to the year ended December 31, 2017, were as follows:

(in thousands of dollars)	**2018**	2017
Distributions declared on:		
Trust Units	**237,204**	226,221
LP Units	**44,196**	42,813
Distributions on Units classified as equity	**281,400**	269,034
Distributions on Units classified as liabilities	**3,682**	1,631
Total distributions declared	**285,082**	270,665
Distributions reinvested through DRIP	**(56,656)**	(50,719)
Total distributions declared, net of DRIP	**228,426**	219,946
DRIP as a percentage of total distributions declared	**19.9%**	18.7%

Quarterly Results and Trends

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

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Rentals from investment properties[1]	**200,545**	**194,883**	**197,092**	**198,395**	196,530	178,752	181,511	184,562
NOI[1][2]	**127,105**	**128,761**	**126,708**	**122,839**	125,460	117,867	117,107	117,094
Net income and comprehensive income[1]	**102,580**	**96,155**	**103,748**	**100,466**	101,911	69,946	124,070	59,999
FFO[2]	**93,139**	**93,722**	**91,036**	**89,287**	90,075	87,754	85,634	81,188
Per Unit								
Basic	**$0.58**	**$0.58**	**$0.57**	**$0.56**	$0.57	$0.56	$0.55	$0.52
Diluted[3]	**$0.57**	**$0.58**	**$0.56**	**$0.56**	$0.56	$0.56	$0.55	$0.52
FFO with one time adjustment and before Transactional FFO[2][4]	**92,791**	**93,722**	**92,538**	**89,287**	90,075	87,754	85,815	83,728
Per Unit								
Basic	**$0.57**	**$0.58**	**$0.58**	**$0.56**	$0.57	$0.56	$0.55	$0.54
Diluted[3][4]	**$0.57**	**$0.58**	**$0.57**	**$0.56**	$0.56	$0.56	$0.55	$0.54
FFO with one time adjustment and Transactional FFO[2][4]	**92,791**	**93,722**	**95,012**	**89,777**	91,020	87,754	88,939	83,728
Per Unit								
Basic	**$0.57**	**$0.58**	**$0.59**	**$0.56**	$0.57	$0.56	$0.57	$0.54
Diluted[3][4]	**$0.57**	**$0.58**	**$0.59**	**$0.56**	$0.57	$0.56	$0.57	$0.54
Cash flows provided by operating activities	**131,475**	**74,656**	**101,060**	**44,063**	137,492	84,967	74,285	56,338
Distributions declared	**73,151**	**70,889**	**70,634**	**70,408**	70,191	67,018	66,806	66,650
Units outstanding[5]	**161,716,843**	**161,222,910**	**160,704,177**	**160,173,698**	159,720,126	158,196,022	156,455,314	156,072,260
Weighted average Units outstanding								
Basic	**161,471,118**	**160,950,811**	**160,415,583**	**159,943,580**	159,388,010	156,681,702	156,256,467	155,882,593
Diluted	**162,341,647**	**161,810,678**	**161,220,808**	**160,687,906**	160,078,219	157,367,314	156,916,777	156,500,558
Total assets	**9,459,632**	**9,427,341**	**9,513,881**	**9,416,938**	9,380,232	8,839,166	8,843,016	8,886,478
Total unencumbered assets	**4,250,800**	**4,116,100**	**3,940,600**	**3,524,500**	3,387,000	2,921,700	2,914,000	2,744,600
Total debt[1]	**4,236,364**	**4,256,252**	**4,296,836**	**4,269,593**	4,318,330	3,889,763	3,909,966	4,031,172
In-place occupancy rate[1]	**98.0%**	**98.1%**	**98.0%**	**98.0%**	98.2%	98.5%	98.4%	98.1%

(1) Includes the Trust's share of earnings from equity accounted investments.

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

(4) Q2 2017 excludes the yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs ($0.2 million). Q1 2017 excludes the yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs ($2.5 million). Q3 2016 excludes the yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs ($16.5 million).

(5) Total Units outstanding include Trust Units and LP Units, including Units classified as financial liabilities.

Rentals from investment properties, NOI, net income and comprehensive income and all related financial and operational metrics noted above are not materially impacted by seasonal factors. However, macroeconomic and market trends, as described under the Outlook section of this MD&A, do have an influence on the demand for space, occupancy levels and, consequently, rental revenue and ultimately operating performance.

Overall, quarterly fluctuations in revenue and operating results are mainly attributable to occupancy and same property growth, acquisitions and dispositions.

Rentals from investment properties

For quarters up to and including Q3 2017, rentals from investment properties were relatively stable with quarterly fluctuations resulting primarily from leasing and additional recoveries of tax and recoverable operating costs. The increase in Q4 2017 over Q3 2017 results primarily from the revenue attributed to the 12 additional OneREIT properties acquired pursuant to the Arrangement. The increase in rentals from investment properties in 2018 over 2017 is largely due to the nine months of rentals from investment properties associated with the Arrangement, as was the case in Q3 2018.

NOI, net income and comprehensive income, FFO and FFO including one time adjustment and Transactional FFO
The above factors concerning rentals from investment properties also affect the quarterly variations in NOI, FFO and FFO with one time adjustment and Transactional FFO.

In addition to the factors noted above, net income and comprehensive income are principally affected quarter-over-quarter by fluctuations in fair value of the Trust's income producing properties, the incidence of yield maintenance costs associated with the early redemption of unsecured debentures and, for Q4 2017, the recognition of an acquisition gain, net, pursuant to the Arrangement and other non-recurring items.

For Q2 2018, FFO including one time adjustment included transition costs in connection with the CEO retirement and other related costs totalling $1.5 million. In addition, Q2 2018 also reflects FFO including one time adjustment and Transactional FFO, which includes Transactional FFO gain on sale of land to co-owner totalling $2.5 million; similar Transactional FFO was reflected in Q4 2017 and Q2 2017, of $0.9 million and $3.1 million, respectively.

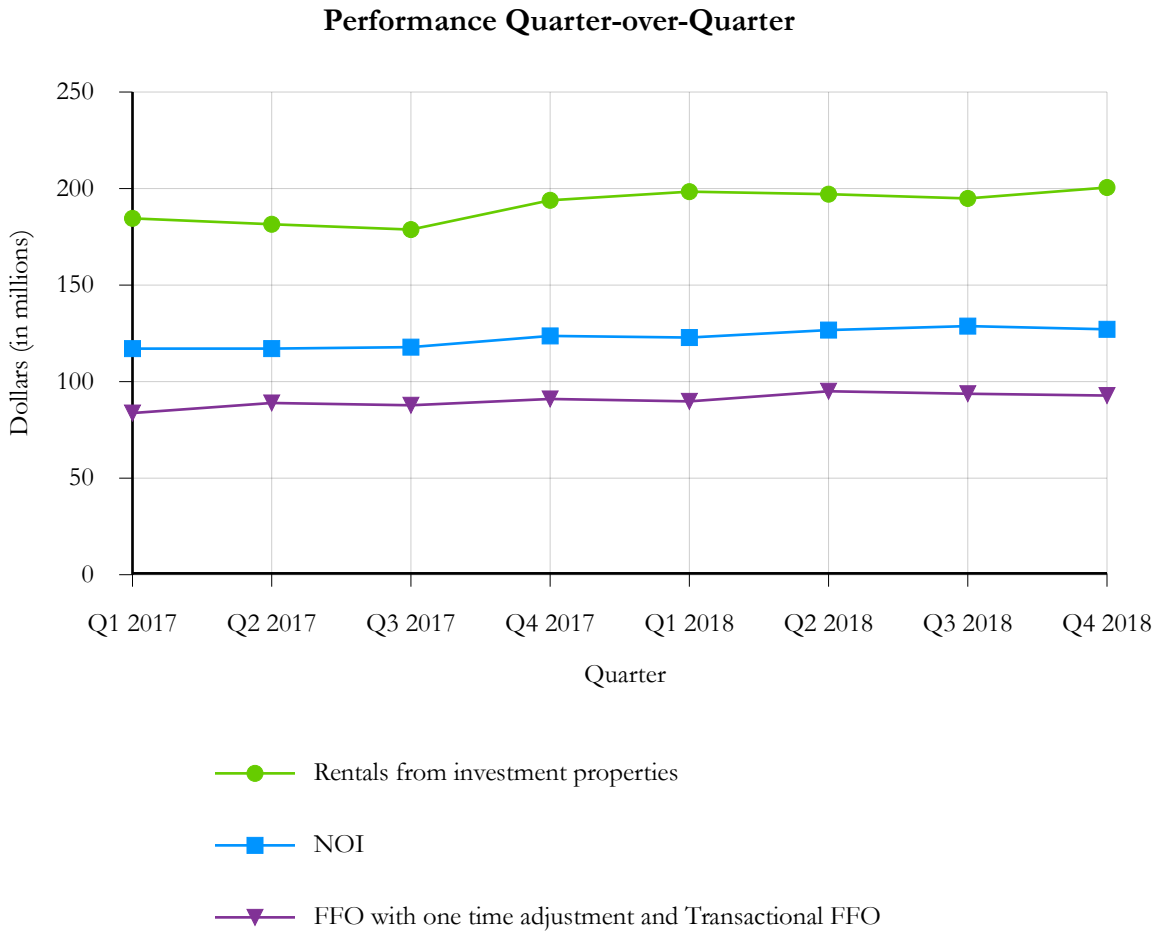
Units outstanding
Quarterly increases in Units outstanding and weighted average units outstanding (basic and diluted) can be attributed to units issued pursuant to: (i) DRIP, (ii) Earnouts, and (iii) the properties under development issuances. The substantive quarter-over-quarter increase in Q4 2017 is attributed to Units issued pursuant to the Arrangement.

Total assets and total debt
The quarter-over-quarter change in total assets and total debt are primarily attributed to: (i) acquisitions and the assumption or arrangement of new debt associated with such acquisitions, and (ii) development and related costs associated with properties under development in the portfolio. The substantive increase in both assets and total debt in Q4 2017 can be attributed to the assets purchased and related debt assumed pursuant to the Arrangement. The Trust acquired an additional investment property (Valleyfield, Quebec) in Q2 2018 for $15.7 million which has added to the asset base. In Q3 and Q4 2018, the Trust obtained additional secured and unsecured debt.

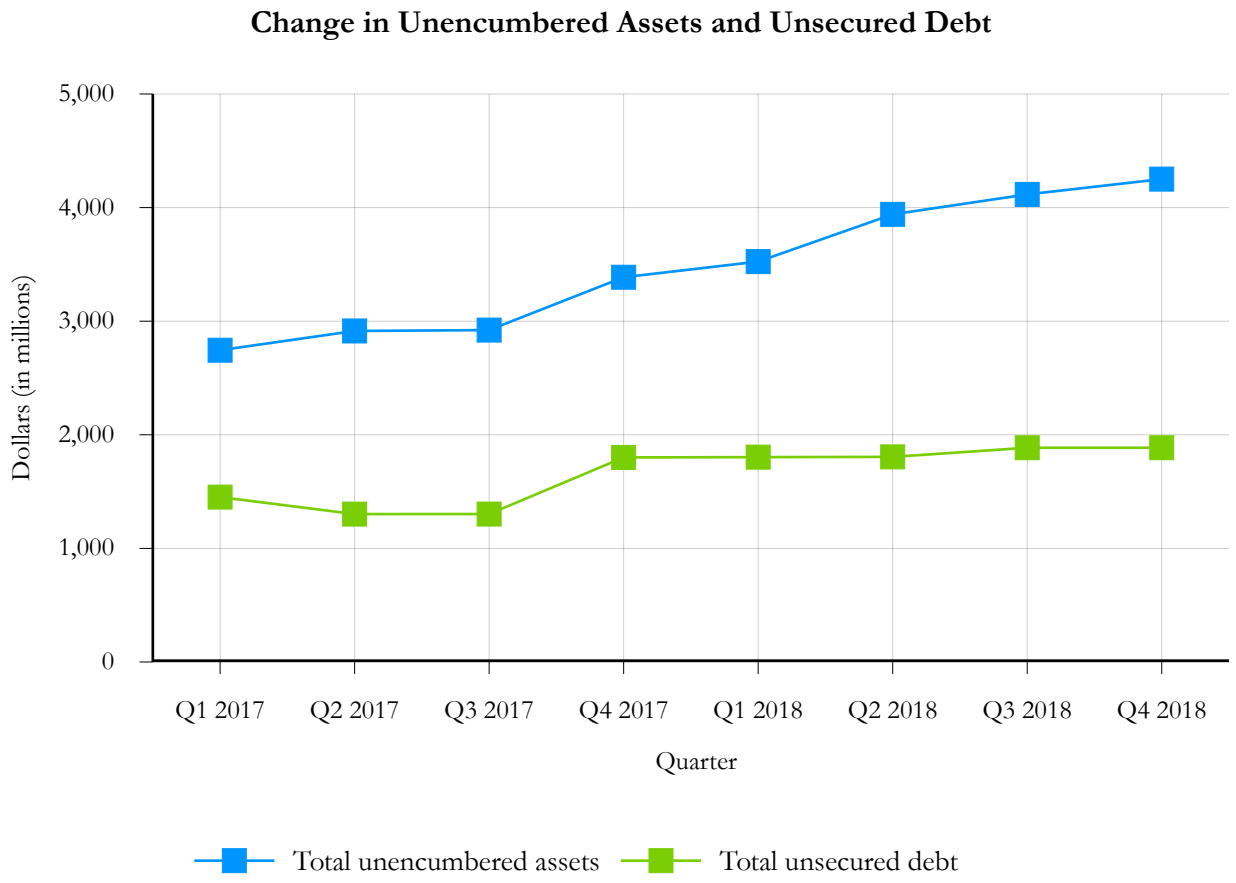
Unencumbered assets
The quarter-over-quarter increase in unencumbered assets over the last two years is primarily attributed to the Trust's practice of repaying maturing mortgages by using its existing credit facilities and unsecured debt, resulting in the related assets remaining unencumbered thereafter.

Occupancy rate
The Trust's in-place occupancy rate has remained relatively stable over the last eight quarters, ranging from a low of 98.0% in Q1 2018 to a high of 98.5% in Q3 2017. Quarterly changes in occupancy rates are primarily caused by: (i) the expiration and non-renewal of existing tenancies, (ii) new leasing, (iii) assumed occupancy/vacancy on acquisitions, and (iv) movements of space in and out of the Trust's portfolio of properties under development. The primary reason for the reduction in occupancy rate in Q4 2017 and thereafter relates to additional vacancy in the portfolio.

General trends in SmartCentres' key performance indicators



The above graph represents the Trust's experience over the last eight quarters pertaining to: (i) rentals from investment properties, (ii) NOI, and (iii) FFO with one time adjustment and Transactional FFO, and reflects the relative stability in performance for each of these various earnings-based metrics.



The above table presents the change in the Trust's unencumbered assets and unsecured debt over the last two years and reflects the Trust's strategy to increase its unencumbered pool of high-quality assets.

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 December 31, 2018.

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 enhancements as required. There were no changes in the Trust's internal controls over financial reporting in the year ended December 31, 2018 that materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting. Further, the Trust's CEO and CFO have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of the Trust's DCP at December 31, 2018, and concluded that it was effective.

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. Using the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission 2013 (COSO 2013), the Trust's CEO and CFO have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of the Trust's ICFR as at December 31, 2018, and concluded that it was effective.

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 audited 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 estimates and assumptions made by the Trust are as follows:

Investment properties

Investment properties include income producing properties and properties under development (land or building, or part of a building, or both) that are held by the Trust, or leased by the Trust as a lessee under a finance lease, to earn rentals or for capital appreciation or both.

Acquired investment properties are measured initially at cost, including related transaction costs in connection with asset acquisitions. Certain properties are developed by the Trust internally, and other properties are developed and leased to third parties under development management agreements with Penguin and other vendors ("Earnouts"). Earnouts occur when the vendors retain responsibility for managing certain developments on land acquired by the Trust for additional proceeds paid on completion calculated based on a predetermined, or formula based, capitalization rate, net of land and development costs incurred by the Trust (see Note 4(e)(i)). The completion of an Earnout is reflected as an additional purchase in Note 3. Costs capitalized to properties under development include direct development and construction costs, Earnout Fees ("Earnout Fees"), borrowing costs, property taxes and other carrying costs, as well as capitalized staff compensation and other costs directly attributable to property under development.

Borrowing costs that are incurred for the purpose of, and are directly attributable to, acquiring or constructing a qualifying investment property are capitalized as part of its cost. 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 cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Borrowing costs are capitalized while acquisition or construction is actively underway and ceases once the asset is ready for use as intended by management, or suspended if the development of the asset is suspended, as identified by management.

After the initial recognition, investment properties are recorded at fair value, determined based on comparable transactions, if any. If comparable transactions are not available, the Trust uses alternative valuation methods, such as the direct income capitalization method or discounted cash flow projections. Valuations, where obtained externally, are performed either as of a June 30 valuation date or as of a December 31 valuation date with quarterly updates on capitalization rates by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. Related fair value gains and losses are recorded in the consolidated statements of income and comprehensive income in the period in which they arise.

Fair value measurement of an investment property under development is applied only if the fair value is considered to be reliably measurable. In some circumstances, investment property under development may be carried at cost until its fair value becomes reliably measurable. It may sometimes be difficult to determine reliably the fair value of an investment property under development. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers the following factors, among others:

- the changes in overall market conditions;
- the provisions of the construction contract;
- the stage of completion;
- whether the project or property is standard (typical for the market) or non-standard;
- the level of reliability of cash inflows after completion;
- the development risk specific to the property;
- experience with similar construction; and
- the status of construction permits.

Investment property held by the Trust under a lease is classified as investment property when the definition of an investment property is met and the Trust elects to account for the lease as a finance lease. The Trust has elected to account for all leasehold property interests that meet the definition of investment property held by the Trust as finance leases. Finance leases are recognized at the lease commencement date at the lower of the fair value of the leased property interest and the present value of the minimum lease payments. Investment properties recognized under finance leases are carried at their fair value.

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

Initial direct leasing costs incurred by the Trust in negotiating and arranging tenant leases are added to the carrying amount of investment properties.

The IASB issued an amendment to IAS 40 in December 2016. 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. A change in management's intentions for the use of a property does not, on its own, provide evidence of a change in use. The Trust has adopted this amendment effective January 1, 2018, retrospectively. Management has determined that the implementation of this amendment was immaterial.

Revenue recognition

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recording revenue. The new revenue standard is applicable to all entities and supersedes all current revenue recognition requirements under IFRS, except for lease revenue which is accounted for under IAS 17, Leases. The Trust has performed an assessment of key areas within the scope of IFRS 15 which includes, but not limited to, property operating costs recovered, service and other revenues, common area maintenance recoveries and residential inventory sales. The Trust has adopted IFRS 15 effective January 1, 2018, retrospectively. Management has determined that the implementation of these amendments was immaterial.

a) Rentals from investment properties and other

i. Rentals from investment properties

Rentals from investment properties include rents from tenants under leases, property tax and operating cost recoveries, percentage participation rents, lease cancellation fees, parking income and incidental income. Rents from tenants may include free rent periods and rental increases over the term of the lease and are recognized in revenue on a straight-line basis over the term of the lease. The difference between revenue recognized and the cash received is included in other assets as straight-line rent receivable. Lease incentives provided to tenants are deferred and are amortized against revenue over the term of the lease. Percentage participation rents are recognized after the minimum sales level has been achieved with each lease. Lease cancellation fees are recognized as revenue once an agreement is completed with the tenant to terminate the lease and the collectibility is probable.

ii. Service and other revenues

The Trust provides asset and property management services to co-owners, partners and third parties for which it earns market-based construction, development and other fees. These fees are recognized as the service or activity is performed.

The Trust recognizes non-lease component revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Trust expects to be entitled in exchange for those goods or services – such revenues were previously recorded as "rentals from investment properties" and are now recorded as "rentals from investment properties and other", on the statement of income and comprehensive income. It applies to all contracts with customers, excluding leases, financial instruments and insurance contracts.

The following summarizes the Trust's non-lease component revenue from contracts with customers including nature, timing and satisfaction of performance obligations, currently recorded in "rentals from investment properties and other" in the statement of income and comprehensive income:

Category	Nature	Description	Measurement
Rentals from investment properties	Property operating cost recoveries	The recovery of costs relates to the provision of the following services provided by the lessor: common area maintenance recoveries, chargeback recoveries and administrative recoveries, excluding property tax and insurance recoveries.	Recoveries from tenants are recognized as revenue as services are provided.
Service and other revenues	Service revenue	The Trust provides development, leasing, and property management services to co-owners and partners (including related parties and third parties).	These fees are recognized as the service or activity is performed. Where a contract has multiple deliverables, the Trust identifies the different performance obligations of the contract and recognizes the revenue allocated to each obligation as the obligation is met.

b) Interest income

Interest income is recognized as interest accrues using the effective interest method. When a loan and receivable are impaired, the Trust reduces the carrying amount to its recoverable amount, which is the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

Financial instruments - recognition and measurement

IFRS 9 addresses the classification, measurement and derecognition of financial assets and liabilities and introduces 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.

The Trust adopted IFRS 9 on January 1, 2018, and has elected not to restate comparative information, in accordance with IFRS 9 transitional provisions. Management has determined that there was no material impact to financial assets and liabilities in connection with the change.

The following summarizes the latest amendments contemplated in IFRS 9:

Initial Recognition

The Trust recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value plus or minus directly attributable transaction costs when a financial asset or financial liability is not recognized at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Subsequent measurement depends on the initial classification of the financial asset or financial liability.

Classification

The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified and measured based on the following categories:

- amortized cost
- fair value through other comprehensive income ("FVOCI")
- fair value through profit or loss ("FVTPL")

The following summarizes the Trust's classification and measurement of financial assets and liabilities:

	Note	Classification under IAS 39	Classification under IFRS 9
Financial assets			
Mortgages and loans receivable		Loans and receivables	Amortized cost
Amounts receivable and deposits		Loans and receivables	Amortized cost
Cash and cash equivalents		Loans and receivables	Amortized cost
Financial liabilities			
Accounts and other payables		Other liabilities	Amortized cost
Secured debt		Other liabilities	Amortized cost
Revolving operating facility		Other liabilities	Amortized cost
Unsecured debentures		Other liabilities	Amortized cost
Convertible debentures	2.13	Other liabilities	Amortized cost
Units classified as liabilities	2.14	FVTPL	FVTPL
Conversion feature of convertible debentures	2.13	FVTPL	FVTPL
Earnout options	2.14	FVTPL	FVTPL
Interest rate swap agreements	2.14	FVTPL	FVTPL

Until December 31, 2017, the Trust's accounting policy for financial assets and financial liabilities was based on IAS 39, as follows:

Financial instruments must be classified into one of the following specified categories: at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets, loans and receivables and other liabilities. Initially, all financial assets and financial liabilities are recorded on the consolidated balance sheet at fair value. After initial recognition, financial instruments are measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which are measured at amortized cost. The effective interest related to financial assets and liabilities measured at amortized cost and the gain or loss arising from the change in the fair value of financial assets or liabilities classified as FVTPL are included in net income for the period in which they arise. AFS financial instruments are measured at fair value with gains and losses recognized in other comprehensive income until the financial asset is derecognized, and all cumulative gains or losses are then recognized in net income.

a) *Financing costs*

Financing costs include commitment fees, underwriting costs and legal costs associated with the acquisition or issuance of financial assets or liabilities.

Financing costs relating to secured debt, non-revolving credit facilities, and convertible and unsecured debentures are accounted for as part of the respective liability's carrying value at inception and amortized to interest expense using the effective interest method. Financing costs incurred to establish revolving credit facilities are deferred as a separate asset on the consolidated balance sheet and amortized on a straight-line basis over the term of the facilities. In the event any debt is extinguished, any associated unamortized financing costs are expensed immediately.

b) *Derivative instruments*

Derivative financial instruments may be utilized by the Trust in the management of its interest rate exposure. Derivatives are carried at fair value with changes in fair value recognized in net income. The Trust's policy is not to utilize derivative instruments for trading or speculative purposes.

c) *Fair value of financial and derivative instruments*

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act; i.e., the fair value of consideration given or received. In certain circumstances, the fair value may be determined based on observable current market transactions in the same instrument, using market-based inputs. The fair values are described and disclosed in Note 14 to the Trust's financial statements for the year December 31, 2018.

d) *Interest rate swap agreements*

The Trust may enter into interest rate swaps to economically hedge its interest rate risk. The fair value of interest rate swap agreements reflects the fair value of swap agreements at each reporting date, and is driven by the difference between the fixed interest rate and the Canadian Dealer Offered Rate ("CDOR").

e) *Modifications of loans and debt*

Until December 31, 2017, the Trust's policy for modifications of loans and debt was based on IAS 39, as follows:

Amendments to mortgages and loans receivable and debt are assessed as either modifications or extinguishments based on the terms of the revised agreements. An amendment is treated as an extinguishment if the present value of cash flows under the terms of the modified loan or debt instrument is at least 10% different from the carrying amount of the original loan or debt. When an extinguishment is determined, the loan or debt is derecognized and the fair value of the loan or debt under the amended terms is recognized, with the difference recorded as a gain or loss. The new loan or debt is carried at amortized cost using the effective interest rate inherent in the new loan or debt.

On January 1, 2018, the Trust adopted IFRS 9, which included the following change when a modification is determined: when a modification is determined, the carrying amount of the loan or debt is adjusted using the original effective interest rate, with a corresponding adjustment recorded as a gain or loss.

f) *Impairment of financial assets*

On January 1, 2018, the Trust adopted IFRS 9 and as a result the Trust assessed on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortized cost. The impairment was dependent on whether there has been a significant increase in credit risk.

For trade receivables, the Trust applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets ("Unbilled other tenant receivables") relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Trust has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

All of the Trust's loans receivable and mortgages receivable at amortized cost are considered to have low credit risk, and the loss allowance recognized during the period was therefore limited to 12 months expected losses. These financial assets are considered by management to be "low credit risk" when these financial assets have a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term.

Until December 31, 2017, the Trust's accounting policy over impairment of financial assets was based on IAS 39, as follows:

The Trust assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Trust uses to determine whether there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a
- concession that the lender would not otherwise consider;
- the probability that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of income and comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of income and comprehensive income.

Future Changes in Accounting Policies

Amendments to IFRS 3, Business Combinations

The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business, as well as provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effective for periods beginning on or after January 1, 2020 with earlier application permitted. There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

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, "Leases", 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, 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". The Trust intends to adopt the new standard on the required effective date of January 1, 2019 without restatement of prior period comparatives. The Trust has performed an assessment of key areas within the scope of IFRS 16 and has concluded that the implementation of IFRS 16 will have no significant impact to the Trust's consolidated financial statements.

There are no other IFRS standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Trust.

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, 2018 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. 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 and other key tenants in particular, could have an adverse effect on the Trust's business, financial condition or results of operations. Also, the emergence of e-commerce as a platform for retail growth has caused many retailers to change their approach to attracting and retaining customers. To the extent that some retailers are unsuccessful in attracting and retaining customers because of the impact of e-commerce on their respective businesses, the Trust may experience additional vacancy and its resulting adverse effects on financial condition and results of operations including occupancy rates, base rental income, tax and operating cost recoveries, leasing and other similar costs.

Development and Construction Risk

Development and construction risk arises from the possibility that completed 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.

The Trust also expects to be increasingly involved in mixed-use development projects that include residential condominiums and townhouses, rental apartments, seniors housing and self storage. Purchaser/tenant demand for these uses can be cyclical and is affected by changes in general market and economic conditions, such as consumer confidence, employment levels, availability of financing for home buyers, interest rates, demographic trends, and housing and similar commercial demand. Furthermore, the market value of undeveloped land, buildable lots and housing inventories held by the Trust can fluctuate significantly as a result of changing economic and real estate market conditions. An oversupply of alternative housing, such as new homes, resale homes (including homes held for sale by investors and speculators), foreclosed home and rental properties and apartments, accommodation of seniors housing and self-storage space may (i) reduce the Trust's ability to sell new condominiums and townhouses, depress prices and reduce margins from the sale of condominiums and townhouses, and (ii) have an adverse effect on the Trust's ability to lease rental apartments, seniors housing and self-storage units and on the rents charged.

The Trust's construction commitments are subject to those risks usually attributable to construction projects, which include: (i) construction or other unforeseen delays including municipal approvals, (ii) cost overruns, and (iii) the failure of tenants to occupy and pay rent in accordance with existing lease arrangements, some of which are conditional.

Joint Venture Risk

The Trust is a co-owner in several properties including joint ventures with Penguin to develop SmartCentres Place, CentreCourt and Penguin to develop Transit City at SmartCentres Place, Jadco to develop a residential rental unit project in Laval, Quebec, Fieldgate to develop a 16-acre parcel of land in Vaughan and build townhomes, SmartStop to develop and operate various self-storage locations, Revera to develop and operate retirement home communities, and various third parties to own and further develop retail and residential properties, which are classified as equity accounted investments. As part of its growth strategy, the Trust expects to increase its participation in additional joint ventures in the future, which may include additional joint ventures in self-storage facilities, retirement homes and other initiatives. 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 0.3 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 fulfil 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 completion of an acquisition of land, a shopping centre, or other real estate assets. 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 is making 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 December 31, 2018. 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. The Trust intends to take all necessary steps to continue to qualify for the REIT Exemption. However, 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. Furthermore, the determination as to whether the Trust qualifies for the REIT Exception in a particular taxation year can only be made at the end of such taxation year. 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 defence technologies to support its business model and to protect its systems, employees and tenants by employing industry better 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 December 31, 2018, 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 approximate 21.8% voting interest in the Trust. Further, according to the above-mentioned reports, as at December 31, 2018, 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 26.1%. 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

In January 2019 the Trust completed an equity offering of 7,360,000 Trust Units at a price of $31.25 per Trust Unit for gross proceeds of $230.0 million, including the exercise, in full, of the over-allotment option granted to the underwriters. The proceeds of this equity offering were primarily used to repay existing indebtedness.

On February 5, 2019, the Trust and Penguin announced that they: (i) have entered into another joint venture with CentreCourt to develop two additional condominium towers, Towers 4 and 5 at SmartCentres Place, with 50 and 45 storeys, respectively, and (ii) alone will also develop a sixth tower at SmartCentres Place, which will be a purpose-built rental apartment with 35 storeys. The three towers total approximately 1,600 units.

On February 6, 2019, The Trust announced a notice of redemption to holders of its 4.05% Series H senior unsecured debentures due July 27, 2020, representing a redemption in full of all of the currently outstanding debentures in the amount of $150.0 million. The Series H Debentures will be redeemed on March 8, 2019 ("Redemption Date") at a total redemption price of $1,021.87 plus accrued and unpaid interest of $4.44 up to but excluding the Redemption Date, both per $1,000.00 principal amount. The Trust has arranged with a major Canadian financial institution, a $150.0 million unsecured bank loan at a fixed rate of 3.59% for seven years, the proceeds from which will be used to redeem the Series H Debentures on the Redemption Date.

On February 7, 2019, the Trust, Penguin and Revera Inc. announced they have executed an overall agreement to develop and own new retirement living residences across Canada. In addition, the Trust and Revera Inc. have executed specific site agreements to proceed with the first three projects in the Greater Toronto Area. These projects will include 536 units, consisting of seniors' apartments and retirement residences in Vaughan and Oakville. The total investment will be approximately $300.0 million. It is expected that construction on all three projects will start in Spring 2020, subject to municipal approvals. The Trust will have 50% ownership and act as the developer for these sites. Revera Inc. will operate the Revera branded retirement living residences.

On February 12, 2019, the Trust announced that it has executed agreements in a 50:50 joint venture arrangement with SmartStop for two additional self-storage facilities, in Scarborough and Brampton. This brings the total number of SmartStop joint venture locations to six. The Trust will develop and construct the joint venture sites, and SmartStop will operate the SmartStop branded self-storage business.

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 ("REALpac") White Paper on Adjusted Cashflow from Operations for IFRS issued in February 2018. 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.
Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization Expense ("Adjusted EBITDA")	Adjusted earnings before interest expense, income taxes, depreciation expense and amortization expense, as defined by the Trust, is a non-GAAP financial 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 such as, but not limited to, yield maintenance on redemption of unsecured debentures and Transactional FFO – gain on sale of land to co-owners. 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").
Annual Run-Rate NOI	Represents a non-GAAP financial measure and is calculated as management's estimate annualized NOI excluding the impact of straight-line rent and other non-recurring items including but not limited to bad debt provisions and termination fees.
Anchors	Anchors are defined as tenants within a property with gross leasable area greater than 30,000 square feet.
CAM	Defined as common area maintenance.
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).
Debt to Aggregate Assets	Calculated as debt divided by aggregate assets including equity accounted investments. 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.

Glossary of Terms (continued)

Term	Definition
Earnings Before Interest Expense, Income Taxes, Depreciation Expense and Amortization Expense ("EBITDA")	Earnings before interest expense, income taxes, depreciation expense and amortization expense 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. EBITDA is reconciled with net income, which is the closest IFRS measure (see "Financial Covenants").
Exchangeable Securities	Exchangeable Securities are securities issued by the limited partnership subsidiaries of the Trust that are convertible or exchangeable directly for Units without the payment of additional consideration, including Class B Smart Limited Partnership Units ("Class B Smart LP Units") and Units classified as liabilities. Such Exchangeable Securities are economically equivalent to Units as they are entitled to distributions equal to those on the Units and are exchangeable for Units on a one-for-one basis. The issue of a Class B Smart LP Unit and Units classified as liabilities is accompanied by a Special Voting Unit that entitles the holder to vote at meetings of Unitholders.
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.
Forecasted Annualized NOI	Represents a forward-looking, non-GAAP measure, and is calculated based on management's estimates of annualized NOI.
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 2018. It is the Trust's view that IFRS net income does not necessarily provide a complete measure of the Trust's economic earnings. 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 economic earnings. 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 economic earnings.
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 (a non-GAAP financial measure) from continuing operations is defined as rentals from investment properties less property-specific costs net of service and other revenues. In the consolidated statements of income and comprehensive income, NOI is presented as "net rental income and other".
Payout Ratio to ACFO	Represents a non-GAAP financial measure and is 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.

Glossary of Terms (continued)

Term	Definition
Penguin	Penguin refers to entities controlled by Mitchell Goldhar, a Trustee, executive chairman and significant Unitholder of the Trust.
Recovery Ratio	Defined as property operating cost recoveries divided by recoverable costs.
Same Properties NOI	To facilitate a more meaningful comparison of NOI between periods, Same properties NOI (a non-GAAP financial measure) 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, Earnouts, developed 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 Arrangement	On October 4, 2017, the Trust announced the closing of a transaction to acquire a portfolio of 12 retail properties from OneREIT through the acquisition of OneREIT's ONR Limited Partnership as part of a plan of arrangement with OneREIT and others. The Arrangement added 2.2 million square feet of gross leasable area to the Trust's existing portfolio, with 10 of the 12 properties located in Ontario. Further, the portfolio includes 11 food stores, inclusive of 6 Walmart Supercentres and a strong mix of national tenants.
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.

Glossary of Terms (continued)

Term	Definition
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. Pursuant to the Voting Top-Up Right, the Trust will issue additional special voting Units of the Trust 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.