SMARTCENTRES®

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Three Months Ended March 31, 2019 and 2018

INFINITE POSSIBILITIES...

FIRST QUARTER REPORT

TABLE OF CONTENTS

71 Unaudited Interim Condensed Consolidated Balance Sheets
72 Unaudited Interim Condensed Consolidated Statements of Income and Comprehensive Income
73 Unaudited Interim Condensed Consolidated Statements of Cash Flows
74 Unaudited Interim Condensed Consolidated Statements of Equity
75 Notes to Unaudited Interim Condensed Consolidated Financial Statements

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

As at,	Note	**March 31, 2019**	December 31, 2018
Assets			
Non-current assets			
Investment properties	4	**8,937,462**	8,905,057
Mortgages, loans and notes receivable	5	**156,836**	131,916
Equity accounted investments	6	**147,218**	146,306
Other assets	7	**88,802**	87,211
Intangible assets	8	**48,800**	49,133
		9,379,118	9,319,623
Current assets			
Residential development inventory	9	**23,659**	23,429
Current portion of mortgages, loans and notes receivable	5	**15,621**	25,233
Amounts receivable, prepaid expenses and deposits, deferred financing costs and other	10	**85,674**	61,903
Cash and cash equivalents		**104,575**	29,444
		229,529	140,009
Total assets		**9,608,647**	9,459,632
Liabilities			
Non-current liabilities			
Debt	11	**3,863,254**	3,529,954
Other payables	12	**30,357**	29,216
Other financial liabilities	13	**104,546**	94,984
		3,998,157	3,654,154
Current liabilities			
Current portion of debt	11	**144,061**	580,530
Accounts payable and current portion of other payables	12	**216,068**	216,617
		360,129	797,147
Total liabilities		**4,358,286**	4,451,301
Equity			
Trust Unit equity		**4,388,446**	4,148,181
Non-controlling interests		**861,915**	860,150
		5,250,361	5,008,331
Total liabilities and equity		**9,608,647**	9,459,632

Commitments and contingencies (Note 27)

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

Approved by the Board of Trustees.

Michael Young
Trustee

Garry Foster
Trustee

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

For the three months ended March 31,	Note	2019	2018
Net rental income and other			
Rentals from investment properties and other	17	**206,433**	198,433
Property operating costs and other	18	**(82,422)**	(77,509)
Net rental income and other		**124,011**	120,924
Other income and expenses			
General and administrative expense, net	19	**(6,362)**	(5,305)
Earnings from equity accounted investments	6	**729**	1,876
Fair value adjustment on revaluation of investment properties	25	**8,897**	10,871
Gain (loss) on sale of investment properties	4	**740**	(457)
Interest expense	11(d)	**(38,086)**	(35,425)
Interest income		**2,459**	2,515
Fair value adjustment on financial instruments	25	**(12,415)**	5,237
Acquisition related gain, net		**—**	230
Net income and comprehensive income		**79,973**	100,466
Net income and comprehensive income attributable to:			
Trust Units		**66,900**	83,349
Non-controlling interests		**13,073**	17,117
		79,973	100,466

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

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

For the three months ended March 31,	Note	**2019**	2018
Cash provided by (used in)			
Operating activities			
Net income and comprehensive income for the period		**79,973**	100,466
Add (deduct): Other items			
Fair value adjustments	25	**3,518**	(16,108)
(Gain) loss on sale of investment properties	4	**(740)**	457
Gain from equity accounted investments, net of distributions	6	**(295)**	(1,628)
Acquisition related gain, net		**—**	(230)
Interest expense	11(d)	**38,086**	35,425
Cash interest paid associated with operating activities	11(d)	**(39,027)**	(39,376)
Interest income		**(2,459)**	(2,515)
Interest received		**512**	831
Amortization of other assets		**1,610**	1,577
Amortization of intangible assets	8	**333**	333
Lease obligation interest		**133**	131
Deferred unit compensation expense, net of redemptions	13(c)	**(4,459)**	233
Long Term Incentive Plan accrual adjustment	12(b)	**531**	(572)
Expenditures on direct leasing costs and tenant incentives		**(1,113)**	(2,976)
Expenditures on tenant incentives for properties under development		**(1,503)**	—
Changes in other non-cash operating items	20	**(18,332)**	(31,985)
Cash flows provided by operating activities		**56,768**	44,063
Financing activities			
Proceeds from issuance of unsecured debentures, net of issuance costs	11(b)	**349,300**	—
Repayment of unsecured debentures including yield maintenance on redemption	11(b)	**(153,281)**	—
Proceeds from revolving operating facility	11(c)	**—**	84,000
Repayments of revolving operating facility	11(c)	**(121,000)**	—
Proceeds from issuance of secured debt		**500**	—
Repayments of secured debt and other debt		**(248,942)**	(82,071)
Proceeds from issuance of other unsecured debt and credit facility	11(b)	**150,000**	2,214
Repayments of other unsecured debt and credit facility	11(b)	**(80,725)**	—
Proceeds from issuance of Trust Units, net of issuance costs	15	**220,366**	—
Distributions paid on Trust Units		**(47,474)**	(45,153)
Distributions paid on non-controlling interests and Units classified as liabilities		**(12,248)**	(11,861)
Payment of lease liability		**(48)**	—
Financing costs		**(905)**	(263)
Cash flows provided by (used in) financing activities		**55,543**	(53,134)
Investing activities			
Acquisitions and Earnouts of investment properties	3	**(4,495)**	(1,598)
Additions to investment properties		**(24,126)**	(16,737)
Additions to equity accounted investments	6	**(617)**	(9,743)
Additions to equipment	7	**(153)**	(20)
Advances of mortgages and loans receivable	5	**(13,360)**	(111,916)
Net proceeds from sale of investment properties		**5,571**	—
Cash flows used in investing activities		**(37,180)**	(140,014)
Increase (decrease) in cash and cash equivalents during the period		**75,131**	(149,085)
Cash and cash equivalents – beginning of period		**29,444**	162,700
Cash and cash equivalents – end of period		**104,575**	13,615
Supplemental cash flow information	20		

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the three months ended March 31, 2019 and March 31, 2018
(in thousands of Canadian dollars)

		Attributable to Unitholders			Attributable to LP Units Classified as Non-Controlling Interests				
	Note	Trust Units (Note 15)	Retained Earnings	Unit Equity	LP Units (Note 15)	Retained Earnings	LP Unit Equity	Other Non-Controlling Interest (Note 21)	Total Equity
Equity – January 1, 2019		**2,781,069**	**1,367,112**	**4,148,181**	**632,737**	**224,302**	**857,039**	**3,111**	**5,008,331**
Issuance of Units	15	**237,833**	**—**	**237,833**	**—**	**—**	**—**	**—**	**237,833**
Net income and comprehensive income		**—**	**66,900**	**66,900**	**—**	**12,977**	**12,977**	**96**	**79,973**
Distributions	16	**—**	**(64,468)**	**(64,468)**	**—**	**(11,308)**	**(11,308)**	**—**	**(75,776)**
Equity – March 31, 2019		**3,018,902**	**1,369,544**	**4,388,446**	**632,737**	**225,971**	**858,708**	**3,207**	**5,250,361**
Equity – January 1, 2018		2,724,472	1,269,787	3,994,259	629,492	200,468	829,960	3,238	4,827,457
Issuance of Units	15	13,324	—	13,324	134	—	134	—	13,458
Net income and comprehensive income		—	83,349	83,349	—	17,012	17,012	105	100,466
Distributions	16	—	(58,547)	(58,547)	—	(10,948)	(10,948)	—	(69,495)
Equity – March 31, 2018		2,737,796	1,294,589	4,032,385	629,626	206,532	836,158	3,343	4,871,886

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2019 and 2018
(in thousands of Canadian dollars, except Unit, square foot and per Unit amounts)

1. Organization
SmartCentres Real Estate Investment Trust and its subsidiaries, is an unincorporated open-ended mutual fund trust governed by the laws of the Province of Alberta created under a declaration of trust, dated December 4, 2001, subsequently amended and last restated on October 20, 2017 ("the Declaration of Trust"). The Trust develops, leases, constructs, owns and manages shopping centres, office buildings, high-rise and low-rise condominium and rental residences, senior housing and self-storage rental facilities in Canada, both directly and through its subsidiaries, Smart Limited Partnership, Smart Limited Partnership II, Smart Limited Partnership III, Smart Limited Partnership IV, Smart Oshawa South Limited Partnership, Smart Oshawa Taunton Limited Partnership, Smart Boxgrove Limited Partnership, ONR Limited Partnership and ONR Limited Partnership I. The exchangeable securities of these subsidiaries, which are presented as non-controlling interests or as a liability as appropriate, are economically equivalent to Trust Units as a result of voting, exchange and distribution rights as more fully described in Note 15(a). The address of the Trust's registered office is 3200 Highway 7, Vaughan, Ontario, L4K 5Z5. The Units of the Trust are listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "SRU.UN".

These unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Trustees on May 8, 2019. The Board of Trustees has the power to amend the unaudited interim condensed consolidated financial statements after issue.

At March 31, 2019, the Penguin Group of Companies ("Penguin"), owned by Mitchell Goldhar, owned approximately 20.8% (December 31, 2018 – 21.8%) of the issued and outstanding Units of the Trust and Limited Partnerships (see also Note 21, "Related party transactions").

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

2.2 *Critical accounting estimates and judgments*
The preparation of the unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise judgment in applying the Trust's accounting policies. The critical accounting estimates, assumptions and judgments applied during the three months ended March 31, 2019, are consistent with those set out in Note 2 to the Trust's audited consolidated financial statements for the year ended December 31, 2018 (except where discussed below in section 2.3, "Accounting policies"). Estimates and judgments are continually evaluated. They are based on historical actual results and other factors, including expectations of future events that may have a financial impact and are reasonable. However, the actual results may differ from this estimate.

2.3 *Accounting policies*
The accounting policies followed in these unaudited interim condensed consolidated financial statements are consistent with the policies and method of their application used in the preparation of the audited consolidated financial statements as at and for the year ended December 31, 2018, except as noted below.

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, International Financial Reporting Interpretations Committee ("IFRIC") 4 "Determining whether an Arrangement contains a Lease", Standard Interpretations Committee ("SIC") 15 "Operating Leases – Incentives", and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

Effective January 1, 2019, the Trust has adopted IFRS 16 applying the modified retrospective approach and accordingly the prior period comparatives have not been restated. On initial application, the Trust has elected to record the right-of-use assets at the amount equal to the lease liabilities as of January 1, 2019, with no net impact on retained earnings. When lease liabilities are initially measured, the Trust used its incremental borrowing rate at January 1, 2019 to discount lease payments. Lease liabilities are subsequently measured at amortized cost using the effective interest method. However, as and when rent changes as a result of lease payments being linked to a rate or index, leased assets and liabilities have to be remeasured. A lease modification is accounted for as a separate lease if:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope.

In addition, the Trust has also elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for lease terms less than 12 months and leases of low-value assets.

The Trust has made the following changes in presentation:

- In the unaudited interim condensed consolidated financial statements of income and comprehensive income, amortization of the right-of-use assets is recognized, except in respect of leases of investment property;
- In the unaudited interim condensed consolidated balance sheet, the right-of-use assets, the non-current and the current lease liabilities; and
- In the unaudited interim condensed consolidated statements of cash flows, amortization of the right-of-use assets, interest paid and repayment of lease liabilities are presented separately.

The table below shows the reconciliation from the operating lease commitments as at December 31, 2018 to the opening balance for the lease liabilities as at January 1, 2019:

(in thousands of dollars)	**Total**
Operating lease commitments as at December 31, 2018	746
Discounted using the weighted average incremental borrowing rate at January 1, 2019	(45)
Short-term leases	(70)
Lease liabilities as at January 1, 2019	**631**

The table below shows the changes in the book value of right-of-use assets and lease liabilities for the period ended March 31, 2019:

(in thousands of dollars)	**Right-of-use assets**	**Lease liabilities**
Net book value as at January 1, 2019	**631**	**631**
Depreciation and amortization/repayment	(45)	(42)
Net book value as at March 31, 2019	**586**	**589**

2.4 *Future changes in accounting policies*

Amendments to IFRS 3, Business Combinations

The IASB published amendments to IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendments clarify the definition of a business, as well as provide 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 amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted. The Trust intends to adopt the amendments to IFRS 3 on the required effective date of January 1, 2020.

3. Earnouts

Earnouts completed during the three months ended March 31, 2019

During the three months ended March 31, 2019, pursuant to development management agreements referred to in Note 4 (see also Note 21, "Related party transactions"), the Trust completed the purchase of Earnouts totalling 14,980 square feet of development space for a purchase price of $6,328, of which $1,065 was satisfied through the issuance of 53,002 Trust Units at an exercise price of $20.10 (see also Note 13(b)) and the balance paid in cash, adjusted for other working capital amounts.

The following summarizes the consideration for Earnouts completed during the three months ended March 31, 2019:

	Note	**Total**
Cash		**4,495**
Trust Units issued	4(d)(i)	**1,065**
Amounts previously funded and other adjustments		**768**
		6,328

The Earnouts in the above table do not include the cost of previously acquired freehold land and leasehold land.

Earnouts completed during the three months ended March 31, 2018

During the three months ended March 31, 2018, pursuant to development management agreements referred to in Note 4 (see also Note 21, "Related party transactions"), the Trust completed the purchase of Earnouts totalling 7,311 square feet of development space from Penguin for $1,700. The purchase price was satisfied through the issuance of 4,528 Class B Series 2 Smart Limited Partnership Units totalling $134 at an exercise price of $29.55, and the balance paid in cash, adjusted for other working capital amounts.

The following summarizes the consideration for Earnouts completed during the three months ended March 31, 2018:

	Note	Total
Cash		1,598
LP Units issued	4(d)(i)	134
Amounts previously funded and other adjustments		(32)
		1,700

The Earnouts in the above table do not include the cost of previously acquired freehold land in the amount of $35.

4. Investment properties

The following summarizes the activities in investment properties for the three months ended March 31, 2019 and year ended December 31, 2018:

		March 31, 2019			December 31, 2018		
	Note	**Income Properties**	**Properties Under Development**	**Total**	Income Properties	Properties Under Development	Total
Balance – beginning of period		**8,404,513**	**500,544**	**8,905,057**	8,220,153	513,156	8,733,309
Additions:							
Acquisition, and related adjustments, of investment properties		**—**	**—**	**—**	15,761	645	16,406
Transfer to income properties from properties under development		**24,408**	**(24,408)**	**—**	146,966	(146,966)	—
Transfer from income properties to properties under development		**(14,800)**	**14,800**	**—**	(16,199)	16,199	—
Earnout Fees on properties subject to development management agreements	4(d)(i)	**3,208**	**—**	**3,208**	2,850	2,865	5,715
Additions to investment properties		**3,435**	**17,310**	**20,745**	13,022	83,971	96,993
Capitalized interest		**—**	**4,448**	**4,448**	—	20,858	20,858
Dispositions	4(b)	**(95)**	**(4,798)**	**(4,893)**	(43)	(18,946)	(18,989)
Fair value adjustments	25	**11,517**	**(2,620)**	**8,897**	22,003	28,762	50,765
Balance – end of period		**8,432,186**	**505,276**	**8,937,462**	8,404,513	500,544	8,905,057

The historical costs of both income properties and properties under development as at March 31, 2019 totalled $6,969,483 and $633,764, respectively (December 31, 2018 – $6,961,845 and $617,895, respectively).

Secured debt with a carrying value of $1,852,344 (December 31, 2018 – $2,103,379) is secured by investment properties with a fair value of $4,485,863 (December 31, 2018 – $4,654,257).

Presented separately from investment properties is $86,464 (December 31, 2018 – $85,479) of net straight-line rent receivables and tenant incentives (these amounts are included in "Other assets", see Note 7) arising from the recognition of rental revenues on a straight-line basis and amortization of tenant incentives over the respective lease terms. The fair value of investment properties has been reduced by these amounts.

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

i) Income properties

Fair value estimates of income properties that are freehold properties were based on a valuation technique known as the direct income capitalization method. In applying the direct income capitalization method, the stabilized net operating income ("NOI") of each property is divided by an overall capitalization rate.

Fair value estimates of income properties that are leasehold interests with purchase options were valued using the direct income capitalization method as described above, adjusted for the present value of the purchase options.

Fair value estimates of income properties that are leasehold interests with no purchase options were valued by present valuing the remaining income stream of the properties.

ii) Properties under development

Properties under development were valued using two primary methods: (i) the direct income capitalization method less any construction costs to complete development and Earnout Fees, if any; or (ii) the sales comparison approach by comparing to recent sales of properties of similar types, locations and quality.

The following summarizes significant unobservable inputs in Level 3 valuations along with corresponding fair values for the period ended March 31, 2019 and year ended December 31, 2018:

		March 31, 2019			
Class	**Valuation Technique**	**Carrying Value**	**Total Stabilized or Forecasted NOI**	**Range of Capitalization or Discount Rates**	**Weighted Average Capitalization or Discount Rate**
Income properties	Direct income capitalization	**7,427,130**	**430,773**	**4.50%–8.60%**	**5.80%**
	Direct income capitalization less present value of purchase option	**802,864**	**50,982**	**5.88%–6.75%**	**6.35%**
	Discounted cash flow	**202,192**	**12,556**	**6.00%–6.50%**	**6.21%**
		8,432,186			
Properties under development	Direct income capitalization	**424,058**	**28,200**	**6.10%–7.60%**	**6.65%**
	Sales comparison	**81,218**	**N/A**	**N/A**	**N/A**
		505,276			
Balance – end of period		**8,937,462**			

		December 31, 2018			
Class	**Valuation Technique**	**Carrying Value**	**Total Stabilized or Forecasted NOI**	**Range of Capitalization or Discount Rates**	**Weighted Average Capitalization or Discount Rate**
Income properties	Direct income capitalization	7,396,323	430,466	5.00%–8.40%	5.82%
	Direct income capitalization less present value of purchase option	804,320	51,074	5.88%–6.75%	6.35%
	Discounted cash flow	203,870	12,660	6.00%–6.50%	6.21%
		8,404,513			
Properties under development	Direct income capitalization	420,234	28,030	6.10%–7.96%	6.67%
	Sales comparison	80,310	N/A	N/A	N/A
		500,544			
Balance – end of year		8,905,057			

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

The analysis below shows the maximum impact on fair values of possible changes in capitalization rates or discount rates, assuming no changes in NOI, for valuations using the direct income capitalization approach:

Change in capitalization rate of:	**-0.50%**	**-0.25%**	**+0.25%**	**+0.50%**
Increase (decrease) in fair value				
Income properties	776,414	370,720	(340,082)	(653,174)
Properties under development	34,476	16,565	(15,364)	(29,654)

b) Dispositions

Disposition of investment properties during the three months ended March 31, 2019

In January 2019, the Trust sold a parcel of land located in Jonquiere, Quebec, to an unrelated party for gross proceeds of $5,250 which was satisfied by cash, adjusted for other working capital amounts.

Disposition of investment properties during the three months ended March 31, 2018

In January 2018, the Trust contributed its 50% interest in a parcel of land located in Laval, Quebec, to a joint venture arrangement, Laval C Apartments LP, with an unrelated party for a value of $5,127 excluding closing costs of $457 (see also, Note 6(b), "Equity accounted investments"). Concurrent with the sale, the Trust entered into a construction management agreement, a development agreement and a property management agreement with an unrelated party, to develop rental residential apartments on the development land.

c) Leasehold property interests

At March 31, 2019, 16 (December 31, 2018 – 16) investment properties with a fair value of $1,005,056 (December 31, 2018 – $1,008,190) are leasehold property interests accounted for as leases.

i) Leasehold property interests without bargain purchase options

The Trust prepaid its entire lease obligations for the 14 leasehold interests with Penguin noted above (see also Note 21, "Related party transactions") in the amount of $889,931 (December 31, 2018 – $888,397), including prepaid land rent of $229,846 (December 31, 2018 – $229,846).

ii) Leasehold property interests with bargain purchase options

One leasehold interest commenced in 2003 under the terms of a 35-year lease with Penguin (see also Note 21, "Related party transactions"). The lease requires a $10,000 payment at the end of the lease term in 2038 to exercise a purchase option, which is considered to be a bargain purchase option. The Trust prepaid its entire lease obligation for this property of $57,997 (December 31, 2018 – $57,997). As the Trust intends to exercise the purchase option in 2038, the purchase option price has been included in accounts payable, net of imputed interest at 9.18% of $8,332 (December 31, 2018 – $8,370), in the amount of $1,668 (December 31, 2018 – $1,630) (see also Note 12, "Accounts and other payables").

A second leasehold interest was acquired on February 11, 2015 from a third party and includes a land lease that expires on September 1, 2054. The land lease requires monthly payments ranging from $400 to $600 annually until September 1, 2054, and a $6,000 payment between September 1, 2023 and September 1, 2025 to exercise a purchase option that is considered to be a bargain purchase option. As the Trust intends to exercise the purchase option on September 1, 2023, the purchase option price and the monthly payments up to September 1, 2023 have been included in accounts payable, net of imputed interest at 6.25% of $1,697 (December 31, 2018 – $1,793), in the amount of $6,307 (December 31, 2018 – $6,311) (see also Note 12, "Accounts and other payables").

d) Properties under development

Properties under development consist of the following:

	March 31, 2019	December 31, 2018
Properties under development subject to development management agreements (i)	**48,561**	50,636
Properties under development not subject to development management agreements (ii)	**456,715**	449,908
	505,276	500,544

For the three months ended March 31, 2019, the Trust capitalized a total of $4,448 (three months ended March 31, 2018 – $5,356) of borrowing costs related to properties under development.

i) Properties under development subject to development management agreements

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

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

For additional space completed on land with a fair value of $12,516 (December 31, 2018 – $15,208), the fixed predetermined negotiated capitalization rates range from 6.0% to 7.4% during the five-year period of the respective development management agreements. For additional space completed on land with a fair value of $36,045 (December 31, 2018 – $35,428), the predetermined negotiated capitalization rates are fixed for each contract for either the first one, two, three, four or five years, ranging from 6.0% to 8.0%, and then are determined by reference to the 10-year Government of Canada bond rate at the time of completion plus a fixed predetermined negotiated spread ranging from 2.00% to 3.90% for the remaining term of the 10-year period of the respective development management agreements subject to a maximum capitalization rate ranging from 6.60% to 9.50% and a minimum capitalization rate ranging from 5.75% to 7.50%.

For certain of these properties under development, Penguin and other unrelated parties have been granted Earnout options that give them the right, at their option, to invest up to 40% of the Earnout Fee for one of the agreements and up to 30% to 40% of the Gross Cost for the remaining agreements in Trust Units, Class B and D Smart LP Units, Class B and D Smart LP III Units, Class B Smart LP IV Units, Class B and D Smart Oshawa South LP Units, Class B and D Smart Oshawa Taunton LP Units, Class D Smart Boxgrove LP Units and Class B ONR LP I Units at predetermined option strike prices subject to a maximum number of units (Note 13(b)).

The Earnout options that Penguin elected to exercise during the three months ended March 31, 2019 resulted in proceeds of $1,065 of Trust Units (three months ended March 31, 2018 – $134 of Class B Series 2 Smart Limited Partnership Units).

The development costs incurred (exclusive of the cost of land previously acquired) and Earnout Fees paid to vendors relating to the completed retail spaces (see also Note 3) that have been reclassified to income properties during the three months ended March 31, 2019 and March 31, 2018 are as follows:

	March 31, 2019	March 31, 2018
Development costs incurred	**3,120**	555
Earnout Fees paid	**3,208**	1,145
	6,328	1,700

*ii) **Properties under development not subject to development management agreements***

During the three months ended March 31, 2019, the Trust completed the development and leasing of certain properties under development not subject to development management agreements. The value of land and development costs incurred has been reclassified from properties under development into income properties. For the three months ended March 31, 2019, the Trust incurred land and development costs of $21,403 (three months ended March 31, 2018 – $11,482).

5. Mortgages, loans and notes receivable

Mortgages, loans and notes receivable consist of the following:

	Note	**March 31, 2019**	December 31, 2018
Mortgages receivable (a)	21	**136,071**	134,221
Loans receivable (b)		**33,407**	19,949
Notes receivable (c)	21	**2,979**	2,979
		172,457	157,149
Current		**15,621**	25,233
Non-current		**156,836**	131,916
		172,457	157,149

a) Mortgages receivable of $136,071 (December 31, 2018 – $134,221) have been provided pursuant to agreements with Penguin (see also Note 21, "Related party transactions"). These amounts were provided to fund costs associated with both the original acquisition and development of these properties. Additionally, the Trust is committed to lend up to $282,093 (December 31, 2018 – $282,093) to further develop these nine (December 31, 2018 – nine) properties across Ontario, Quebec and British Columbia.

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

Property	Committed	Maturity Date	Interest Rate at Period End	Purchase Option % of Property[(1)]	March 31, 2019	December 31, 2018
Salmon Arm, BC[(2)(3)]	20,907	July 2019	5.00%	—	**15,621**	15,429
Innisfil, ON[(2)(4)]	27,077	December 2020	6.75%	—	**20,687**	20,346
Aurora (South), ON	30,543	March 2022	4.97%	50%	**16,394**	16,192
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	68,664	November 2023	5.40%	50%	**28,241**	27,864
Vaughan (7 & 427), ON	53,127	December 2023	6.08%	50%	**17,972**	17,714
Caledon (Mayfield), ON	14,033	April 2024	5.25%	50%	**9,566**	9,442
Toronto (StudioCentre), ON[(2)]	43,759	June 2024	5.22%	25%	**27,590**	27,234
	282,093		5.55%[(7)]		**136,071**	134,221

(1) The Trust has a purchase option from the borrower in these properties upon a certain level of development and leasing being achieved. As at March 31, 2019, it is management's expectation that the Trust will exercise these purchase options.
(2) 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.
(3) Monthly variable rate based on a fixed rate of 6.35% on loans outstanding up to $7,237 and the banker's acceptance rate plus 1.75% on any additional loans above $7,237.
(4) 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%.
(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) 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 $108,148 (December 31, 2018 – $106,640); and (ii) at fixed rates of 6.35% to 7.50% on mortgages receivable of $27,923 (December 31, 2018 – $27,581), 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 $69,161 (December 31, 2018 – $71,011) 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, $116,390 (December 31, 2018 – $114,542) of the outstanding balance is guaranteed by Penguin. 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.

For the three months ended March 31, 2019, the total interest accrued was $1,850 (three months ended March 31, 2018 – $1,455).

b) Loans receivable as at March 31, 2019 of $33,407 (December 31, 2018 – $19,949) comprise the following (by maturity date):

Issued to	Maturity Date	Interest Rate	Note	March 31, 2019	December 31, 2018
Unrelated party[(1)]	March 2019	5.50%		**9,804**	9,804
Penguin[(2)]	November 2020	Variable	21	**10,372**	10,145
Penguin[(3)]	June 2021	2.76%		**13,231**	—
				33,407	19,949

(1) 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 was interest bearing at 5.50% payable quarterly, interest only, and originally matured in March 2019. In March 2019, the loan was amended to reflect a maturity date of November 2020 and an interest rate of 6.25% effective April 1, 2019. In addition, the loan is secured by a first charge on the 50% interest of the development lands held by the unrelated party.
(2) 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.
(3) This loan receivable was provided pursuant to a loan agreement with Penguin for a total loan facility of $26,226. See further details below.

The following illustrates the activity in loans receivable for the three months ended March 31:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Loans issued	**13,226**	—
Advances	**134**	111,916
Interest accrued	**98**	80
	13,458	111,996

In March 2019, the Trust entered into a loan agreement with Penguin for a non-revolving principal advance facility of $13,226 and a non-revolving construction facility of $13,000, which combine for a total loan facility of $26,226, bearing interest at a fixed rate of 2.76% and a variable rate based on banker's acceptance rate plus 150 basis points, respectively. The principal advance facility was advanced in full in March 2019. Unless prepaid in accordance with the terms of the loan agreement, principal and any accrued and unpaid interest in respect of the loan receivable shall be repaid in full in June 2021.

In February 2018, the Trust advanced a loan receivable in the amount of $111,820 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.

c) Notes receivable of $2,979 (December 31, 2018 – $2,979) have been granted to Penguin (see also Note 21, "Related party transactions"). These secured demand notes bear interest at the rate of 9.00% per annum.

The estimated fair values of mortgages, loans and notes receivable are based on their respective current market rates, bearing similar terms and risks. This information is disclosed in Note 14, "Fair value of financial instruments".

6. Equity accounted investments

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

Equity Accounted Investment	Principal Intended Activity	March 31, 2019	December 31, 2018	March 31, 2018
Investment in associates:				
PCVP	Own, develop and operate investment properties	**50%**	50%	50%
Residences LP	Own, develop and sell two residential condominium towers (Transit City I and II)	**25%**	25%	25%
Residences III LP	Own, develop and sell a residential condominium tower (Transit City III)	**25%**	25%	25%
East Block Residences LP	Own, develop and sell two residential condominium towers (Transit City IV and V)	**25%**	25%	N/A
Investment in joint ventures:				
1500 Dundas East LP	Own and operate a retail investment property	**30%**	30%	30%
Laval C Apartments LP	Own, develop and operate residential apartments	**50%**	50%	50%
Leaside SAM LP	Own, develop and operate a self-storage facility	**50%**	50%	N/A
Oshawa South Self Storage LP	Own, develop and operate a self-storage facility	**50%**	50%	N/A

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

	March 31, 2019			December 31, 2018		
	Investment in Associates	**Investment in Joint Ventures**	**Total**	Investment in Associates	Investment in Joint Ventures	Total
Investment – beginning of period	**116,284**	**30,022**	**146,306**	109,316	16,046	125,362
Contributions	**577**	**40**	**617**	18,808	12,976	31,784
Earnings	**552**	**177**	**729**	8,963	1,576	10,539
Distributions received	**(290)**	**(144)**	**(434)**	(20,803)	(576)	(21,379)
Investment – end of period	**117,123**	**30,095**	**147,218**	116,284	30,022	146,306

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.

Note that residential related limited partnerships, as discussed above, are hereinafter collectively referred to as "VMC Residences".

i) Summary of balance sheets

The following represents the summary of balance sheets as at March 31, 2019 and December 31, 2018:

	March 31, 2019			December 31, 2018		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Non-current assets	**427,276**	**—**	**427,276**	416,756	—	416,756
Current assets	**38,583**	**284,018**	**322,601**	41,583	269,697	311,280
Total assets	**465,859**	**284,018**	**749,877**	458,339	269,697	728,036
Non-current liabilities	**206,672**	**26,047**	**232,719**	198,597	23,237	221,834
Current liabilities	**56,625**	**194,604**	**251,229**	57,917	184,970	242,887
Total liabilities	**263,297**	**220,651**	**483,948**	256,514	208,207	464,721
Net assets	**202,562**	**63,367**	**265,929**	201,824	61,490	263,314
Trust's share of net assets	**101,281**	**15,842**	**117,123**	100,911	15,373	116,284

The following summarizes existing commitments with various development construction contracts as at March 31, 2019:

	Commitments	**Trust's share**
PCVP	18,931	9,466
Residences LP	146,032	36,508
Residences LP III	86,471	21,618
East Block Residences LP	3,687	922
	255,121	68,514

ii) Summary of earnings (losses)

The following represents the summary of earnings (losses) for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Revenue	**4,870**	**—**	**4,870**	4,516	—	4,516
Operating expense	**(2,123)**	**—**	**(2,123)**	(1,746)	—	(1,746)
Other sales and related costs	**—**	**(40)**	**(40)**	—	(124)	(124)
Fair value adjustment on revaluation of investment properties	**76**	**—**	**76**	1,819	—	1,819
Fair value adjustment on financial instruments	**—**	**—**	**—**	(24)	—	(24)
Interest expense	**(1,123)**	**—**	**(1,123)**	(593)	—	(593)
Earnings (loss)	**1,700**	**(40)**	**1,660**	3,972	(124)	3,848
Trust's share of earnings (loss) before supplemental cost	**850**	**(10)**	**840**	1,986	(31)	1,955
Supplemental cost	**(288)**	**—**	**(288)**	(411)	—	(411)
Trust's share of earnings (loss)	**562**	**(10)**	**552**	1,575	(31)	1,544

In accordance with the Supplemental Development Fee Agreement, the Trust invoiced PCVP a net amount of $576 related to associated development fees for the three months ended March 31, 2019 (three months ended March 31, 2018 – $821). As a result, the Trust's share of the earnings for the three months ended March 31, 2019 related to its investment in the PCVP includes the supplemental cost of $288 (three months ended March 31, 2018 – $411).

iii) Summary of credit facilities

The development financing relating to the PCVP, Residences LP and Residences III LP comprises pre-development, construction and letters of credit facilities. With respect to the credit facilities relating to the PCVP, the obligations are joint and several to each of the PCVP limited partners; however, by virtue of an indemnity agreement between the PCVP limited partners, the obligations are effectively several. From time to time, the original facility amounts are reduced through repayments and through amended agreements with the financial institutions from which the facilities were obtained.

	March 31, 2019	December 31, 2018
Development facilities – beginning of period	**555,826**	499,656
Reduction	**—**	(25,976)
Repayment	**—**	(129,400)
Letters of credit released	**—**	(12,504)
Additional development facilities obtained	**—**	224,050
Development facilities – end of period	**555,826**	555,826
Amount drawn on development facility	**(112,547)**	(100,738)
Letters of credit – outstanding	**(69,408)**	(68,150)
Remaining unused development facilities	**373,871**	386,938
Trust's share of remaining unused development facilities	**107,225**	113,056

PCVP

There were no changes to the PCVP credit facilities during the three months ended March 31, 2019.

As at December 31, 2018, the PCVP had the following credit facilities:

- two development facilities totalling $141,176 with interest rates ranging from the banker's acceptance rate plus 135 basis points to 145 basis points, that have maturity dates between 2020 and 2021;
- a letter of credit facility totalling $25,000; and
- one development facility was settled in February 2018 before maturity.

Residences LP and Residences III LP

There were no changes to the Residences LP and Residences III LP credit facilities during the three months ended March 31, 2019.

As at December 31, 2018, the Residences LP and Residences III LP had the following credit facilities:

- one development facility totalling $247,500 bearing interest at the banker's acceptance rate plus 175 basis points, which matures in 2021; and

- one development facility totalling $142,150 bearing interest at the banker's acceptance rates plus 175 basis points, which matures in 2022.

b) Investment in joint ventures

In October 2017, pursuant to the Arrangement (see also Note 1, "Organization"), 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 an unrelated party 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 the unrelated party contributed cash. The purpose of the joint venture is to own, develop and operate residential apartments in Laval.

In June 2018, the Trust and an unrelated party 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 the unrelated party 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 an unrelated party 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 the unrelated party contributed land and cash. The purpose of the joint venture is to own, develop and operate a self-storage rental facility in Oshawa.

i) Summary of balance sheets

	March 31, 2019	December 31, 2018
Non-current assets	**156,260**	151,186
Current assets	**3,522**	4,294
Total assets	**159,782**	155,480
Non-current liabilities	**71,935**	69,247
Current liabilities	**4,886**	3,452
Total liabilities	**76,821**	72,699
Net assets	**82,961**	82,781
Trust's share of net assets	**30,095**	30,022

The Laval C Apartments LP has entered into various development construction contracts with existing commitments totalling $11,744, of which the Trust's share is $5,872.

ii) Summary of earnings

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Revenue	**2,594**	2,519
Operating expense	**(763)**	(751)
Fair value adjustments	**(646)**	(46)
Interest expense	**(603)**	(617)
Earnings	**582**	1,105
Trust's share of earnings	**177**	332

iii) Summary of credit facilities

The development financing relating to Laval C Apartments comprises pre-development, construction and letters of credit facilities. From time to time, the original facility amounts are reduced through repayments and through amended agreements with the financial institutions from which the facilities were obtained.

	March 31, 2019	December 31, 2018
Development facilities – beginning of period	**35,417**	—
Additional development facilities obtained	**—**	35,417
Development facilities – end of period	**35,417**	35,417
Amount drawn on development facility	**(3,225)**	—
Remaining unused development facilities	**32,192**	35,417
Trust's share of remaining unused development facilities	**16,096**	17,709

7. Other assets

The components of other assets are as follows:

	March 31, 2019	December 31, 2018
Straight-line rent receivables	**47,274**	46,911
Tenant incentives	**39,190**	38,568
	86,464	85,479
Equipment	**1,752**	1,732
Right-of-use assets	**586**	—
	88,802	87,211

The following table summarizes the activity in other assets for the three months ended March 31, 2019:

	December 31, 2018	Additions	Amortization	March 31, 2019
Straight-line rent receivables	46,911	**2,306**	**(1,943)**	**47,274**
Tenant incentives	38,568	**2,418**	**(1,796)**	**39,190**
	85,479	**4,724**	**(3,739)**	**86,464**
Equipment	1,732	**153**	**(133)**	**1,752**
Right-of-use assets	—	**631**	**(45)**	**586**
	87,211	**5,508**	**(3,917)**	**88,802**

8. Intangible assets

The components of intangible assets are as follows:

	March 31, 2019			December 31, 2018		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Intangible assets with finite lives:						
Key joint venture relationships	**36,944**	**4,734**	**32,210**	36,944	4,426	32,518
Trademarks	**2,995**	**384**	**2,611**	2,995	359	2,636
Total intangible assets with finite lives	**39,939**	**5,118**	**34,821**	39,939	4,785	35,154
Goodwill	**13,979**	**—**	**13,979**	13,979	—	13,979
	53,918	**5,118**	**48,800**	53,918	4,785	49,133

The total amortization expense recognized for the three months ended March 31, 2019 amounted to $333 (three months ended March 31, 2018 – $333).

9. Residential development inventory

Residential development inventory consists of development lands, co-owned with Fieldgate, located at Vaughan North West, Ontario, for the purpose of developing and selling residential townhouse units.

The following summarizes the activity in residential development inventory for the three months ended March 31, 2019 and year ended December 31, 2018:

	March 31, 2019	December 31, 2018
Balance – beginning of period	**23,429**	20,267
Development costs	**—**	2,345
Capitalized interest	**230**	817
Balance – end of period	**23,659**	23,429

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

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

	March 31, 2019	December 31, 2018
Amounts receivable		
Tenant receivables (a)	**22,180**	17,329
Unbilled other tenant receivables (b)	**14,197**	7,574
Receivables from related party - excluding equity accounted investments (c)	**18,063**	16,741
Receivables from related party - equity accounted investments (c)	**12,069**	10,967
Other non-tenant receivables	**3,089**	3,030
	69,598	55,641
Allowance for expected credit loss (d)	**(3,536)**	(3,114)
Prepaid expenses and deposits (e)	**14,477**	4,953
Deferred financing costs	**1,965**	1,638
Other	**3,170**	2,785
	85,674	61,903

a) Tenant receivables

Tenant receivables representing contractual rental payments from tenants are due at the beginning of each month. Common area maintenance ("CAM") and property taxes are considered past due 60 days after billing. Tenant receivables less than 90 days old total $11,112 (December 31, 2018 – $7,048).

b) Unbilled other tenant receivables

Unbilled other tenant receivables are contract assets that pertain to unbilled CAM and property tax recoveries and chargebacks. These amounts are considered current and/or collectible and are at various stages of the billing process.

c) Receivables from related party

Receivables from related party consist of amounts receivable with Penguin of $18,063 and amounts receivable with the Trust's equity accounted investments of $12,069 (December 31, 2018 – amounts receivable with Penguin of $16,741 and amounts receivable with the Trust's equity accounted investments of $10,967), see also Note 21. These amounts are unsecured and non-interest bearing.

d) Allowance for expected credit loss

The Trust records the expected credit loss to comply with IFRS 9's simplified approach for amounts receivable where its loss allowance is measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime expected credit loss ("ECL").

Amounts receivable net of allowance for ECL are as follows:

	March 31, 2019	December 31, 2018
Amounts receivable	**69,598**	55,641
Allowance for ECL	**(3,536)**	(3,114)
Amounts receivable – net of allowance for ECL	**66,062**	52,527

The reconciliation of changes in the allowance for ECL on amounts receivable is as follows:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Balance – beginning of period	**3,114**	3,237
Additional allowance recognized as expense	**508**	346
Reversal of previous allowances	**(29)**	(168)
Net	**479**	178
Tenant receivables written off during the period	**(57)**	(70)
Balance – end of period	**3,536**	3,345

e) Prepaid expenses and deposits

Prepaid expenses and deposits totalling $14,477 (December 31, 2018 – $4,953) primarily consist of prepaid realty tax associated with the Trust's investment properties, and refundable and other deposits.

11. Debt

Debt consists of the following:

	March 31, 2019	December 31, 2018
Secured debt (a)	**1,852,344**	2,103,379
Unsecured debt (b)	**2,154,971**	1,886,105
Revolving operating facility (c)	**—**	121,000
	4,007,315	4,110,484
Current	**144,061**	580,530
Non-current	**3,863,254**	3,529,954
	4,007,315	4,110,484

a) Secured debt

Secured debt bears interest at a weighted average interest rate of 4.07% at March 31, 2019 (December 31, 2018 – 3.93%). Total secured debt of $1,852,344 includes $1,795,331 (December 31, 2018 – $1,812,110) at fixed interest rates and $57,013 (December 31, 2018 – $291,269) at variable interest rates based on banker's acceptance rates plus a margin. Secured debt matures at various dates between 2019 and 2031 and is secured by first or second registered mortgages over specific income properties and properties under development and first general assignments of leases, insurance and registered chattel mortgages.

Principal repayment requirements for secured debt are as follows:

	Instalment Payments	**Lump Sum Payments at Maturity**	**Total**
2019 (remainder of year)	49,622	79,650	129,272
2020	61,250	140,242	201,492
2021	55,798	202,736	258,534
2022	51,189	275,260	326,449
2023	42,914	180,249	223,163
Thereafter	89,289	624,433	713,722
	350,062	1,502,570	1,852,632
Unamortized acquisition date fair value adjustments			4,981
Unamortized financing costs			(5,269)
			1,852,344

b) Unsecured debt

The following table summarizes the components of unsecured debt:

	March 31, 2019	December 31, 2018
Unsecured debentures (i)	**2,001,930**	1,802,339
Other unsecured debt (ii)	**3,041**	3,766
Credit facilities (iii)	**150,000**	80,000
	2,154,971	1,886,105

i) Unsecured debentures

Series	Maturity Date	Annual Interest Rate	Interest Payment Dates	March 31, 2019	December 31, 2018
Series H	July 27, 2020	4.050%	January 27 and July 27	**—**	150,000
Series I	May 30, 2023	3.985%	May 30 and November 30	**200,000**	200,000
Series L	February 11, 2021	3.749%	February 11 and August 11	**150,000**	150,000
Series M	July 22, 2022	3.730%	January 22 and July 22	**150,000**	150,000
Series N	February 6, 2025	3.556%	February 6 and August 6	**160,000**	160,000
Series O	August 28, 2024	2.987%	February 28 and August 28	**100,000**	100,000
Series P	August 28, 2026	3.444%	February 28 and August 28	**250,000**	250,000
Series Q	March 21, 2022	2.876%	March 21 and September 21	**150,000**	150,000
Series R	December 21, 2020	Variable(1)	March 21, June 21, September 21 and December 21	**250,000**	250,000
Series S	December 21, 2027	3.834%	June 21 and December 21	**250,000**	250,000
Series T	June 23, 2021	2.757%	June 23 and December 23	**350,000**	—
		3.32%(2)		**2,010,000**	1,810,000
			Less: Unamortized financing costs	**(8,070)**	(7,661)
				2,001,930	1,802,339

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

Unsecured debenture activity for the three months ended March 31, 2019

Issuance

In March 2019, the Trust issued $350,000 of 2.757% Series T senior unsecured debentures (net proceeds including issuance costs – $349,300), which are due on June 23, 2021 with semi-annual payments due on June 23 and December 23 of each year. The proceeds were used to repay existing indebtedness and for general Trust purposes.

Redemptions

In March 2019, the Trust redeemed $150,000 aggregate principal of 4.050% Series H senior unsecured debentures. In addition to paying accrued interest of $666, the Trust paid a yield maintenance fee of $3,281 in connection with the redemption. The redemption was funded by advances from the non-revolving credit facility (see Note 11(b)(iii)).

Unsecured debenture activity for the three months ended March 31, 2018

There was no activity during the three months ended March 31, 2018.

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 unsecured debentures are rated "BBB" with a stable trend at March 31, 2019.

ii) Other unsecured debt

Other unsecured debt totalling $3,041 (December 31, 2018 – $3,766) pertains to loans received from equity accounted investments (see Note 6(b), "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.

iii) Credit facilities

In August 2018, the Trust entered into an unsecured non-revolving credit facility totalling $80,000, 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. In January 2019, an amendment was made to permit the Trust to have a one time repayment on all outstanding drawdowns and, following the repayment, the Trust may draw up to $80,000 on the facility until September 30, 2019. The balance of the credit facility of $80,000 was repaid in February 2019.

In March 2019, the Trust entered into an unsecured non-revolving credit facility totalling $150,000 bearing interest at a fixed interest rate of 3.59% and matures on March 7, 2024. As at March 31, 2019, $150,000 was drawn to fund the redemption of 4.050% Series H senior unsecured debentures (see Note 11 (b)(i)).

c) ***Revolving operating facility***

As at March 31, 2019, the Trust has a $500,000 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 $250,000 whereby the Trust has an option to increase its facility amount with the lenders to sustain future operations as required.

	March 31, 2019	December 31, 2018
Revolving operating facility	**500,000**	500,000
Lines of credit – outstanding	**—**	(121,000)
Letters of credit – outstanding	**(9,544)**	(9,940)
Remaining unused operating facility	**490,456**	369,060

d) ***Interest expense***

Interest expense consists of the following:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Interest at stated rates	**37,544**	39,542
Amortization of acquisition date fair value adjustments on assumed debt	**(533)**	(660)
Amortization of deferred financing costs	**870**	868
Distributions on vested deferred units and Units classified as liabilities	**1,358**	1,232
	39,239	40,982
Less:		
Interest capitalized to properties under development	**(4,448)**	(5,356)
Interest capitalized to residential development inventory	**(230)**	(201)
Interest associated with operating activities	**34,561**	35,425
Yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs (Note 11(b))	**3,525**	—
	38,086	35,425

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Interest expense	**38,086**	35,425
Amortization of acquisition date fair value adjustments on assumed debt	**533**	660
Amortization of deferred financing costs	**(870)**	(868)
Distributions on vested deferred units and Units classified as liabilities	**(1,358)**	(1,232)
Change in interest associated with financing activities	**(3,525)**	—
Change in accrued interest payable associated with operating activities	**6,161**	5,391
Cash interest paid associated with operating activities	**39,027**	39,376

e) ***Other letters of credit***

In addition to the letters of credit outstanding on the Trust's revolving operating facility (see Note 11(d) above), the Trust also has $30,526 of letters of credit outstanding with other financial institutions as at March 31, 2019 (December 31, 2018 – $28,888).

12. Accounts and other payables

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

	March 31, 2019	December 31, 2018
Accounts payable	**90,187**	93,826
Tenant prepaid rent, deposits and other payables	**58,083**	65,553
Accrued interest payable	**15,778**	21,939
Distributions payable	**25,441**	24,258
Realty taxes payable	**19,759**	4,508
Current portion of other payables	**6,820**	6,533
	216,068	216,617

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

	Note	**March 31, 2019**	December 31, 2018
Future land development obligations (a)		**26,841**	26,567
Lease liability – investment properties[1]	4(c)(ii)	**7,975**	7,941
Lease liability – other		**589**	—
Long Term Incentive Plan ("LTIP") liability (b)		**1,772**	1,241
Total other payables		**37,177**	35,749
Less: Current portion of other payables		**(6,820)**	(6,533)
Total non-current portion of other payables		**30,357**	29,216

(1) Leasehold properties with bargain purchase options are accounted for as leases.

a) *Future land development obligations*

The future land development obligations represent payments required to be made to Penguin (see also Note 21, "Related party transactions") 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 amortized values using imputed interest rates ranging from 4.50% to 5.50%. For the three months ended March 31, 2019, imputed interest of $283 (three months ended March 31, 2018 – $285) was capitalized to properties under development.

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Balance – beginning of period	**1,241**	2,927
Accrual adjustment	**531**	(572)
Balance – end of period	**1,772**	2,355

c) *Payable balances with Penguin*

Accounts and other payables consist of the following payable balances with Penguin for the three months ended March 31, 2019 and year ended December 31, 2018:

	March 31, 2019	December 31, 2018
Accounts payable	**17,833**	13,834
Future land development obligations	**26,841**	26,567
	44,674	40,401

13. Other financial liabilities

The components of other financial liabilities are as follows:

	March 31, 2019	December 31, 2018
Units classified as liabilities (a)	**73,155**	64,420
Earnout options (b)	**162**	881
Deferred unit plan (c)	**31,229**	29,683
	104,546	94,984

a) *Units classified as liabilities*

The following represents the number of Units classified as liabilities that are issued and outstanding. The fair value measurement of the Units classified as liabilities is described in Note 14 "Fair value of financial instruments".

Total number of Units classified as liabilities

	Class D Series 1 Smart LP Units	Class D Series 1 Smart Oshawa South LP Units	Class B ONR LP Units	Class B Series 1 ONR LP I Units	Class B Series 2 ONR LP I Units	Total
Balance – January 1, 2019	**311,022**	**260,417**	**1,248,140**	**132,881**	**137,109**	**2,089,569**
Balance – March 31, 2019	**311,022**	**260,417**	**1,248,140**	**132,881**	**137,109**	**2,089,569**
Balance – January 1, 2018	311,022	251,649	1,254,114	132,881	137,109	2,086,775
Balance – March 31, 2018	311,022	251,649	1,254,114	132,881	137,109	2,086,775

Carrying value of Units classified as liabilities

	Class D Series 1 Smart LP Units	Class D Series 1 Smart Oshawa South LP Units	Class B ONR LP Units	Class B Series 1 ONR LP I Units	Class B Series 2 ONR LP I Units	Total
Balance – January 1, 2019	**9,589**	**8,028**	**38,480**	**4,096**	**4,227**	**64,420**
Change in carrying value	1,300	1,089	5,217	556	573	8,735
Balance – March 31, 2019	**10,889**	**9,117**	**43,697**	**4,652**	**4,800**	**73,155**
Balance – January 1, 2018	9,614	7,778	38,764	4,107	4,238	64,501
Change in carrying value	(560)	(453)	(2,257)	(239)	(247)	(3,756)
Balance – March 31, 2018	9,054	7,325	36,507	3,868	3,991	60,745

b) *Earnout options*

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

The following summarizes the change in Units outstanding and proceeds received for the three months ended March 31, 2019:

	Strike Price	Options Outstanding at January 1, 2019	Options Cancelled	Options Exercised	Options Outstanding at March 31, 2019	Amounts From Options Exercised
	($)	(#)	(#)	(#)	(#)	($)
Options to acquire Trust Units						
July 2005	20.10	**108,606**	—	(53,002)	55,604	1,065
December 2006	29.55 to 33.55	**53,458**	—	—	53,458	—
July 2007	29.55 to 33.00	**1,348,223**	—	—	1,348,223	—
		1,510,287	—	(53,002)	1,457,285	1,065
Options to acquire Class B Smart LP Units and Class D Smart LP Units[1]						
July 2005 (Earnout)	20.10	**1,354,153**	—	—	1,354,153	—
December 2006	29.55 to 30.55	**2,226,949**	—	—	2,226,949	—
July 2007	29.55 to 33.00	**1,600,000**	—	—	1,600,000	—
June 2008[2]	20.10	**685,113**	—	—	685,113	—
		5,866,215	—	—	5,866,215	—
Options to acquire Class B Smart LP III Units[3]						
September 2010	Market price	**617,932**	—	—	617,932	—
August 2011	Market price	**596,219**	—	—	596,219	—
August 2013	Market price	**560,071**	—	—	560,071	—
September 2014	Market price	**286,054**	(26,350)	—	259,704	—
		2,060,276	(26,350)	—	2,033,926	—
Options to acquire Class B Smart LP IV Units[4]						
May 2015	Market price	**439,149**	—	—	439,149	—
		439,149	—	—	439,149	—
Options to acquire Class B Smart Oshawa South LP Units and Class D Smart Oshawa South LP Units[5]						
May 2015	Market price	**26,585**	—	—	26,585	—
		26,585	—	—	26,585	—
Options to acquire Class B Smart Oshawa Taunton LP Units and Class D Smart Oshawa Taunton LP Units[6]						
May 2015	Market price	**265,422**	—	—	265,422	—
		265,422	—	—	265,422	—
Options to acquire Class B Smart Boxgrove LP Units[7]						
May 2015	Market price	**170,000**	—	—	170,000	—
		170,000	—	—	170,000	—
Options to acquire Class B ONR LP I Units[8]						
October 2017	Market price	**540,000**	(21,222)	—	518,778	—
		540,000	(21,222)	—	518,778	—
Total Earnout options		**10,877,934**	(47,572)	(53,002)	10,777,360	1,065

(1) Each option is represented by a corresponding Class C Smart LP Unit or Class E Smart LP Unit.
(2) Each option is convertible into Class F Series 3 Smart LP Units. At the holder's option, the Class F Series 3 Smart LP Units may be redeemed for cash at $20.10 per Unit or, on the completion and rental of additional space on certain development properties, the Class F Series 3 Smart LP Units may be exchanged for Class B Smart LP Units.
(3) Each option is represented by a corresponding Class C Smart LP III Unit.
(4) Each option is represented by a corresponding Class C Smart LP IV Unit.
(5) Each option is represented by a corresponding Class C Smart Oshawa South LP Unit or Class E Smart Oshawa South LP Unit.
(6) Each option is represented by a corresponding Class C Smart Oshawa Taunton LP Unit or Class E Smart Oshawa Taunton LP Unit.
(7) Each option is represented by a corresponding Class C Smart Boxgrove LP Unit.
(8) Each option is represented by a corresponding Class C ONR LP I Unit.

The following summarizes the change in Units outstanding and proceeds received for the three months ended March 31, 2018:

	Strike Price	Options Outstanding at January 1, 2018	Options Cancelled	Options Exercised	Options Outstanding at March 31, 2018	Amounts From Options Exercised
	($)	(#)	(#)	(#)	(#)	($)
Options to acquire Trust Units						
July 2005	20.10	108,606	—	—	108,606	—
December 2006	29.55 to 33.55	53,458	—	—	53,458	—
July 2007	29.55 to 33.00	1,348,223	—	—	1,348,223	—
		1,510,287	—	—	1,510,287	—
Options to acquire Class B Smart LP Units and Class D Smart LP Units(1)						
July 2005 (Earnout)	20.10	1,354,153	—	—	1,354,153	—
December 2006	29.55 to 30.55	2,290,052	—	(4,528)	2,285,524	134
July 2007	29.55 to 33.00	1,600,000	—	—	1,600,000	—
June 2008(2)	20.10	702,667	(17,554)	—	685,113	—
		5,946,872	(17,554)	(4,528)	5,924,790	134
Options to acquire Class B Smart LP III Units(3)						
September 2010	Market price	646,669	—	—	646,669	—
August 2011	Market price	596,219	—	—	596,219	—
August 2013	Market price	560,071	—	—	560,071	—
September 2014	Market price	286,054	—	—	286,054	—
		2,089,013	—	—	2,089,013	—
Options to acquire Class B Smart LP IV Units(4)						
May 2015	Market price	446,061	—	—	446,061	—
		446,061	—	—	446,061	—
Options to acquire Class B Smart Oshawa South LP Units and Class D Smart Oshawa South LP Units(5)						
May 2015	Market price	60,000	—	—	60,000	—
		60,000	—	—	60,000	—
Options to acquire Class B Smart Oshawa Taunton LP Units and Class D Smart Oshawa Taunton LP Units(6)						
May 2015	Market price	265,422	—	—	265,422	—
		265,422	—	—	265,422	—
Options to acquire Class B Smart Boxgrove LP Units(7)						
May 2015	Market price	170,000	—	—	170,000	—
		170,000	—	—	170,000	—
Options to acquire Class B ONR LP I Units(8)						
October 2017	Market price	540,000	—	—	540,000	—
Total Earnout options		11,027,655	(17,554)	(4,528)	11,005,573	134

(1) Each option is represented by a corresponding Class C Smart LP Unit or Class E Smart LP Unit.
(2) Each option is convertible into Class F Series 3 Smart LP Units. At the holder's option, the Class F Series 3 Smart LP Units may be redeemed for cash at $20.10 per Unit or, on the completion and rental of additional space on certain development properties, the Class F Series 3 Smart LP Units may be exchanged for Class B Smart LP Units.
(3) Each option is represented by a corresponding Class C Smart LP III Unit.
(4) Each option is represented by a corresponding Class C Smart LP IV Unit.
(5) Each option is represented by a corresponding Class C Smart Oshawa South LP Unit or Class E Smart Oshawa South LP Unit.
(6) Each option is represented by a corresponding Class C Smart Oshawa Taunton LP Unit or Class E Smart Oshawa Taunton LP Unit.
(7) Each option is represented by a corresponding Class C Smart Boxgrove LP Unit.
(8) Each option is represented by a corresponding Class C ONR LP I Unit.

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Fair value – beginning of period	**881**	751
Trust options exercised	**(566)**	—
Fair value adjustment	**(153)**	(136)
Fair value – end of period	**162**	615

c) Deferred unit plan ("DUP")

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

The outstanding deferred units for the three months ended March 31, 2019 and March 31, 2018 are summarized as follows:

	Outstanding	**Vested**	**Non-vested**
Balance – January 1, 2019	**1,007,929**	**876,870**	**131,059**
Granted	**114,212**	**57,106**	**57,106**
Reinvested units from distributions	**15,033**	**13,063**	**1,970**
Vested	**—**	**29,886**	**(29,886)**
Exchanged for Trust Units	**(720)**	**(720)**	**—**
Redeemed for cash	**(155,170)**	**(155,170)**	**—**
Forfeited	**(5,007)**	**—**	**(5,007)**
Balance – March 31, 2019	**976,277**	**821,035**	**155,242**
Balance – January 1, 2018	819,680	692,779	126,901
Granted	81,224	40,612	40,612
Reinvested units from distributions	13,084	11,101	1,983
Vested	—	24,797	(24,797)
Redeemed for cash	(7,521)	(7,521)	—
Balance – March 31, 2018	906,467	761,768	144,699

The following summarizes the change in the carrying value of the deferred unit plan for the three months ended March 31:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Carrying value – beginning of period	**29,683**	23,351
Deferred units granted for trustee fees and bonuses	**1,778**	1,257
Reinvested distributions on vested deferred units	**418**	319
Compensation expense – reinvested distributions, amortization and fair value change on unvested deferred units	**773**	458
Exchanged for Trust Units	**(24)**	—
Redeemed for cash	**(5,232)**	(225)
Fair value adjustment – vested deferred units	**3,833**	(1,345)
Carrying value – end of period	**31,229**	23,815

14. Fair value of financial instruments

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

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

	March 31, 2019			December 31, 2018		
	Fair Value Through Profit or Loss ("FVTPL")	Amortized cost	Total	Fair Value Through Profit or Loss ("FVTPL")	Amortized cost	Total
Financial assets						
Mortgages and loans receivable	—	166,900	166,900	—	151,531	151,531
Tenant receivables	—	22,180	22,180	—	17,329	17,329
Financial liabilities						
Secured debt	—	1,908,847	1,908,847	—	2,134,891	2,134,891
Revolving operating facility	—	—	—	—	121,000	121,000
Unsecured debt	—	2,183,311	2,183,311	—	1,858,621	1,858,621
Long Term Incentive Plan	—	1,772	1,772	—	1,241	1,241
Units classified as liabilities	73,155	—	73,155	64,420	—	64,420
Earnout options	162	—	162	881	—	881
Deferred unit plan	31,229	—	31,229	29,683	—	29,683

Fair value hierarchy

The Trust values financial assets and financial liabilities carried at fair value using quoted closing market prices, where available. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities. When quoted market prices are not available, the Trust maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. Valuations at this level are more subjective and, therefore, more closely managed. Such assessment has not indicated that any material difference would arise due to a change in input variables.

	March 31, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Recurring measurements:						
Financial liabilities						
Units classified as liabilities	—	73,155	—	—	64,420	—
Earnout options	—	—	162	—	—	881
Deferred unit plan	—	31,229	—	—	29,683	—

Refer to Note 13(b) for a reconciliation of Earnout option fair value measurements.

15. Unit equity

The following represents the number of Units issued and outstanding, and the related carrying value of Unit equity for the three months ended March 31, 2019 and March 31, 2018. The Limited Partnership Units are classified as non-controlling interests in the unaudited interim condensed consolidated balance sheets and the unaudited interim condensed consolidated statements of equity.

		Number of Units Issued and Outstanding			Carrying Amount		
	Note	Trust Units (#)	Smart LP Units (#)	Total Units (#)	Trust Units ($)	Smart LP Units ($)	Total ($)
			(Table A)			(Table B)	
Balance – January 1, 2019		**134,498,397**	**25,128,877**	**159,627,274**	**2,781,069**	**632,737**	**3,413,806**
Options exercised[1]	4, 13(b)	**53,002**	**—**	**53,002**	**1,631**	**—**	**1,631**
Deferred Units exchanged for Trust Units	13(c)	**720**	**—**	**720**	**24**	**—**	**24**
Distribution reinvestment plan	15(b), 16	**479,060**	**—**	**479,060**	**15,812**	**—**	**15,812**
Units issuance cost	15(c)	**—**	**—**	**—**	**(9,634)**	**—**	**(9,634)**
Units issued for cash	15(c)	**7,360,000**	**—**	**7,360,000**	**230,000**	**—**	**230,000**
Balance – March 31, 2019		**142,391,179**	**25,128,877**	**167,520,056**	**3,018,902**	**632,737**	**3,651,639**
Balance – January 1, 2018		132,612,320	25,021,031	157,633,351	2,724,472	629,492	3,353,964
Options exercised	4, 13(b)	—	4,528	4,528	—	134	134
Distribution reinvestment plan	15(b), 16	449,044	—	449,044	13,324	—	13,324
Balance – March 31, 2018		133,061,364	25,025,559	158,086,923	2,737,796	629,626	3,367,422

(1) For the three months ended March 31, 2019, the carrying value of Trust Units issued includes the fair value of options on exercise of $566 (three months ended March 31, 2018 – $nil).

Table A: Number of LP Units issued and outstanding

The following represents the number of Units issued and outstanding for the three months ended March 31, 2019 and March 31, 2018.

Unit Type	Class and Series	Balance – January 1, 2019	Options Exercised	Balance – March 31, 2019
			(Note 13(b))	
Smart Limited Partnership	**Class B Series 1**	**14,746,176**	**—**	**14,746,176**
Smart Limited Partnership	**Class B Series 2**	**950,059**	**—**	**950,059**
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**	**—**	**664,214**
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**	**—**	**3,052,504**
Smart Oshawa South Limited Partnership	**Class B Series 1**	**710,416**	**—**	**710,416**
Smart Oshawa Taunton Limited Partnership	**Class B Series 1**	**374,223**	**—**	**374,223**
		25,128,877	**—**	**25,128,877**

Unit Type	Class and Series	Balance – January 1, 2018	Options Exercised	Balance – March 31, 2018
Smart Limited Partnership	Class B Series 1	14,746,176	—	14,746,176
Smart Limited Partnership	Class B Series 2	886,956	4,528	891,484
Smart Limited Partnership	Class B Series 3	720,432	—	720,432
Smart Limited Partnership II	Class B	756,525	—	756,525
Smart Limited Partnership III	Class B Series 4	647,934	—	647,934
Smart Limited Partnership III	Class B Series 5	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	3,046,121	—	3,046,121
Smart Oshawa South Limited Partnership	Class B Series 1	688,336	—	688,336
Smart Oshawa Taunton Limited Partnership	Class B Series 1	374,223	—	374,223
		25,021,031	4,528	25,025,559

Table B: Carrying value of LP Units

The following represents the carrying values of Units issued and outstanding for the three months ended March 31, 2019 and March 31, 2018.

Unit Type	Class and Series	Balance – January 1, 2019	Amounts From Options Exercised	Balance – March 31, 2019
			(Note 13(b))	
Smart Limited Partnership	**Class B Series 1**	**347,675**	**—**	**347,675**
Smart Limited Partnership	**Class B Series 2**	**27,587**	**—**	**27,587**
Smart Limited Partnership	**Class B Series 3**	**16,836**	**—**	**16,836**
Smart Limited Partnership II	**Class B**	**17,680**	**—**	**17,680**
Smart Limited Partnership III	**Class B Series 4**	**16,334**		**16,334**
Smart Limited Partnership III	**Class B Series 5**	**15,356**	**—**	**15,356**
Smart Limited Partnership III	**Class B Series 6**	**11,720**	**—**	**11,720**
Smart Limited Partnership III	**Class B Series 7**	**11,668**	**—**	**11,668**
Smart Limited Partnership III	**Class B Series 8**	**48,732**	**—**	**48,732**
Smart Limited Partnership IV	**Class B Series 1**	**87,675**		**87,675**
Smart Oshawa South Limited Partnership	**Class B Series 1**	**20,441**		**20,441**
Smart Oshawa Taunton Limited Partnership	**Class B Series 1**	**11,033**	**—**	**11,033**
		632,737	**—**	**632,737**

Unit Type	Class and Series	Balance – January 1, 2018	Amounts From Options Exercised	Balance – March 31, 2018
Smart Limited Partnership	Class B Series 1	347,675	—	347,675
Smart Limited Partnership	Class B Series 2	25,722	134	25,856
Smart Limited Partnership	Class B Series 3	16,836	—	16,836
Smart Limited Partnership II	Class B	17,680	—	17,680
Smart Limited Partnership III	Class B Series 4	15,838	—	15,838
Smart Limited Partnership III	Class B Series 5	15,356	—	15,356
Smart Limited Partnership III	Class B Series 6	11,720	—	11,720
Smart Limited Partnership III	Class B Series 7	11,668		11,668
Smart Limited Partnership III	Class B Series 8	48,732	—	48,732
Smart Limited Partnership IV	Class B Series 1	87,477	—	87,477
Smart Oshawa South Limited Partnership	Class B Series 1	19,755	—	19,755
Smart Oshawa Taunton Limited Partnership	Class B Series 1	11,033	—	11,033
		629,492	134	629,626

a) Authorized Units

i) Trust Units

At March 31, 2019, there were 27,218,446 (December 31, 2018 – 27,218,446) Special Voting Units outstanding. There is no value assigned to the Special Voting Units. A July 2005 agreement preserved Penguin's voting rights at a minimum of 25.0% for a period of 10 years commencing on July 1, 2005, on the condition that Penguin's owner, Mitchell Goldhar, remains a Trustee of the Trust and owns at least 15,000,000 Trust Units, Class B Smart LP and Smart LP III Units, collectively. On May 26, 2015, the Trust extended the voting rights agreement for an additional five years. These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust; nor are they convertible into any Trust securities. The total number of Special Voting Units is adjusted for each annual meeting of the Unitholders based on changes in Penguin's ownership interest.

ii) Smart Limited Partnership Units

The Class A Smart LP Units are entitled to all distributable cash of the LP after the required distributions on the other classes of Units have been paid. At March 31, 2019, there were 75,062,169 (December 31, 2018 – 75,062,169) Class A Smart LP Units outstanding. All Class A Smart LP Units are owned directly by the Trust and have been eliminated on consolidation.

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

The Class C Smart LP Units and Class E Smart LP Units are entitled to receive 0.01% of any distributions of the Smart LP and have nominal value assigned in the unaudited interim condensed consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific predetermined amount per Unit, the Class C Series 1 and Series 2 Smart LP Units, the Class C Series 3 Smart LP Units and the Class E Series 1 Smart LP Units are exchangeable into Class B Smart LP Units, Class F Series 3 Smart LP Units and Class D Series 1 Smart LP Units, respectively, and the Class E Series 2 Smart LP Units are exchangeable into Class D Series 2 Smart LP Units (the Class C Smart LP Units and Class E Smart LP Units are effectively included in the Earnout options – see Note 13(b)). On exercise of the Earnout options relating to the LP, the corresponding Class C Smart LP Units and Class E Smart LP Units are cancelled.

Number of Class C and E Units Outstanding	**March 31, 2019**	December 31, 2018
Class C Series 1 Smart LP Units	**3,445,341**	3,445,341
Class C Series 2 Smart LP Units	**3,026,949**	3,026,949
Class C Series 3 Smart LP Units	**685,113**	685,113
Class E Series 1 Smart LP Units	**16,704**	16,704
Class E Series 2 Smart LP Units	**800,000**	800,000

Of the 3,445,341 Class C Series 1 Smart LP Units, 1,337,449 Units relate to Earnout options, 1,357,892 Units relate to expired Earnout options and 750,000 Units are cancelled concurrently with Class F Series 3 Smart LP Units on the completion and rental of additional space on specific properties.

The Class F Series 3 Smart LP Units are entitled to receive distributions equivalent to 65.5% of the distributions on Trust Units. At the holder's option, the Class F Series 3 Smart LP Units are exchangeable for $20.10 in cash per Unit or, on the completion and rental of additional space on specific properties, the Class F Series 3 Smart LP Units are exchangeable into Class B Smart LP Units. As at March 31, 2019, there were nil Class F Series 3 Smart LP Units outstanding (December 31, 2018 – nil). On issuance, the Class F Series 3 Smart LP Units are recorded as a liability in the unaudited interim condensed consolidated financial statements.

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

iii) Smart Limited Partnership II Units

The Class A Smart LP II Units are entitled to all distributable cash of Smart LP II after the required distributions on the Class B Smart LP II Units have been paid. At March 31, 2019, there were 263,303 (December 31, 2018 – 263,303) Class A

Smart LP II Units outstanding. The Class A Smart LP II Units are owned directly by the Trust and have been eliminated on consolidation.

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

iv) *Smart Limited Partnership III Units*

The Class A Smart LP III Units are entitled to all distributable cash of Smart LP III after the required distributions on the Class B Smart LP III Units have been paid. At March 31, 2019, there were 12,556,688 (December 31, 2018 – 12,556,688) Class A Smart LP III Units outstanding. The Class A Smart LP III Units are owned directly by the Trust and have been eliminated on consolidation.

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

The Class C Smart LP III Units are entitled to receive 0.01% of any distributions of Smart LP III and have a nominal value assigned in the unaudited interim condensed consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 4 Smart LP III Units, Class C Series 5 Smart LP III Units, Class C Series 6 Smart LP III Units and Class C Series 7 Smart LP III Units are exchangeable into Class B Smart LP III Units (the Class C Smart LP III Units are effectively included in the Earnout options – see Note 13(b)). On exercise of the Earnout options relating to Smart LP III, the corresponding Class C Smart LP III Units are cancelled. At March 31, 2019, there were 2,033,926 (December 31, 2018 – 2,060,276) Class C Smart LP III Units outstanding.

v) *Smart Limited Partnership IV Units*

The Class A Smart LP IV Units are entitled to all distributable cash of Smart LP IV after the required distributions on the Class B Smart LP IV Units have been paid. At March 31, 2019, there were 2,402,569 (December 31, 2018 – 2,402,569) Class A Smart LP IV Units outstanding. The Class A Smart LP IV Units are owned directly by the Trust and have been eliminated on consolidation.

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

The Class C Smart LP IV Units are entitled to receive 0.01% of any distributions of Smart LP IV and have a nominal value assigned in the unaudited interim condensed consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 Smart LP IV Units are exchangeable into Class B Smart LP IV Units (the Class C Smart LP IV Units are effectively included in the Earnout options – see Note 13(b)). On exercise of the Earnout options relating to Smart LP IV, the corresponding Class C Smart LP IV Units are cancelled. At March 31, 2019, there were 439,149 (December 31, 2018 – 439,149) Class C Smart LP IV Units outstanding.

vi) *Smart Oshawa South Limited Partnership Units*

The Class A Smart Oshawa South LP Units are entitled to all distributable cash of Smart Oshawa South LP after the required distributions on the other classes of Units have been paid. At March 31, 2019, there were 418,190 (December 31, 2018 – 418,190) Class A Smart Oshawa South LP Units outstanding. The Class A Smart Oshawa South LP Units are owned directly by the Trust and have been eliminated on consolidation.

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

The Class C Smart Oshawa South LP Units and Class E Smart Oshawa South LP Units are entitled to receive 0.01% of any distributions of Smart Oshawa South LP and have a nominal value assigned in the unaudited interim condensed consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 Smart Oshawa South LP Units and Class E Series 1 Smart Oshawa South LP Units are exchangeable into Class B Smart Oshawa South LP Units and Class D Smart Oshawa South LP Units, respectively (the Class C Smart Oshawa South LP Units and Class E Smart Oshawa South LP Units are effectively included in the Earnout options – see Note 13(b)). On exercise of the Earnout options relating to Smart Oshawa South LP, the corresponding Class C Smart Oshawa South LP Units and Class E Smart Oshawa South LP Units are cancelled.

Number of Class C and E Units Outstanding	**March 31, 2019**	December 31, 2018
Class C Series 1 Smart Oshawa South LP Units	**21,082**	21,082
Class E Series 1 Smart Oshawa South LP Units	**5,503**	5,503
	26,585	26,585

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

vii) Smart Oshawa Taunton Limited Partnership Units

The Class A Smart Oshawa Taunton LP Units are entitled to all distributable cash of Smart Oshawa Taunton LP after the required distributions on the Class B Smart Oshawa Taunton LP Units have been paid. At March 31, 2019, there were 637,895 (December 31, 2018 – 637,895) Class A Smart Oshawa Taunton LP Units outstanding. The Class A Smart Oshawa Taunton LP Units are owned directly by the Trust and have been eliminated on consolidation.

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

The Class C Smart Oshawa Taunton LP Units and Class E Smart Oshawa Taunton LP Units are entitled to receive 0.01% of any distributions of Smart Oshawa Taunton LP and have a nominal value assigned in the unaudited interim condensed consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 Smart Oshawa Taunton LP Units and Class E Series 1 Smart Oshawa Taunton LP Units are exchangeable into Class B Smart Oshawa Taunton LP Units and Class D Smart Oshawa Taunton LP Units, respectively (the Class C Smart Oshawa Taunton LP Units and Class E Smart Oshawa Taunton LP Units are effectively included in the Earnout options – see Note 13(b)). On exercise of the Earnout options relating to Smart Oshawa Taunton LP, the corresponding Class C Smart Oshawa Taunton LP Units and Class E Smart Oshawa Taunton LP Units are cancelled.

Number of Class C and E Units Outstanding	**March 31, 2019**	December 31, 2018
Class C Series 1 Smart Oshawa Taunton LP Units	**132,711**	132,711
Class E Series 1 Smart Oshawa Taunton LP Units	**132,711**	132,711
	265,422	265,422

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

viii) *Smart Boxgrove Limited Partnership Units*

The Class A Smart Boxgrove LP Units are entitled to all distributable cash of Smart Boxgrove LP after the required distributions on the Class B Smart Boxgrove LP Units have been paid. At March 31, 2019, there were 397,438 (December 31, 2018 – 397,438) Class A Smart Boxgrove LP Units outstanding. The Class A Smart Boxgrove LP Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B Smart Boxgrove LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B Smart Boxgrove LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B Smart Boxgrove LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B Smart Boxgrove LP Units are considered to be economically equivalent to Trust Units. All Class B Smart Boxgrove LP Units are owned by outside parties and have been presented as non-controlling interests. At March 31, 2019, there were nil (December 31, 2018 – nil) Class B Smart Boxgrove LP Units outstanding.

The Class C Smart Boxgrove LP Units are entitled to receive 0.01% of any distributions of Smart Boxgrove LP and have a nominal value assigned in the unaudited interim condensed consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 Smart Boxgrove LP Units are exchangeable into Class B Smart Boxgrove LP Units (the Class C Smart Boxgrove LP Units are effectively included in the Earnout options – see Note 13 (b)). On exercise of the Earnout options relating to Smart Boxgrove LP, the corresponding Class C Smart Boxgrove LP Units are cancelled. At March 31, 2019, there were 170,000 (December 31, 2018 – 170,000) Class C Smart Boxgrove LP Units outstanding.

ix) *ONR Limited Partnership Units*

The Class A ONR LP Units are entitled to all distributable cash of ONR LP after the required distributions on the Class B ONR LP Units have been paid. At March 31, 2019, there were 3,912,943,532 (December 31, 2018 – 3,912,943,532) Class A ONR LP Units outstanding. The Class A ONR LP Units are owned directly by the Trust and have been eliminated on consolidation.

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

The Class B ONR LP Units are considered to be a financial liability under IFRS.

x) *ONR Limited Partnership I Units*

The Class A ONR LP I Units are entitled to all distributable cash of ONR LP I after the required distributions on the Class B ONR LP I Units have been paid. At March 31, 2019, there were 38,000,010 (December 31, 2018 – 38,000,010) Class A ONR LP I Units outstanding. The Class A ONR LP I Units are owned directly by the ONR LP and have been eliminated on consolidation.

The Class B ONR LP I Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B ONR LP I Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B ONR LP I Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B ONR LP I Units are considered to be economically equivalent to Trust Units.

The Class B ONR LP I Units are considered to be a financial liability under IFRS.

The Class C ONR LP I Units are entitled to receive 0.01% of any distributions of ONR LP I and have a nominal value assigned in the unaudited interim condensed consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C ONR LP I Units are exchangeable into Class B ONR LP I Units (the Class C ONR LP I Units are effectively included in the Earnout options – see Note 13(b)). On exercise of the Earnout options relating to ONR LP I, the corresponding Class C ONR LP I Units are cancelled. At March 31, 2019, there were 518,778 (December 31, 2018 – 540,000) Class C ONR LP I Units outstanding.

b) Distribution reinvestment plan ("DRIP")

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

c) Units issued for cash

During the three months ended March 31, 2019, the Trust issued 7,360,000 Trust Units for cash at an issue price of $31.25, totalling $230,000, before issuance costs of $9,634 (three months ended March 31, 2018 - no Units issued).

16. Unit distributions

Pursuant to the Declaration of Trust, the Trust endeavours to distribute annually such amount as is necessary to ensure the Trust will not be subject to tax on its net income under Part I of the Tax Act. Unit distributions declared during the three months ended March 31, 2019 and March 31, 2018 are as follows:

Unit Type Subject to Distributions	**Class and Series**	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018
Distributions on Units classified as equity:			
Trust Units	N/A	**64,468**	58,547
Distributions on Limited Partnership Units			
Smart Limited Partnership	Class B Series 1	**6,635**	6,451
Smart Limited Partnership	Class B Series 2	**428**	390
Smart Limited Partnership	Class B Series 3	**324**	315
Smart Limited Partnership II	Class B	**340**	331
Smart Limited Partnership III	Class B Series 4	**299**	283
Smart Limited Partnership III	Class B Series 5	**258**	250
Smart Limited Partnership III	Class B Series 6	**202**	197
Smart Limited Partnership III	Class B Series 7	**196**	190
Smart Limited Partnership III	Class B Series 8	**764**	743
Smart Limited Partnership IV	Class B Series 1	**1,374**	1,333
Smart Oshawa South Limited Partnership	Class B Series 1	**320**	301
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**168**	164
Total distributions on Limited Partnership Units		**11,308**	10,948
Total distributions on Units classified as equity		**75,776**	69,495
Distributions on Units classified as liabilities:			
Smart Limited Partnership	Class D Series 1	**140**	136
Smart Oshawa South Limited Partnership	Class D Series 1	**117**	110
ONR Limited Partnership	Class B	**561**	549
ONR Limited Partnership I	Class B Series 1	**60**	58
ONR Limited Partnership I	Class B Series 2	**62**	60
Total distributions on Units classified as liabilities		**940**	913
Distributions paid through DRIP	N/A	**15,812**	13,324

On April 18, 2019, the Trust declared a distribution for the month of April 2019 of $0.15 per Unit, representing $1.80 per Unit on an annualized basis, to Unitholders of record on April 30, 2019.

17. Rentals from investment properties and other

Rentals from investment properties and other consist of the following:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Gross base rent	**127,345**	125,698
Less: Amortization of tenant incentives	**(1,796)**	(1,678)
Net base rent	**125,549**	124,020
Property tax and insurance recoveries	**48,457**	47,278
Property operating cost recoveries	**25,886**	21,953
Miscellaneous revenue	**4,122**	2,131
Rentals from investment properties	**204,014**	195,382
Service and other revenues(1)	**2,419**	3,051
Rentals from investment properties and other	**206,433**	198,433

(1) For the three months ended March 31, 2019, service and other revenues included $2,202 relating to the fees associated with the Development and Services Agreement with Penguin (three months ended March 31, 2018 – $2,622). See also Note 21 "Related party transactions".

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

	March 31, 2019	March 31, 2018
2018(1)	**—**	370,133
2019(1)	**372,726**	460,047
2020	**467,265**	413,326
2021	**414,992**	359,399
2022	**361,167**	304,943
2023	**285,636**	233,812
Thereafter	**876,070**	765,493

(1) Amounts relate to remainder of year.

18. Property operating costs and other

Property operating costs and other consist of the following:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Recoverable property operating costs(1)	**77,416**	71,715
Property management fees and costs	**1,199**	1,725
Non-recoverable costs	**1,365**	1,019
Property operating costs	**79,980**	74,459
Other expenses(2)	**2,442**	3,050
Property operating costs and other	**82,422**	77,509

(1) Includes recoverable property tax and insurance costs.
(2) Other expenses relate to service and other revenues as disclosed in Note 17.

19. General and administrative expense, net

The general and administrative expense, net, consists of the following:

	Note	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018
Salaries and benefits		**13,579**	11,453
Master planning services fee - by Penguin	21	**3,850**	875
Professional fees		**1,107**	916
Public company costs		**623**	709
Rent and occupancy		**612**	633
Amortization of intangible assets	8	**333**	333
Other costs including information technology, marketing, communications and other employee expenses		**1,297**	1,783
Total general and administrative expense before allocation		**21,401**	16,702
Less:			
Capitalized to properties under development and other assets		**(8,328)**	(4,439)
Allocated to property operating costs		**(3,828)**	(3,908)
Amounts charged to Penguin and third parties		**(2,883)**	(3,050)
Total amounts charged, allocated and capitalized		**(15,039)**	(11,397)
General and administrative expense, net		**6,362**	5,305

20. Supplemental cash flow information

The following represents changes in other non-cash operating items:

	Note	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018
Amounts receivable	10	**(13,957)**	(21,805)
Prepaid expenses and other	10	**(10,236)**	(8,582)
Accounts payable	12	**(3,639)**	(10,934)
Realty taxes payable	12	**15,251**	11,231
Tenant prepaid rent, deposits and other payables	12	**(7,470)**	(1,981)
Other working capital changes		**1,719**	86
		(18,332)	(31,985)

For the three months ended March 31, 2019, the Trust's liabilities relating to additions to investment properties was $28,525 (three months ended March 31, 2018 – $30,898).

21. Related party transactions

Transactions with related parties are conducted in the normal course of operations.

At March 31, 2019, Penguin (the Trust's largest Unitholder) owned the following Units, which in total represent approximately 20.8% of the issued and outstanding Units (December 31, 2018 – 21.8%):

Type	Class and Series	March 31, 2019	December 31, 2018
Trust Units	N/A	**13,835,863**	13,782,861
Smart Limited Partnership	Class B Series 1	**12,488,816**	12,488,816
Smart Limited Partnership	Class B Series 2	**367,550**	367,550
Smart Limited Partnership	Class B Series 3	**720,432**	720,432
Smart Limited Partnership III	Class B Series 4	**664,214**	664,214
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	**2,825,794**	2,825,794
Smart Oshawa South Limited Partnership	Class B Series 1	**630,880**	630,880
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**374,223**	374,223
ONR Limited Partnership I	Class B Series 1	**132,881**	132,881
ONR Limited Partnership I	Class B Series 2	**137,109**	137,109
		35,332,090	35,279,088

Certain conditions related to the Declaration of Trust require the Trust to issue such number of additional Special Voting Units to Penguin that will entitle Penguin to cast 25.0% of the aggregate votes eligible to be cast at a meeting of the Unitholders and Special Voting Unitholders ("Voting Top-Up Right"). At March 31, 2019, there were 9,427,088 additional Special Voting Units outstanding (December 31, 2018 – 6,486,636). These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust, nor are they convertible into any Trust securities. There is no value assigned to the Special Voting Units. As a result of the extension for an additional five years of the existing Voting Top-Up Right in favour of Penguin, which was approved by Unitholders at the Trust's 2015 Unitholder meeting, at the request of the TSX, the Trust also redesignated its Trust Units as "Variable Voting Units." Such designation will cease on the termination of the Voting Top-Up Right in 2020. The Voting Top-Up Right is more particularly described in the Trust's management information circular dated April 30, 2019 and filed on the System for Electronic Document Analysis and Retrieval (SEDAR).

During the three months ended March 31, 2019, Earnout Fees totalling $3,208 were paid to Penguin (March 31, 2018– $1,145), of which $1,065 was exercised for Trust Units (three months ended March 31, 2018 – $134 for LP Units) (see also Note 4(d)(i), "Investment properties").

Penguin has Earnout options, upon completion of Earnout events, to acquire certain Units as follows:

Type	Class and Series	March 31, 2019	December 31, 2018
Trust Units	N/A	**1,286,833**	1,339,835
Smart Limited Partnership	Class B Series 1	**1,337,449**	1,337,449
Smart Limited Partnership	Class B Series 2	**3,026,949**	3,026,949
Smart Limited Partnership	Class B Series 3	**685,113**	685,113
Smart Limited Partnership III	Class B Series 4	**617,932**	617,932
Smart Limited Partnership III	Class B Series 5	**596,219**	596,219
Smart Limited Partnership III	Class B Series 6	**560,071**	560,071
Smart Limited Partnership III	Class B Series 7	**259,704**	286,054
Smart Limited Partnership IV	Class B Series 1	**402,636**	402,636
Smart Oshawa South Limited Partnership	Class B Series 1	**16,082**	16,082
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**132,711**	132,711
Smart Boxgrove Limited Partnership	Class B Series 1	**170,000**	170,000
ONR Limited Partnership I	Class B Series 2	**518,778**	540,000
		9,610,477	9,711,051

At March 31, 2019, Penguin's ownership would increase to 24.9% (December 31, 2018 – 26.1%) if Penguin were to exercise all remaining Earnout options. Pursuant to its rights under the Declaration of Trust, at March 31, 2019, Penguin has appointed two Trustees out of seven.

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

In addition to agreements and contracts with Penguin described elsewhere in these unaudited interim condensed consolidated financial statements, the Trust has 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 the Penguin projects and establishing processes and systems to accommodate the needs of Penguin.

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

2) Pursuant to the development services agreement entered in May 2015 (the "2015 Agreement"), Penguin provides specified services to the Trust in connection with the development of four of its projects, namely the Vaughan Metropolitan Centre, the StudioCentre property, Westside Mall and the Vaughan 400 & 7 Shopping Centre, until May 2020. In return for those services Penguin is entitled to annual master planning fees of $3,500 for the term of the 2015 Agreement and has earned this amount in each year to date.

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

In addition to related party transactions and balances disclosed elsewhere in these unaudited interim condensed consolidated financial statements (including Note 3 referring to the purchase of Earnouts, Note 4(c) 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:

	Note	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018
Related party transactions with Penguin			
Revenues:			
Service and other revenues:			
Transition services fee revenue		**750**	1,000
Management fee and other services revenue pursuant to the Development and Services Agreement		**1,251**	1,344
Support services		**201**	278
	17	**2,202**	2,622
Interest income from mortgages and loans receivable		**2,014**	1,600
Head lease rents and operating cost recoveries included in head lease rentals from income properties		**235**	233
Expenses and other payments:			
Master planning services:			
Capitalized to properties under development and properties held for development		**3,850**	875
Interest expense (capitalized to properties under development)		**11**	3
Opportunity fees (capitalized to properties under development)[(1)]		**684**	645
Rent and operating costs (included in general and administrative expense and property operating costs)		**464**	573
Time billings and other administrative costs (included in general and administrative expense and property operating costs)		**20**	17
Marketing cost sharing (included in property operating costs)		**11**	21
Related party transactions with PCVP			
Revenues:			
Interest income from mortgages and loans receivable		**—**	395

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

	Note	**March 31, 2019**	December 31, 2018
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable[(1)]	10(c)	**18,063**	16,741
Mortgages receivable	5(a)	**136,071**	134,221
Loans receivable	5(b)	**23,603**	10,145
Notes receivable	5(c)	**2,979**	2,979
Total receivables		**180,716**	164,086
Payables and other accruals:			
Accounts payable	12(c)	**17,833**	13,834
Future land development obligation	12(c)	**26,841**	26,567
Secured debt		**681**	2,635
Total payables and other accruals		**45,355**	43,036

(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	March 31, 2019	December 31, 2018
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable[1]	10(c)	**12,069**	10,967
Other unsecured debt	11(b)(ii)	**3,041**	3,766

(1) Amounts receivable includes Penguin's portion, which represents $5,843 (December 31, 2018 – $5,293) relating to Penguin's 50% investment in the PCVP and 25% investment in Residences LP.

Mortgages receivable

As at March 31, 2019, the weighted average interest rate associated with mortgages receivable from Penguin was 5.55% (December 31, 2018 – 5.59%) (see also Note 5, "Mortgages, loans and notes receivable").

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 amortized 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").

Other related party transactions:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Legal fees paid to a law firm in which a partner is a trustee of the Trust:		
Costs associated with the Arrangement	**—**	21
Capitalized to investment properties	**1,317**	216
Included in general and administrative expense	**296**	75
	1,613	312
Accounts payable to a legal firm in which a partner is a trustee of the Trust:	**401**	—

22. Key management and Trustee compensation

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

The compensation relating to key management is shown below:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Salaries and other short-term employee benefits	**531**	554
Deferred unit plan	**508**	491
Long Term Incentive Plan	**531**	(572)
	1,570	473

The compensation relating to Trustees is shown below:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Trustee fees	**211**	233
Deferred unit plan	**211**	128
	422	361

23. Co-owned property interests

The Trust has the following co-owned property interests and includes in these unaudited interim condensed consolidated financial statements its proportionate share of the related assets, liabilities, revenues and expenses of these properties:

	March 31, 2019		December 31, 2018	
	Number of Co-owned Properties(1)	Ownership Interest	Number of Co-owned Properties(1)	Ownership Interest
Income producing properties	**17**	**40%–50%**	17	40%–50%
Properties under development	**5**	**25%–60%**	5	25%–60%
Residential development	**1**	**50%**	1	50%
Total	**23**		23	

(1) Penguin is a co-owner of seven investment properties, consisting of five properties under development and two income producing properties (December 31, 2018 – seven investment properties, consisting of five properties under development and two income producing properties) (see also Note 21, "Related party transactions").

The following amounts, included in these unaudited interim condensed consolidated financial statements, represent the Trust's proportionate share of the assets and liabilities of the 23 co-owned property interests as at March 31, 2019 (23 co-ownership property interests at December 31, 2018).

	March 31, 2019	December 31, 2018
Assets(1)	**1,328,639**	1,260,118
Liabilities	**382,560**	403,216

(1) Includes cash and cash equivalents of $20,376 (December 31, 2018 – $21,695).

The following summarizes the results of operations and cash flows for the three months ended March 31, 2019 and March 31, 2018 for the Trust's co-owned property interests:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Revenues	**23,812**	21,141
Expenses	**12,655**	11,493
Net income before fair value adjustment	**11,157**	9,648
Fair value adjustment on revaluation of investment properties	**64,557**	8,138
Net income and comprehensive income	**75,714**	17,786
Cash flows provided by operating activities	**7,519**	8,186
Cash flows used in financing activities	**(7,472)**	(3,616)
Cash flows used in investing activities	**(1,367)**	(6,854)

Management believes the assets of the co-owned property interests are sufficient for the purpose of satisfying the associated obligations of the co-owned property interests.

24. Segmented information

Operating segments are components of an entity that engage in business activities from which they earn revenues and incur expenses (including revenues and expenses related to transactions with the other component(s)), the operations of which can be clearly distinguished and the operating results of which are regularly reviewed by the chief operating decision-makers to make resource allocation decisions and to assess performance.

As at March 31, 2019, the Trust has one reportable segment, which comprises the ownership, development, management and operation of investment properties located in Canada. In measuring performance, the Trust does not distinguish or group its operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes.

The Trust's major tenant is Walmart, accounting for 25.5% of the Trust's annualized rentals from investment properties for the three months ended March 31, 2019 (three months ended March 31, 2018 – 26.0%).

25. Adjustments to fair value

The following summarizes the adjustments to fair value for the three months ended March 31:

	Note	**March 31, 2019**	March 31, 2018
Investment properties			
Income properties	4	**11,517**	11,712
Properties under development	4	**(2,620)**	(841)
Fair value adjustment on revaluation of investment properties		**8,897**	10,871
Financial instruments			
Units classified as liabilities	13(a)	**(8,735)**	3,756
Earnout options	13(b)	**153**	136
Deferred unit plan – vested portion	13(c)	**(3,833)**	1,345
Fair value adjustment on financial instruments		**(12,415)**	5,237
Total adjustments to fair value		**(3,518)**	16,108

26. Risk management

a) *Financial risks*

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

i) *Interest rate risk*

The majority of the Trust's debt is financed at fixed rates with maturities staggered over a number of years, thereby mitigating its exposure to changes in interest rates and financing risks. At March 31, 2019, approximately 7.66% (December 31, 2018 – 18.06%) of the Trust's debt is financed at variable rates, exposing the Trust to changes in interest rates on such debt.

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

The Trust monitors the historical movement of 10-year Government of Canada bonds for the past two years and performs a sensitivity analysis to show the possible impact on net income of an interest rate shift. The simulation is performed on a quarterly basis to ensure the maximum loss potential is within the limit acceptable to management. Management runs the simulation only for the interest-bearing secured debt and revolving operating facility. The Trust's policy is to capitalize interest expense incurred relating to properties under development (three months ended March 31, 2019 – 10.94% of total interest costs; year ended December 31, 2018 – 13.31% of total interest costs). The sensitivity analysis below shows the maximum impact (net of estimated interest capitalized to properties under development) on net income of possible changes in interest rates on variable-rate debt.

Change in interest rate of:	**-0.50%**	**-0.25%**	**+0.25%**	**+0.50%**
Net income increase (decrease)	1,535	768	(768)	(1,535)

ii) *Credit risk*

Credit risk arises from cash and cash equivalents, as well as credit exposures with respect to mortgages and loans receivable (Note 5) and tenant receivables (Note 10). 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. Further risks arise in the event that borrowers of mortgages and loans receivable default on the repayment of amounts owing to the Trust. The Trust endeavours to ensure adequate security has been provided in support of mortgages and loans receivable. The Trust limits cash transactions to high-credit-quality financial institutions to minimize its credit risk from cash and cash equivalents.

The expected credit loss (ECL) model requires an entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition or at an amount equal to 12-month expected credit losses if the credit risk on that financial instrument has not increased significantly since initial recognition. The Trust uses a provision matrix based on historical credit loss experiences to estimate 12-month expected credit losses as the Trust has deemed the risk of credit loss has not increased significantly for both mortgages and loans receivable (Note 5) and tenant receivable (Note 10). Credit risks for both have been mitigated by various measures including ensuring adequate security has been provided in support of mortgages and loans receivable and reviewing tenant's covenants, ensuring its tenant mix is diversified and by limiting its exposure to any one tenant except Walmart for tenant receivables. The provision matrix and ECL models applied did not have a material impact on receivables of the Trust.

iii) Liquidity risk

Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to lease out vacant units. In the next 12 months, $360,129 of liabilities will mature and will need to be settled by means of renewal or payment.

Due to the dynamic nature of the underlying business, the Trust aims to maintain flexibility and opportunities in funding by keeping committed credit lines available, obtaining additional mortgages as the value of investment properties increases, issuing equity and issuing convertible or unsecured debentures.

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

The Trust's liquidity position is monitored by management on a regular basis. A schedule of principal repayments on secured debt and other debt maturities is disclosed in Note 11.

b) Capital risk management

The Trust defines capital as the aggregate amount of Unitholders' equity, debt and Units classified as liabilities. The Trust's primary objectives when managing capital are: (i) to safeguard the Trust's ability to continue as a going concern so that it can continue to provide returns for Unitholders; and (ii) to ensure the Trust has access to sufficient funds for operating, acquisition (including Earnouts) or development activities.

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

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

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

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

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

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

These covenants are required to be calculated based on Canadian generally accepted accounting principles ("GAAP") at the time of debt issuance. If the Trust does not meet all externally imposed financial covenants, then the related debt will become immediately due and payable unless the Trust is able to remedy the default or obtain a waiver from lenders. For the three months ended March 31, 2019, the Trust was in compliance with all financial covenants.

27. Commitments and contingencies

The Trust has certain obligations and commitments pursuant to development management agreements to complete the purchase of Earnouts totalling approximately 308,000 square feet (December 31, 2018 – 308,000 square feet) of development space from Penguin and others over periods extending to 2020, based on a pre-negotiated formula, as more fully described in Note 4. As at March 31, 2019, the carrying value of these obligations and commitments included in properties under development was $48,561 (December 31, 2018 – $50,636). The timing of completion of the purchase of the Earnouts, and the final prices, cannot be readily determined because they are a function of future tenant leasing.

The Trust has also entered into various other development construction contracts totalling $30,261 (December 31, 2018 – $20,624) (excluding commitments relating to equity accounted investments that total $266,864, of which the Trust's share is $74,385 – see Note 6) that will be incurred in future periods.

The Trust entered into agreements with Penguin in which the Trust will lend monies in the form of mortgages receivable, as disclosed in Note 5(a). The maximum amount that may be provided under the agreements totals $282,093 (Note 5), of which $136,071 has been provided at March 31, 2019 (December 31, 2018 – $134,221).

As at March 31, 2019, letters of credit totalling $40,070 (December 31, 2018 – $38,828) – including letters of credit drawn down under the revolving operating facility described in Note 11(c) – have been issued on behalf of the Trust by financial institutions as security for debt and for maintenance and development obligations to municipal authorities.

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

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