SMARTCENTRES®

MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Three Months Ended March 31, 2019

INFINITE POSSIBILITIES...

FIRST QUARTER REPORT

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MESSAGE FROM THE EXECUTIVE CHAIRMAN AND THE PRESIDENT & CEO

MITCHELL GOLDHAR
Executive Chairman

PETER FORDE
President & CEO

One of the most significant aspects about SmartCentres today is the vast number of built-in opportunities available to increase rental and 'recurring non-recurring' income through intensification and expansion on our existing owned properties across Canada. This extraordinary potential to develop on our properties is unique in that it will simultaneously bring additional customers to the shopping centres. So far, we have identified approximately 20 million square feet of viable space for mixed-use development across 76 SmartCentres properties, representing 168 individual buildings.

During the first quarter we announced the following:

- The Trust and Penguin Investments entered into another joint venture with CentreCourt to develop two additional Transit City condominium towers, TC4 and TC5, in the Vaughan Metropolitan Centre (VMC). These towers will be 45 and 50 storeys high, with approximately 1,000 condo units. This week we announced that the two towers are virtually sold out with average selling prices of $835 and $865 per square foot, respectively;
- The Trust and Penguin will develop concurrently an adjoining 35-storey purpose-built rental apartment tower, our first of many such residential towers, without an external joint venture partner;
- The Trust executed an agreement with Revera providing the framework to jointly develop and own new retirement living residences across Canada, and a site-specific agreement for the first three projects in the GTA;
- The Trust executed agreements for two additional self-storage locations with SmartStop, bringing the joint venture total to six projects to date.

All these announced projects are just some of the many mixed-use initiatives we have underway.

SmartCentres is well positioned to deliver sustainable growth for five key reasons:

1. **Our extensive real estate assets and land holdings** located within or near most of Canada's fastest growing communities. These sites already enjoy high traffic and visibility, and with more than 34 million square feet of predominately Walmart-anchored shopping centres, they play a central role in their communities.

2. **Our experienced development team**, whose deep knowledge of retail and mixed-use intensification uniquely enables us to find innovative and profitable ways to grow the SmartCentres portfolio.

3. **Our established and ever-growing relationships with experienced joint venture partners**, all of whom are helping us to learn and to optimize our investment returns, the quality of our development projects, and our operational effectiveness.

4. **The proven success of the multi-use developments already underway**, including our projects in the VMC, Vaughan North West, Laval, Pointe-Claire, Eglinton Golden Mile, and Oakville. These developments will generate new sources of income from residential rentals, seniors' homes, and self-storage; and office rents have already commenced at VMC. Our growth will be further augmented by recurring annual profits from condominium and townhouse sales.

5. **Our strong retail portfolio, with industry-leading occupancy rates**. Our shopping centres deliver strong and stable returns and we continue to develop for well-respected and well-capitalized omnichannel retailers. Almost 70% of our shopping centre portfolio is in primary markets. The 30% of our portfolio which is in large secondary and medium secondary markets is virtually fully leased benefitting from the customer traffic that results from virtually all being anchored by a Walmart store.

Our 20 million square-foot VMC development, the jewel in the crown of all our properties, continues to flourish. The first two office towers, KPMG and PWC, are near fully leased by significant tenants. Earlier this year, we moved our own home office next to the subway station at VMC and proudly became part of our burgeoning city centre. In addition to the VMC residential towers mentioned above, construction is in full swing on the first three sold-out Transit City 55-storey residential condominium towers; each one to be topped off by the end of this year. We look forward to welcoming the residents of these 1,750 units to the site in 2020.

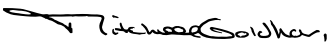
In the first quarter, we were very active in improving our balance sheet to support our mixed-use development program:

- We completed an equity issue of $230 million of trust units,
- We redeemed $150 million of 4.05% unsecured debentures due in 2020, and
- We issued $350 million unsecured debentures, maturing in June 2021, carrying a 2.757% interest rate.

Our first quarter financial results were in line with our budget expectations. FFO with one time adjustment and before Transactional FFO increased by $2.5 million or 2.8% to $98.1 million; as a result of the equity issue, FFO per Unit decreased by $0.01 or 1.8% to $0.55. These are expected steady results pending the additional income from the mixed-use development projects anticipated starting in the second half of 2020.

SmartCentres' unique combination of well-located properties, with a platform of 34 million square feet of 98% leased shopping centres, a disciplined and measured conservative investment approach and a keen eye for current and future intensification opportunities, will enable us to enjoy continued success in 2019. Of course, nothing that SmartCentres is achieving would be possible without the contributions of our in-house team of real estate development experts and our carefully selected joint venture partners. Equally important is the contribution from our Trustees every day, and our valued Unitholders, whose continued support serves as the foundation upon which we can build.

Regards,



Mitchell Goldhar
Executive Chairman
SmartCentres

Peter Forde
President & CEO
SmartCentres

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2019

About this Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") sets out SmartCentres Real Estate Investment Trust's ("SmartCentres" or the "Trust"), strategies and provides an analysis of the financial performance and financial condition for the three months ended March 31, 2019, management's outlook and the risks facing the business.

This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2018 and December 31, 2017, and the unaudited interim condensed consolidated for the three months ended March 31, 2019, and the notes contained therein. Such consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of condensed consolidated financial statements, and International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). The Canadian dollar is the functional and reporting currency for purposes of preparing the unaudited interim condensed consolidated financial statements.

This MD&A is dated May 8, 2019, which is the date of the press release announcing the Trust's results for the three months ended March 31, 2019. Disclosure contained in this MD&A is current to that date, unless otherwise noted.

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

Presentation of Non-GAAP Measures

Readers are cautioned that certain terms used in this MD&A such as Funds From Operations ("FFO"), "FFO per Unit growth", Transactional FFO, Net Asset Value ("NAV"), Adjusted Cashflow From Operations ("ACFO"), Net Operating Income ("NOI"), "Annual Run-Rate NOI", "Same Property NOI", "Interest Coverage", "Aggregate Assets", "Gross Book Value", "Debt to Service", Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), "Secured Indebtedness", "Payout Ratio", and any related per Variable Voting Unit of the Trust (a "Trust Unit") and per unit of the Trust's subsidiary limited partnerships (an "LP Unit") (where management discloses the combination of Trust Units and LP Units, combined units are referred to as "a Unit" or "Units") are amounts used by management to measure, compare and explain the operating results and financial performance of the Trust do not have any standardized meaning prescribed under IFRS and, therefore, should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. These terms are defined in this MD&A and reconciled to the closest IFRS measure in the unaudited interim condensed consolidated financial statements of the Trust for the three months ended March 31, 2019. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities. See "Other Measures of Performance", "Net Operating Income", "Debt" and "Financial Covenants".

Funds From Operations (FFO)
FFO is a non-GAAP financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALpac, which published a White Paper describing the intended use of FFO, last revised in February 2019. It is the Trust's view that IFRS net income does not necessarily provide a complete measure of the Trust's recurring operating performance. This is primarily because IFRS net income includes items such as fair value changes of investment property that are subject to market conditions and capitalization rate fluctuations and gains and losses on the disposal of investment properties, including associated transaction costs and taxes, which management believes are not representative of a company's economic earnings. For these reasons, the Trust has adopted REALpac's definition of FFO, which was created by the real estate industry as a supplemental measure of operating performance. FFO is computed as IFRS consolidated net income and comprehensive income attributable to Unitholders adjusted for items such as, but not limited to, unrealized changes in the fair value of investment properties and transaction gains and losses on the acquisition or disposal of investment properties calculated on a basis consistent with IFRS.

Adjusted Cashflow From Operations (ACFO)
ACFO is not a term defined under IFRS and may not be comparable to similar measures used by other real estate entities. The Trust calculates its ACFO in accordance with REALpac's "White Paper on Adjusted Cashflow From Operations (ACFO)" for IFRS issued in February 2017, and recently further amended in February 2019. The purpose of the White Paper is to provide reporting issuers and stakeholders with greater guidance on the definitions of ACFO and to help promote more consistent disclosure from reporting issuers. ACFO is intended to be used as a sustainable, economic cash flow metric. The Trust considers ACFO an input to determine the appropriate level of distributions to Unitholders as it adjusts cash flows from operations to better measure sustainable, economic cash

flows. Prior to the initial issuance of the February 2017 White Paper on ACFO, there was no industry standard to calculate a sustainable, economic cash flow metric.

Forward-Looking Statements

Certain statements in this MD&A are "forward-looking statements" that reflect management's expectations regarding the Trust's future growth, results of operations, performance and business prospects and opportunities, including those statements outlined under the headings "Business Overview and Strategic Direction", "Outlook" and "Annual Run-Rate NOI". More specifically, certain statements contained in this MD&A, including statements related to the Trust's maintenance of productive capacity, estimated future development plans and joint venture projects, including the described type, scope, costs and other financial metrics related thereto; the Trust's expectation that Walmart will continue to be the dominant anchor tenant in the Trust's property portfolio and that its presence will continue to attract other retailers and consumers; the Trust's expectations regarding future potential mixed-use development opportunities and costs thereof and returns therefrom; ability to pay future distributions to Unitholders, view of term mortgage renewals including rates and upfinancing amounts, timing of future payments of obligations, intentions to obtain additional secured and unsecured financing and potential financing sources; the Trust's potential future pipeline and uncommitted pipeline forecasted annualized NOI and run-rate NOI; and vacancy and leasing assumptions, and statements that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may" and similar expressions and statements relating to matters that are not historical facts, constitute "forward-looking statements". These forward-looking statements are presented for the purpose of assisting Unitholders and financial analysts to understand the Trust's operating environment, and may not be appropriate for other purposes. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

However, such forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including risks associated with real property ownership, debt financing, interest and financing, capital requirements, credit risk, general uninsured losses, construction and development risks, future property acquisitions, competition for real property investments, environmental matters, land leases, potential conflicts of interest, cyber security risk, significant Unitholder risks and tax-related matters. These risks and others are more fully discussed under the heading "Risks and Uncertainties" and elsewhere in this MD&A, as well as under the heading "Risk Factors" in the Trust's most recent annual information form. Although the forward-looking statements contained in this MD&A are based on what management believes to be reasonable assumptions, including those discussed under the heading "Outlook" and elsewhere in this MD&A, the Trust cannot assure investors that actual results will be consistent with these forward-looking statements.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: a stable retail environment; relatively low and stable interest costs; a continuing trend toward land use intensification, including residential development in urban markets, access to equity and debt capital markets to fund, at acceptable costs, future capital requirements and to enable our refinancing of debts as they mature; the availability of investment opportunities for growth in Canada; and the timing and ability of the Trust to sell certain properties, and the valuations to be realized on property sales relative to current IFRS values. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable Canadian securities laws, and as such the financial outlook may not be appropriate for purposes other than this MD&A. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. These forward-looking statements are made as at the date of this MD&A and the Trust assumes no obligation to update or revise them to reflect new events or circumstances unless otherwise required by applicable securities legislation.

All amounts in the MD&A are expressed in millions of Canadian dollars, except where otherwise stated. Per Unit amounts are expressed on a diluted basis, except where otherwise stated. Additional information relating to the Trust, including the Trust's annual information form for the year ended December 31, 2018, can be found at www.sedar.com.

Business Overview and Strategic Direction

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

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

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

As at March 31, 2019, the Trust has an ownership interest in 152 shopping centres with total income producing gross leasable area of 34.3 million square feet, one office property, seven development properties and four mixed-use properties, located in communities across Canada. Generally, the Trust's centres are conveniently located close to major highways, which, along with the anchor stores, provide significant draws to the Trust's portfolio, attracting both value-oriented retailers and consumers. In 2015, the Trust, through a subsidiary limited partnership, acquired the "SmartCentres" brand from Penguin, which has historically represented a family and value-oriented shopping experience. In 2017, the Trust changed its name from Smart Real Estate Investment Trust to SmartCentres Real Estate Investment Trust in order to further streamline the recognition, branding and goodwill associated with the SmartCentres' brand among investors, retailers, municipal officials and consumers.

Mixed-Use Development

A few examples of the Trust's evolution into mixed-use development that are currently under construction include: (i) the Vaughan Metropolitan Centre ("VMC") in Vaughan, Ontario, (ii) the Laval high-rise residential project in Laval, Quebec, and (iii) Leaside self storage in Toronto, Ontario. In addition, the Trust is currently working on initiatives for many other properties including: (i) the Toronto StudioCentre ("StudioCentre") in Toronto, Ontario, (ii) townhomes with Fieldgate, seniors residence towers with Revera and self-storage with SmartStop at the Vaughan North West ("Vaughan NW") shopping centre in Vaughan, Ontario, (iii) the development of up to 1.5 million square feet of residential space, in various forms, in Pointe-Claire, Quebec, (iv) the development of up to 2.5 million square feet of residential space, in various forms, at Westside Mall in Toronto, Ontario, and (v) the development of residential apartments, seniors residences and self-storage facilities, several of which were recently announced, at various shopping centres in the portfolio.

Acquisitions

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

Developments, Earnouts and Mezzanine Financing

Developments, Earnouts and Mezzanine Financing continue to be a significant component of the Trust's strategic plan. In the table below, "Developments" represent the potential gross leasable area that the Trust plans to develop for its own account and exclude the Trust's share of VMC which is reflected separately below. "Earnouts" are defined as the gross leasable area to be developed and leased to third parties, on lands previously purchased from Penguin and its partners. "Mezzanine Financing" purchase options are exercisable against the borrower of the mezzanine financing once a certain level of development and leasing at a shopping centre is achieved and typically allow the Trust to acquire 50% of the completed shopping centre at agreed-upon formulas, based on a market capitalization rate at the time the option is exercised. If the specified level of development and leasing is not achieved prior to the maturity date of the loan and the loan is repaid, then the option terminates. If an applicable property is to be sold prior to the maturity date of the loan and prior to the applicable option being triggered, then the Trust has a right of first refusal with respect to such sale.

The Trust's potential gross leasable area subject to retail Developments, Earnouts and Mezzanine Financing is summarized as follows:

(in thousands of square feet)	**March 31, 2019**	December 31, 2018
Retail Developments	**2,870**	2,850
Premium outlets	**50**	50
Planned developments not subject to Earnouts	**2,920**	2,900
Planned developments subject to Earnouts	**308**	314
Subtotal	**3,228**	3,214
Lands under Mezzanine Financing	**615**	615
Potential gross leasable area	**3,843**	3,829

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

Professional Management

Through professional management of the portfolio, the Trust intends to ensure its properties portray an image that will continue to attract consumers and residents, as well as provide preferred locations for its office and retail tenants. Well-managed properties enhance the overall quality of shopping, working and living experiences. The Trust believes its professional management of the portfolio permitted the maintenance of a high in-place occupancy rate of 97.8% at March 31, 2019 (December 31, 2018 – 98.0%) and a committed occupancy rate of 98.0% (December 31, 2018 – 98.1%) that includes executed leases that have not commenced.

Outlook

We believe that, collectively, the various new mixed-use initiatives that we are planning, will create substantial opportunities for inherent growth in both NAV and FFO per unit. In addition, these initiatives are consistent with our diversification strategy that will enable SmartCentres to substantially add to and expand our retail platform. As outlined below, these new mixed-use initiatives will provide investors with a much larger, and more sustainable NOI that is unique in Canada. Currently, 168 intensification initiatives have been identified to commence over the next five years on 76 of the 164 properties owned by SmartCentres. In addition, we continue to assess each of our existing properties to identify additional opportunities for mixed-use development. The table below identifies the current status of the 168 identified initiatives.

Description	# Projects Underway	# Projects In Active Planning	# Projects Identified for Future (Minimum)	Total Minimum # Projects Currently Underway, in Active Planning and Identified for Future
Apartment Rentals	9	7	22	38
Residential Condominiums	7	9	13	29
Residential Townhomes	1	4	10	15
Seniors' Residences	2	13	30	45
Office	1	2	—	3
Self-Storage	13	14	11	38
Total	33	49	86	168

These various initiatives will be developed primarily on sites that are in our existing portfolio of properties across Canada. Accordingly, we will not be required to purchase expensive development land. In addition to improving a project's economic returns, because most of these initiatives are being planned on properties that we have owned for many years and have previously developed, for each of these respective properties, we have an enormous competitive advantage. In this regard, we are familiar with: i) the needs and concerns of the communities and their municipal administrations, ii) the existing complement of services and any proposed future improvements to infrastructure and services, iii) any geotechnical and environmental constraints, and iv) the realistic timeframes expected for rezoning and similar entitlements. The financial benefits associated with these various development initiatives will soon begin to manifest in our operating results.

In the first quarter of 2019 the new 144,000 square foot expansion of the Toronto Premium Outlets (which we own together with Simon Properties) was 99.4% leased with only one single unit of 3,000 square feet available for lease. The expanded 502,000 square foot shopping centre is home to a variety of new luxury brands which now includes Gucci, Prada, Montblanc and Zadig & Voltaire and sales revenue for 2019 is expected to exceed $1,150.00 per square foot which ranks this asset in the top tier of retail centres in Canada and is one of Simon Properties' best performing Premium Outlets in the world. The Premium Outlets in Montreal (which we also own together with Simon Properties) continues to experience high occupancy, with continuously improving traffic and sales levels. This continued strength has resulted in us beginning to plan for additional development on several out-parcels on this site that are expected to commence over the next several years. Also, we continue to work with our partner, Simon Properties, on two potential additional Premium Outlets locations in Canada.

At SmartCentres Place in Vaughan, we are continuing to complete the balance of retail leasing on the first floor in the KPMG Tower. In addition to the recent opening of an International News Convenience store, a soon to be opened Bank of Montreal retail branch and a Pumpernickel's location, we are in active negotiations with various other retailers. Completion of the PWC/YMCA Complex continues on time and on budget. PWC has recently taken possession of their space and is currently completing their 'fit out' work and expect to open their new office in the fall 2019. In addition, we are in the final stages of completing a lease with a major Canadian financial institution that will result in a new retail branch location on the first floor and the same financial institution will take the top floor of office space in the building. We are also in discussions with a higher end purveyor of coffee and expect to be able to announce further details on these initiatives next quarter. The completion of the YMCA space is in progress and is expected to open early in 2020. We expect both the KPMG Tower and the PWC/YMCA Complex to be 100% leased before year end 2019 and we have now actively commenced leasing and design discussions for the next phase of office development at SmartCentres Place.

With respect to the Transit City residential phases at SmartCentres Place, there are currently four active cranes (with a fifth crane soon to be erected) on site reflecting the significant level of construction activity that is currently underway, including Transit City's first three 55-storey residential condominium towers, together with a new 1,100 unit multi-level parking facility. The first three 55-storey Transit City condominium towers that we are developing with our partners, Penguin and CentreCourt Developments ("CentreCourt"), represent over 1,700 residential units, all of which have been substantially presold with 20% purchaser deposits now entirely received. In addition, together with Penguin and CentreCourt we are pleased to confirm that we have recently pre-sold 479 units and 501 units

in phases 4 and 5, respectively, once again substantively selling out each phase. The following table provides additional details on each of the phases:

Phase	# Storeys	# Units Released for Sale	# Units Sold	% of Units Sold to Date	Estimated Completion Period
1	55	551	551	100.0%	2020/2021
2	55	559	559	100.0%	2020/2021
3	55	606	606	100.0%	2021
4	45	494	479	97.0%	2023
5	50	519	501	96.5%	2023
Total		**2,729**	**2,696**	**98.8%**	

Concurrent with the development of phases 4 and 5, together with Penguin, we intend to complete a 35 storey, 450 units, purpose-built rental building on the site. As we have heard from so many of the purchasers of condominiums in each of the phases that have been pre-sold to date, the growth potential for SmartCentres Place is closely linked to the various transit modes that directly serve the property, which include the VMC Subway Station which connects the site directly to downtown Toronto, the VIVA Bus Service, which continues its westerly expansion along Hwy 7, and the soon to be opened SmartCentres Place Bus Terminal, which will serve as the new hub for York Region Transit Services connecting into the VMC Subway Station. Also, vehicular access to/from SmartCentres Place will be significantly improved later this year when construction of the re-alignment of the on/off ramps to/from Hwy 400 northbound at Hwy 7 directly in to SmartCentres Place is completed.

With our partner, Jadco, we are well into construction of the first phase of the two phase, 338-unit, purpose-built residential rental project in Laval. Completion of the first phase, which is a 171-unit, 15-storey tower, is expected in early 2020 and construction of the second phase is now expected to commence in 2020. Economic stabilization of the first tower is expected by the third quarter of 2020, and based on the market for rental accommodation in Laval and our current estimate for budgeted costs, once stabilized, we expect this project to yield a 5.3%-5.8% return on costs.

In the first quarter of 2019, together with Revera Inc., we announced the execution of an overall agreement to develop and own new retirement living residences across Canada. We also announced the execution of specific site agreements to proceed with the first three projects, which will contain 536 units in Vaughan (two projects) and Oakville. Construction of these three projects is expected to commence in 2020, subject to municipal approvals. We are currently working on an additional arrangement with a well regarded seniors home operator, to build seniors apartments/residences on undeveloped lands at our Laurentian Place shopping centre in Ottawa. Construction of this 400-unit development is expected to be completed in 2022, and based on our current budgets and estimates, this project is anticipated to generate a return on investment of 6.0%-7.0%. We are continuing to work with our partners to identify additional opportunities to develop retirement home communities within our portfolio of shopping centre locations.

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

Our core portfolio of over 34 million square feet of predominantly Walmart-anchored shopping centres has been designed for both strength and agility, and it provides a safe and secure platform from which we can leverage our various mixed-use development opportunities. In this regard, we continue to work with our existing tenants to facilitate their evolving omni-channel and e-commerce platforms. We continue to experience steady demand from both existing and prospective tenants in our shopping centres. To date, we have renewed 76.1% of our expiring 2019 lease maturities (2018 - 61.8%) with rental increases, excluding anchor tenants of 5.2% (2018 - 4.2%). During the first quarter of 2019 our overall committed occupancy level declined to 98.0% from 98.1% at the end of 2018. This decrease is largely predicated on the bankruptcy and closure of 21 Bombay and Bowring locations in our portfolio that represented 103,000 square feet. All of these locations are part of Walmart-anchored or shadow-anchored shopping centres, and we expect to backfill these locations over the next 12 to 18 months. Similarly, during the first quarter of 2019, Payless Shoes filed for creditor protection under CCAA and announced that they would be closing their Canadian stores during the second quarter of 2019. We have 46 Payless locations in our portfolio representing 114,000 square feet and we expect to backfill most of these locations over the next 12 to 18 months. However, this recent news by Payless will result in the temporary decline of our overall occupancy rate in the second quarter of 2019 which we expect to then increase before the end of the year.

These store closures are representative of the continuous evolution of retailing, and although they result in temporary declines in both occupancy and FFO, they do, however, represent opportunities for us to provide well-located space to new and growing tenants. This retail growth is best reflected in our pipeline of retail Developments and Earnouts. Excluding SmartCentres Place, during 2019 we expect to complete approximately 275,000 square feet of new retail developments including additional new stores for well-known retailers such as Indigo, Marshalls, Old Navy, HomeSense, End of the Roll, Yellow, and various restaurants and service-based tenancies. Also, during 2019, we expect to complete earnouts approximating 42,000 square feet that will include tenants such as Pet Valu, Carter's Osh Kosh and various restaurants. Excluding SmartCentres Place, during the first quarter of 2019, we completed approximately 88,000 square feet of these new Earnouts and Developments with an average yield of 5.93%.

Over the last several years, there has been a growing secular trend among other landlords that places heavier weightings and economic values on urban retail locations. This trend seems to dismiss large secondary and medium secondary retail markets as being more vulnerable to macro-based retail trends and changing patterns in consumer behaviour. We disagree principally because substantially all of our shopping centres that are located in either large secondary or medium secondary markets are anchored or shadow anchored by a Walmart store, thus ensuring high levels of occupancy and relevance for each of these centres into the future. The table below provides additional details on the location and relevance of our centres in primary, large secondary and medium secondary markets.

	Centres		Area		NOI	Committed Occupancy
Market Type	**#**	**%**	**Square Feet (in millions)**	**%**	**%**	**%**
Primary	100	64.0%	23.4	68.0%	72	97.8%
Large Secondary	34	21.0%	7.1	21.0%	18	98.2%
Medium Secondary	23	15.0%	3.9	11.0%	10	99.0%
Total	157	100.0%	34.4	100.0%	100	98.0%

In January 2019, we completed a very successful new equity issue that totalled $230.0 million and we are grateful to both the institutional and retail investors that participated in this initiative for their continued support and confidence in SmartCentres. We took the opportunity to issue this new equity to assist with funding requirements that we expect over the next several years as our development pipeline builds. Accordingly, the funds raised have been applied against outstanding indebtedness to reduce our overall debt levels and related debt metrics, to appropriately and conservatively accommodate future levels of expected development financing that will be required to generate future FFO growth (re: over the next 5 years, we expect to begin projects with total expected development costs of $9.5 billion of which our share is estimated to be $3.3 billion). Our successful equity issue will, however, have a dilutive impact on FFO per Unit in 2019 and we estimate this to be approximately 3% (or $0.06).

During the first quarter of 2019 FFO per Unit was $0.55 which is $0.01 less than we experienced last year, and this reduction was principally caused by the dilution associated with the $230.0 million equity raise. First quarter 2019 FFO after one-time items increased by $2.5 million to $91.8 million and absent the equity raise, growth in FFO per Unit would have been approximately 2% in first quarter of 2019. This growth in FFO was primarily derived from: (i) incremental revenue associated with the expansion of the Toronto Premiums Outlets, (ii) savings in interest costs associated with refinancing those mortgages and similar finance facilities that matured in 2018, and (iii) the additional net income attributed to new leases that have commenced in the KPMG Tower at SmartCentres Place.

FFO per Unit is expected to grow by over 10% in 2020, as we begin to experience the start of project completions in our large pipeline of mixed-use developments. Specifically, in 2020, this new level of FFO per Unit is expected to be principally driven by the completion and initial deliveries of units in at least the first two phases of the Transit City condominiums. Similar levels of FFO from condominium and townhome completions are expected to continue for many years to come.

We continue to focus on further fortifying our balance sheet and the $230.0 million equity issuance is indicative of this focus. Also, during the first quarter of 2019, we redeemed $150.0 million in Series H 4.05% Debentures which were replaced with a new $150.0 million, 7 year, 3.59% fixed rate unsecured bank facility. This accretive financing initiative permits us certainty on interest rates for the next seven years and mitigates any potential dilutive impact from possible interest rate increases that could occur between now and the original July 2020 maturity date of the Series H 4.05% Debentures. In addition, in the first quarter of 2019 we issued $350.0 million in Series T 2.76% debentures maturing in June 2021 which was principally used to repay variable rate mortgages and variable rate project financing. These transactions further strengthen our debt ladder and extend our weighted average term on unsecured debt to 4.4 years. As at March 31, 2019, our overall debt levels continued to decline. Compared to March 31, 2018, our current Adjusted Debt to Adjusted Aggregate Assets ratio is 41.7% (2018 – 45.0%), Debt to Adjusted EBITDA ratio was 8.0x (2018 – 8.5x), and Interest Coverage ratio was 3.3x (2018 – 3.1x). Also, as at March 31 2019, our weighted average costs of secured and unsecured debt were 4.05% (2018 – 3.93%%) and 3.43% (2018 – 3.53%), respectively.

The current interest rate environment in Canada has improved over the last three months. Until recently, Canadian economists expected the Bank of Canada to announce three interest rate increases in 2019 with the expectation that the overnight rate would increase to

2.50% before the end of 2019 from its current level of 1.75%. However, recent forecasts have suggested sluggish economic growth in Canada over the next two years, thus signalling a move dovish tone by the Bank of Canada. Accordingly, when appropriate, we will take advantage of these favourable borrowing conditions to enhance FFO, extend debt maturities and further mitigate exposure to interest rate risk. The recent early redemption of the Series H debentures, and their replacement with a 7-year fixed-rate unsecured bank loan, and the recent issuance of Series T debentures to repay variable rate mortgages are examples of our execution of this strategy. In addition, we are continuing our strategy to repay most maturing mortgages by using our line of credit on an interim basis, and then terming out selectively with unsecured debentures or similar unsecured facilities. Our current ratio of secured/unsecured debt is 48%/52% (2018 - 53%/47%). This strategy permits us to continue to increase our unencumbered asset pool, which is currently valued at approximately $4.5 billion (2018 - $3.5 billion), with the ultimate goal of enhancing our current BBB (mid) credit rating.

We are well positioned to drive growth in both FFO and NAV over the medium and longer terms with the strength, stability and security offered by our dominant operating platform, together with our growing mixed-use development platform. We are excited about the substantive growth in FFO that is expected to begin to accrue in 2020, and the opportunities to build mixed-use communities on our shopping centre properties in the years to come!!!

Key Business Development, Financial and Operational Highlights for the Three Months Ended March 31, 2019

The Trust continued its growth through Developments and Earnouts in 2019, in addition to the Acquisitions, Developments and Earnouts that took place in 2018. During the quarter, the Trust also focused on managing the operation and development of existing properties and raising the capital required for future growth of the business.

Key business development highlights for the three months ended March 31, 2019 include the following:

- The Trust and Penguin entered into another joint venture with CentreCourt, to develop two additional Transit City Condo towers in SmartCentres Place at the Vaughan Metropolitan Centre ("VMC"). These two towers, Towers 4 and 5, will complement Towers 1, 2 and 3, the three 55-storey towers which were strongly received by the market in May 2017. SmartCentres and Penguin alone will also develop a sixth tower as a purpose-built rental apartment. The three new towers total approximately 1,600 units, contributing to the burgeoning downtown core in Vaughan that Penguin and SmartCentres are actively developing. Towers 4 and 5 will be 45 and 50 storeys, respectively, while the apartment building will be 35 storeys. The three towers, designed by Diamond Schmitt Architects, will be located adjacent to the TTC subway station connecting SmartCentres Place directly to downtown Toronto. This phase includes expansive open green spaces designed by Claude Cormier & Associates. The open spaces are an integral part of the master plan at SmartCentres Place. Demand for Towers 4 and 5 has been exceptional as evidenced by their recent sales success whereby substantively all of the approximately 1,000 units have been pre-sold.

- The Trust, Penguin, and Revera Inc., executed an overall agreement to develop and own new retirement living residences across Canada. In addition, the Trust and Revera have executed specific site agreements to proceed with the first three projects in the Greater Toronto Area. The projects will include 536 units, consisting of seniors' apartments and retirement residences in Vaughan and Oakville. The Trust's share of the total initial investment will be approximately $150.0 million. It is expected that construction on all three projects will start in spring 2020, subject to municipal approvals.

- The Trust announced that it has executed agreements for two additional self-storage locations in its joint venture arrangement with SmartStop Asset Management, LLC ("SmartStop"). This brings the total number of SmartStop joint venture locations to six.

Financial and operational highlights for the three months ended March 31, 2019 include the following:

- The Trust closed an equity offering of 7,360,000 Trust Units at a price of $31.25 per Trust Unit for gross proceeds of $230.0 million, including the exercise, in full, of the over-allotment option granted to the underwriters.

- The Trust redeemed $150.0 million aggregate principal amount of 4.05% Series H senior unsecured debentures due in July 2020 (the "Series H Debentures"), constituting all of the Series H Debentures outstanding. Concurrent with the redemption of the Series H Debentures, the Trust arranged a new $150 million 7 year, 3.59% fixed rate loan with a major Canadian bank, the proceeds from which were used to repay the Series H Debentures.

- The Trust closed on a $350.0 million aggregate principal amount issuance of Series T senior unsecured debentures that carry an annual coupon rate of 2.757% and will mature in June 2021 with the proceeds used to repay outstanding variable rate mortgage debt to fortify the balance sheet for future development projects

- Net income and comprehensive income was $80.0 million, as compared to $100.5 million in the same period in 2018, representing a decrease of $20.5 million or 20.4%.[(1)] This decrease of $20.5 million was primarily due to IFRS fair value adjustments on financial instruments resulting from the Trust's unit price increase as compared to the same period in 2018.

- Rentals from investment properties and other was $206.4 million, as compared to $198.4 million in the same period in 2018, representing an increase of $8.0 million or 4.0%.[(1)]

- Committed and in-place occupancy rates were 98.0% and 97.8%, respectively, as at March 31, 2019, compared to 98.1% and 98.0%, respectively, as at December 31, 2018, which was principally caused by the closure of 21 Bombay and Bowring locations during the three months ended March 31, 2019.

- Cash flows provided by operating activities was $56.8 million, as compared to $44.1 million in the same period in 2018, representing an increase of $12.7 million or 28.8%.[1]

- Net income excluding loss on disposition and fair value adjustments was $82.8 million, as compared to $84.8 million in the same period in 2018, representing a decrease of $2.0 million or 2.4%. [2]

- FFO with one time adjustment and before Transactional FFO increased by $2.5 million or 2.8% to $91.8 million, and decreased by $0.01 or 1.8% to $0.55 on a per Unit basis, compared to the same period in 2018 (see "Other Measures of Performance" for details). The reduction in FFO per unit resulted from the dilution associated with the $230.0 million equity offering in January 2019.[2]

- ACFO with one time adjustment increased by $2.1 million or 2.6% to $83.9 million compared to the same period in 2018 (see "Other Measures of Performance" for details).[2]

- ACFO with one time adjustment exceeded both distributions declared and distributions paid by $7.2 million and $24.2 million, respectively, compared to the same period in 2018 of $11.4 million and $24.8 million, respectively (see "Other Measures of Performance" for details).[2]

- Same properties' NOI decreased by $0.2 million or 0.2% compared to the same period in 2018.[2]

- The weighted average stabilized capitalization rate for the Trust's investment property portfolio was 5.90% (December 31, 2018 – 5.92%).[2]

- The Trust's unencumbered pool of high-quality assets increased by $927.1 million or 26.3% to $4.5 billion compared to March 31, 2018.[2]

Subsequent to Quarter End:

- On May 6, 2019, the Trust and Penguin announced that Transit City Condo Towers 4 and 5 in SmartCentres Place at the VMC in Vaughan, Ontario, were substantially sold out and actual sales figure result in the Trust projecting a return on costs in excess of 20%.

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

Selected Consolidated Financial and Operational Information

The consolidated financial and operational information shown in the table below includes the Trust's share of equity accounted investments, see the "Equity Accounted Investments" section for details, and represents key operational and financial information for the three months ended March 31, 2019, December 31, 2018 and March 31, 2018.

(in thousands of dollars, except per Unit and other non-financial data)	**March 31, 2019**	December 31, 2018	March 31, 2018
Operational Information			
Number of retail and other properties	**152**	152	153
Number of properties under development	**7**	7	7
Number of office properties	**1**	1	1
Number of mixed-use properties	**4**	4	2
Total number of properties with an ownership interest	**164**	164	163
Gross leasable area (in thousands of sq. ft.)	**34,326**	34,379	34,158
Future estimated retail development area (in thousands of sq. ft.)	**3,228**	3,214	3,961
Lands under Mezzanine Financing (in thousands of sq. ft.)	**615**	615	615
Committed occupancy rate	**98.0%**	98.1%	98.1%
In-place occupancy rate	**97.8%**	98.0%	98.0%
Average lease term to maturity	**5.3 years**	5.4 years	5.7 years
Net rental rate (per occupied sq. ft.)	**$15.41**	$15.38	$15.29
Net rental rate excluding Anchors (per occupied sq. ft.)	**$21.99**	$21.82	$21.67
Financial Information			
Investment properties[(2)(3)]	**9,196,055**	9,155,173	8,984,949
Total assets[(1)]	**9,608,647**	9,459,632	9,416,938
Total unencumbered assets[(2)]	**4,451,600**	4,250,800	3,524,500
Debt[(2)(3)]	**4,139,682**	4,236,364	4,269,593
Debt to Aggregate Assets[(2)(3)]	**42.2%**	43.9%	45.0%
Adjusted Debt to Adjusted Aggregate Assets[(2)(3)]	**41.7%**	43.9%	45.0%
Debt to Gross Book Value[(2)(3)]	**49.0%**	51.1%	51.8%
Interest Coverage[(2)(3)]	**3.3X**	3.3X	3.1X
Interest coverage (net of capitalized interest expense)[(2)(3)]	**3.8X**	3.8X	3.6X
Debt to Adjusted EBITDA[(2)(3)]	**8.0X**	8.2X	8.5X
Equity (book value)[(1)]	**5,250,361**	5,008,331	4,871,886

(1) Represents a GAAP measure.

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

(3) Includes the Trust's share of equity accounted investments.

The following table represents key financial, per Unit, and payout ratio information for the three months ended March 31, 2019 and March 31, 2018:

(in thousands of dollars, except per Unit information)	**March 31, 2019**	March 31, 2018	Variance
Financial Information			
Rentals from investment properties and other[1]	**206,433**	198,433	8,000
Net income and comprehensive income[1][3]	**79,973**	100,466	(20,493)
Cash flows provided by operating activities[1]	**56,768**	44,063	12,705
Net income and comprehensive income excluding loss on disposition and fair value adjustments[2][3]	**82,751**	84,815	(2,064)
NOI[2][3]	**125,934**	122,839	3,095
FFO[2][3][4][5]	**88,296**	89,287	(991)
FFO with one time adjustment and before Transactional FFO[2][3][4]	**91,821**	89,287	2,534
FFO with one time adjustment and Transactional FFO[2][3][4]	**91,821**	89,777	2,044
ACFO[2][3][4][5]	**80,375**	81,808	(1,433)
ACFO with one time adjustment[2][3][4]	**83,900**	81,808	2,092
Distributions declared	**76,716**	70,408	6,308
Surplus of ACFO with one time adjustment over distributions declared[2]	**7,184**	11,400	(4,216)
Surplus of ACFO with one time adjustment over distributions paid[2]	**24,178**	24,794	(616)
Units outstanding[6]	**169,609,625**	160,173,698	9,435,927
Weighted average – basic	**167,541,581**	159,943,580	7,598,001
Weighted average – diluted[7]	**168,448,169**	160,687,906	7,760,263
Per Unit Information (Basic/Diluted)			
Net income and comprehensive income	**$0.48/$0.47**	$0.63/$0.63	$-0.15/$-0.16
Net income and comprehensive income excluding loss on disposition and fair value adjustments	**$0.49/$0.49**	$0.53/$0.53	$-0.04/$-0.04
FFO[2][3][4][5]	**$0.53/$0.52**	$0.56/$0.56	$-0.03/$-0.04
FFO with one time adjustment and before Transactional FFO[2][3][4]	**$0.55/$0.55**	$0.56/$0.56	$-0.01/$-0.01
FFO with one time adjustment and Transactional FFO[2][3][4]	**$0.55/$0.55**	$0.56/$0.56	$-0.01/$-0.01
Distributions declared	**$0.450**	$0.437	$0.013
Payout Ratio Information			
Payout ratio to FFO[2][3][4][5]	**85.8%**	78.7%	7.1%
Payout ratio to FFO with one time adjustment and before Transactional FFO[2][3][4]	**82.6%**	78.7%	3.9%
Payout ratio to FFO with one time adjustment and Transactional FFO[2][3][4]	**82.6%**	78.3%	4.3%
Payout ratio to ACFO[2][3][4][5]	**95.4%**	86.1%	9.3%
Payout ratio to ACFO with one time adjustment[2][3][4]	**91.4%**	86.1%	5.3%

(1) Represents a GAAP measure.
(2) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Non-GAAP Measures" section in this MD&A.
(3) Includes the Trust's share of equity accounted investments.
(4) See "Other Measures of Performance" for a reconciliation of these measures to the nearest consolidated financial statement measure.
(5) The calculation of the Trust's FFO and ACFO and related payout ratios, including comparative amounts, are financial metrics that were determined based on the February 2019 REALpac White Paper on FFO and ACFO, respectively. Comparison with other reporting issuers may not be appropriate. The payout ratio to FFO and the payout ratio to ACFO are calculated as declared distributions divided by FFO and ACFO, respectively.
(6) Total Units outstanding include Trust Units and LP Units, including Units classified as liabilities. LP Units classified as equity in the unaudited interim condensed consolidated financial statements are presented as non-controlling interests.
(7) The diluted weighted average includes the vested portion of the deferred unit plan.

Results of Operations

The Trust's real estate portfolio has grown through Developments and Earnouts during the course of the past quarter, in addition to the Acquisitions, Developments and Earnouts that took place in 2018, resulting in increases in operating results for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018.

The following summarizes net income and comprehensive income, NOI, NOI related ratios, and recovery ratios, for the three months ended March 31, 2019 and March 31, 2018, and to provide additional information, reflects the Trust's share of equity accounted investments, the sum of which represents a non-GAAP measure:

(in thousands of dollars)	**Three Months Ended March 31, 2019**			Three Months Ended March 31, 2018			
	Trust	**Equity Accounted Investments**	**Total**	Trust	Equity Accounted Investments	Total	Variance
			(Non-GAAP)[1]			(Non-GAAP)[1]	(Non-GAAP)[1]
			(A)			(B)	(A-B)
Net income and comprehensive income[2]	**79,244**	**729**	**79,973**	98,590	1,876	100,466	(20,493)
Net base rent	**125,549**	**1,812**	**127,361**	124,020	1,768	125,788	1,573
Property tax and insurance recoveries	**48,457**	**433**	**48,890**	47,278	410	47,688	1,202
Property operating cost recoveries	**25,886**	**486**	**26,372**	21,953	435	22,388	3,984
Miscellaneous revenue	**4,122**	**482**	**4,604**	2,131	400	2,531	2,073
Rentals from investment properties	**204,014**	**3,213**	**207,227**	195,382	3,013	198,395	8,832
Service and other revenues	**2,419**	**—**	**2,419**	3,051	—	3,051	(632)
Rentals from investment properties and other	**206,433**	**3,213**	**209,646**	198,433	3,013	201,446	8,200
Recoverable property operating costs and taxes	**(77,416)**	**(1,037)**	**(78,453)**	(71,715)	(884)	(72,599)	(5,854)
Property management fees and costs	**(1,199)**	**(81)**	**(1,280)**	(1,725)	(64)	(1,789)	509
Non-recoverable costs	**(1,365)**	**(172)**	**(1,537)**	(1,019)	(150)	(1,169)	(368)
Property operating costs	**(79,980)**	**(1,290)**	**(81,270)**	(74,459)	(1,098)	(75,557)	(5,713)
Other expenses	**(2,442)**	**—**	**(2,442)**	(3,050)	—	(3,050)	608
Property operating costs and other	**(82,422)**	**(1,290)**	**(83,712)**	(77,509)	(1,098)	(78,607)	(5,105)
NOI[3]	**124,011**	**1,923**	**125,934**	120,924	1,915	122,839	3,095
NOI as a percentage of net base rent	**98.8%**	**106.1%**	**98.9%**	97.5%	108.3%	97.7%	1.2%
NOI as a percentage of rentals from investment properties	**60.8%**	**59.9%**	**60.8%**	61.9%	63.5%	61.9%	(1.1)%
NOI as a percentage of rentals from investment properties and other	**60.1%**	**59.9%**	**60.1%**	60.9%	63.5%	61.0%	(0.9)%
Recovery ratio (including prior year adjustments)	**96.0%**	**88.6%**	**95.9%**	96.5%	95.5%	96.5%	(0.6)%
Recovery ratio (excluding prior year adjustments)	**95.5%**	**88.6%**	**95.4%**	96.6%	95.7%	96.5%	(1.1)%

(1) Except for net income and comprehensive income, this column contains non-GAAP measures because of the fact that it includes figures that are recorded in equity accounted investments - that are not explicitly disclosed and/or presented in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019.

(2) Represents a GAAP measure.

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

For the three months ended March 31, 2019, net income and comprehensive income decreased by $20.5 million or 20.4% compared to the same period in 2018. This decrease was primarily attributed to the following:

- $17.6 million decrease in fair value adjustments on financial instruments principally due to the Trust's Unit price increase as compared to the same period in 2018 (as financial instruments are fair valued at the balance sheet date);
- $3.0 million decrease in fair value adjustments on revaluation of investment properties;

- $3.5 million increase in yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs; and
- $1.0 million increase in general and administrative expenses, principally resulting from both higher LTIP and DUP costs that are tied directly to the Trust's Unit price;

Partially offset by:

- $3.1 million increase in NOI;
- $1.0 million increase in gain on sale of investment properties; and
- $0.5 million increase in interest income.

For the three months ended March 31, 2019, NOI increased by $3.1 million or 2.5% compared to the same period in 2018. This increase was primarily attributed to the following:

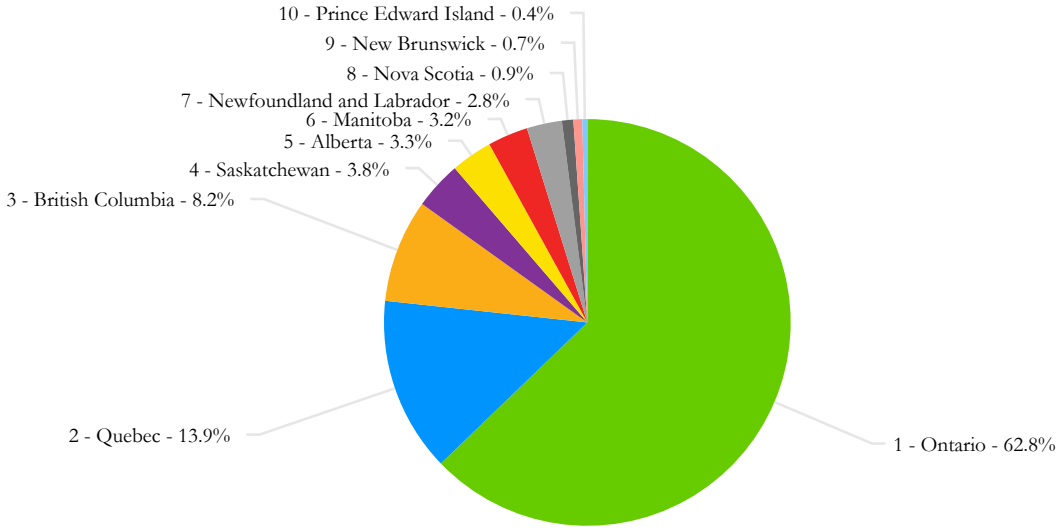
- $1.6 million increase in rental income attributed to Toronto Premium Outlets' expansion and other Earnouts and Developments;
- $1.3 million increase in lease termination fees; and
- $0.7 million increase in percentage rent and other miscellaneous revenue;

Partially offset by:

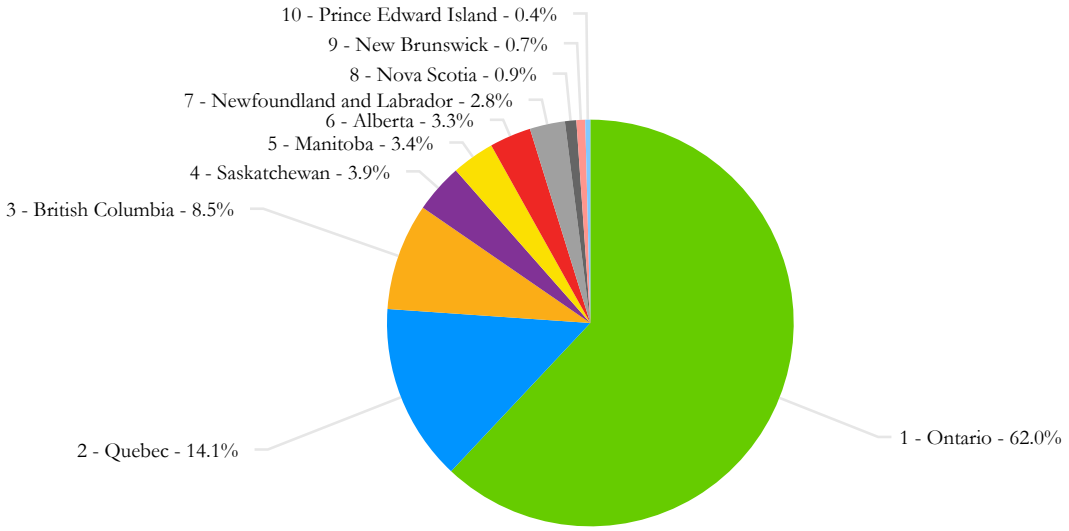
- $0.5 million net decrease in CAM and realty tax recoveries primarily due to higher vacancy.

With respect to the total recovery ratio (including the Trust's share of equity accounted investments), both including and excluding prior year adjustments, the Trust recovered 95.9% and 95.4%, respectively, of total recoverable expenses during the three months ended March 31, 2019, compared to 96.5% and 96.5%, respectively, in the same quarter in 2018.

Gross Revenue by Province (%) (Three Months Ended March 31, 2019)



Gross Revenue by Province (%) (Three Months Ended March 31, 2018)



The Trust's portfolio is located across Canada with properties in each province. With respect to the portfolio's gross revenue, 76.7% (March 31, 2018 – 76.1%) is derived from Ontario and Quebec, primarily in the Greater Toronto and Greater Montreal areas.

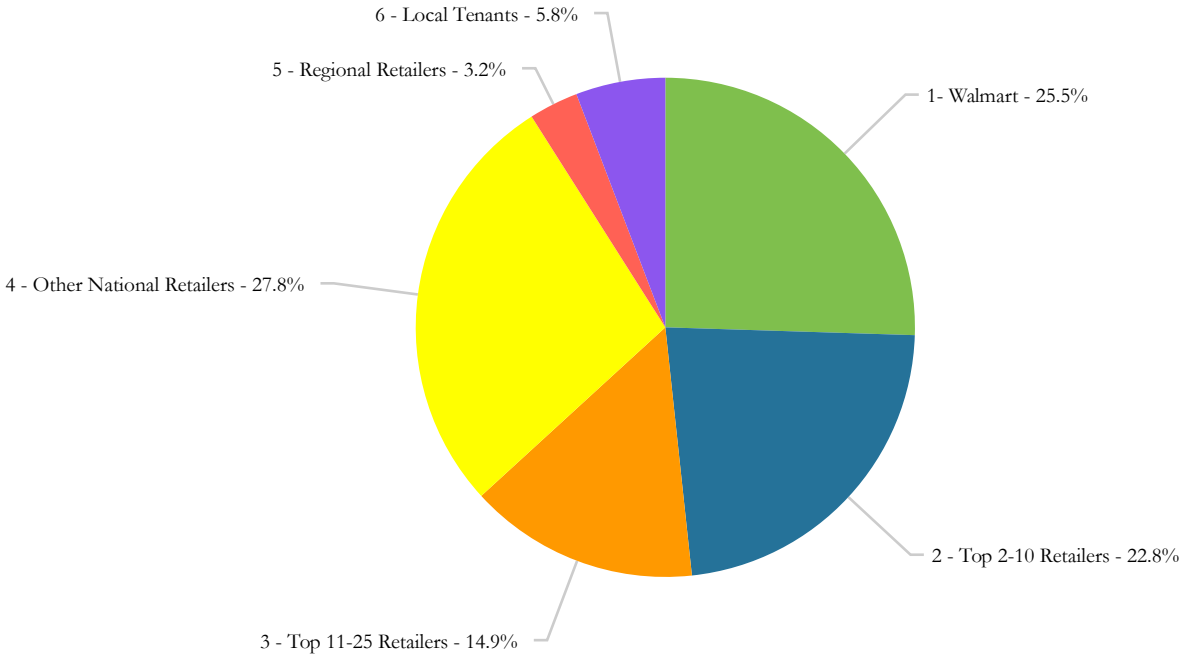
Top 25 Tenants

The 25 largest tenants (by annualized gross rental revenue) account for 63.2% of portfolio revenue as follows:

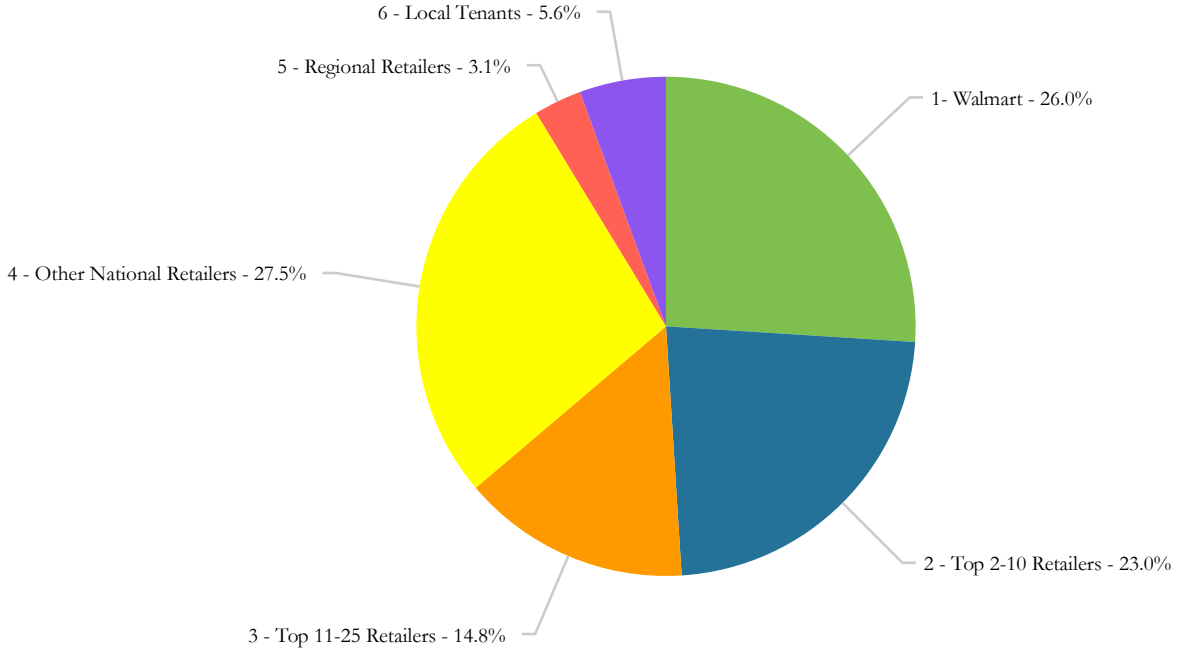
#	Tenant	Number of Stores	Annualized Gross Rental Revenue ($ millions)	Percentage of Total Annualized Gross Rental Revenue	Leased Area (sq. ft.)	Leased Area as a Percentage of Total Gross Leasable Area
1	Walmart[1]	101	202.4	25.5%	14,097,599	41.1%
2	Canadian Tire, Mark's, FGL Sports	73	35.9	4.5%	1,379,611	4.0%
3	Winners, HomeSense, Marshalls	55	33.3	4.2%	1,378,687	4.0%
4	Loblaw, Shoppers Drug Mart	24	21.6	2.7%	899,056	2.6%
5	Lowes, RONA	9	18.6	2.3%	1,023,223	3.0%
6	Sobeys	18	18.4	2.3%	782,029	2.3%
7	Reitmans	89	15.4	1.9%	493,320	1.4%
8	Best Buy	21	13.3	1.7%	484,277	1.4%
9	Dollarama	52	13.2	1.7%	490,904	1.4%
10	Michaels	25	12.0	1.5%	477,249	1.4%
11	LCBO	34	12.0	1.5%	326,970	1.0%
12	Recipe Unlimited	55	11.4	1.4%	284,569	0.8%
13	Staples	21	10.0	1.3%	449,599	1.3%
14	Gap Inc.	25	9.0	1.1%	262,608	0.8%
15	Bonnie Togs	47	8.5	1.1%	225,652	0.7%
16	Bulk Barn	52	8.1	1.0%	242,998	0.7%
17	Toys R Us	7	7.4	0.9%	268,880	0.8%
18	CIBC	27	7.2	0.9%	147,298	0.4%
19	The Brick	10	6.8	0.9%	281,795	0.8%
20	Dollar Tree, Dollar Giant	27	6.7	0.8%	225,819	0.7%
21	Sleep Country	37	6.5	0.8%	177,517	0.5%
22	Ricki's, Cleo, Urban Barn, Warehouse One	37	6.4	0.8%	175,153	0.5%
23	Metro	8	6.4	0.8%	306,664	0.9%
24	GoodLife Fitness Clubs	11	6.2	0.8%	249,417	0.7%
25	Sail	3	6.0	0.8%	214,224	0.6%
		868	502.7	63.2%	25,345,118	73.8%

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

Annualized Gross Rental Revenue by Tenant (%) (Three Months Ended March 31, 2019)



Annualized Gross Rental Revenue by Tenant (%) (Three Months Ended March 31, 2018)



Same Properties NOI

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

(in thousands of dollars)	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018	Variance	Variance (%)
Net rental income	**124,034**	120,923	3,111	2.6 %
Service and other revenues	**2,419**	3,051	(632)	(20.7)%
Other expenses	**(2,442)**	(3,050)	608	(19.9)%
NOI[1]	**124,011**	120,924	3,087	2.6 %
NOI from equity accounted investments[1]	**1,923**	1,915	8	0.4 %
Total portfolio NOI before adjustments[1]	**125,934**	122,839	3,095	2.5 %
Adjustments:				
Royalties	**209**	159	50	31.4 %
Straight-lining of rents	**(740)**	(706)	(34)	4.8 %
Lease termination and other adjustments	**(1,420)**	(77)	(1,343)	N/R[2]
Amortization of tenant improvements	**1,862**	1,734	128	7.4 %
Total portfolio NOI after adjustments[1]	**125,845**	123,949	1,896	1.5 %
NOI sourced from:				
Acquisitions	**(238)**	—	(238)	N/R[2]
Dispositions	**—**	99	(99)	N/R[2]
Earnouts and Developments	**(2,530)**	(743)	(1,787)	N/R[2]
Same Properties NOI[1]	**123,077**	123,305	(228)	(0.2)%

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

(2) N/R - Not representative

"Same properties" in the above table refer to those income properties that were owned by the Trust from January 1, 2018 to March 31, 2018 and from January 1, 2019 to March 31, 2019. The same properties NOI for the three months ended March 31, 2019 decreased by $0.2 million or 0.2% compared to the same period in 2018.

Annual Run-Rate NOI

Annual Run-Rate NOI is a forward-looking, non-GAAP measure. Management's estimate of the Annual Run-Rate NOI at March 31, 2019 is $505.9 million.

The Annual Run-Rate NOI is computed by annualizing the current quarter NOI and making adjustments for the impact of straight-line rent and other non-recurring items including but not limited to bad debt provisions and termination fees. This estimate does not reflect income to be recognized from committed leases that have not yet commenced or the loss of income from space expected to be vacated over the next twelve months. The estimated Annual Run-Rate NOI improved by $8.0 million or 1.6% from March 31, 2018, which was primarily attributed to the Toronto Premium Outlets' expansion and other completed Earnouts and Developments.

The sensitivity analysis below shows the impact on Annual Run-Rate NOI relating to changes in the Annual Run-Rate NOI growth rate for the three months ended March 31, 2019:

Growth rate change:	**(1.0)%[1]**	**(0.5)%[1]**	**Annualized March 31, 2019**	**0.5%[1]**	**1.0%[1]**
Annual Run-Rate NOI (in thousands of dollars)	500,795	503,324	**505,853**	508,383	510,912

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

There are no assurances for Annual Run-Rate NOI growth rates, however, assuming a 1.0% NOI growth rate over 2019 and 2020, and all other variables remaining constant including total Units outstanding, FFO is forecasted to increase by $0.02 and $0.03 per Unit, respectively. Similarly, assuming a 1.0% reduction in the NOI growth rate over 2019 and 2020, FFO is forecasted to decrease by $0.02 and $0.03 per Unit, respectively. Annual Run-Rate NOI is forward-looking information. See "Forward-Looking Statements".

Adjusted EBITDA

The following table represents a reconciliation of net income and comprehensive income to Adjusted EBITDA for the 12 months ended March 31, 2019 and March 31, 2018:

(in thousands of dollars)	**12 Months Ended March 31, 2019**	12 Months Ended March 31, 2018	Variance
Net income and comprehensive income[1]	**382,454**	396,390	(13,936)
Add (deduct) the following items[1]:			
Interest expense	**143,385**	136,709	6,676
Interest income	**(10,326)**	(8,982)	(1,344)
Yield maintenance on redemption of unsecured debentures	**3,525**	181	3,344
Amortization of equipment and intangible assets	**2,108**	2,107	1
Amortization of tenant improvements	**7,333**	6,694	639
Fair value adjustment on revaluation of investment properties	**(54,180)**	(40,478)	(13,702)
Fair value adjustment on financial instruments	**18,275**	(7,590)	25,865
Adjustment for supplemental contribution	**1,025**	3,714	(2,689)
Loss on sale of investment properties	**(560)**	745	(1,305)
Transition costs[2]	**1,154**	—	1,154
Transactional FFO – gain on sale of land to co-owners	**2,474**	4,377	(1,903)
Acquisition related gain, net	**(112)**	(18,249)	18,137
Adjusted EBITDA[1]	**496,555**	475,618	20,937

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

(2) Transition costs include the costs of CEO transition and other related costs of $1.2 million for the 12 months ended March 31, 2019 (12 months ended March 31, 2018 - $nil).

Leasing Activities and Lease Expiries

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

Value-based retailers such as Canadian Tire, Lowes, Dollarama, Winners, HomeSense, Indigo, Marshalls and Old Navy have been performing well and are actively expanding their store numbers. Medical services such as clinics and diagnostic labs have been taking more space within the Trust's portfolio, in line with health needs from an aging population. The Trust will continue to focus its efforts to meet the needs of each community based on the specific requirements of each. The flexible design of our centres and specific unit sizes allows us to easily redevelop, subdivide and/or expand units as needed.

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

Subsequent to the quarter ended March 31, 2019, as a result of bankruptcy filings of Payless Shoes the Trust experienced vacancy of approximately 114,000 square feet, which represents approximately 0.3% of the Trust's total portfolio of leasable area. All but one of these vacated stores are part of Walmart-anchored or shadow-anchored shopping centres, and the Trust expects to backfill these locations at similar net rents over the next 12-18 months.

Leasing Activities

At the quarter ended March 31, 2019, the Trust achieved an occupancy rate of 98.0%, inclusive of executed deals (97.8% excluding recently executed deals with future rent commencements). The increase in vacancy over the previous quarter is primarily a result of the closure of 21 Bombay and Bowring locations, which are all located in Walmart-anchored or shadow-anchored shopping centres. These 21 locations represent approximately 0.3% of the Trust's total leasable area and are expected to be substantively backfilled at similar net rents in the next 12 to 18 months. Recent renewal leasing momentum in 2019 has been very strong wherein the Trust has completed or is near completion on approximately 2.7 million square feet of 2019 lease renewals with the average renewal rate being 4.2% higher than the maturing rate.

As at March 31, 2019, approximately 99,947 square feet of space has been leased or is in the final stages of being leased for occupancy of vacant space in future quarters. The Trust's quarterly occupancy rate is summarized below for in-place occupancy as well as committed occupancy:

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
In-place occupancy rate	**97.8%**	98.0%	98.1%	98.0%	98.0%
Committed occupancy rate	**98.0%**	98.1%	98.2%	98.2%	98.1%

The following table represents a continuity of the Trust's occupancy level for the three months ended March 31, 2019:

(in square feet)	Vacant Area	Occupied Area	Leasable Area	In-place Occupancy Level (%)
Beginning balance – January 1, 2019	**683,959**	**33,695,413**	**34,379,372**	**98.0%**
New vacancies	342,104	(342,104)	—	
New leases	(107,886)	107,886	—	
Subtotal	918,177	33,461,195	34,379,372	
Transferred from properties under development to income properties	—	91,836	91,836	
Transferred from income properties to properties under development	(144,579)	—	(144,579)	
Other[1]	(3,083)	2,136	(947)	
Ending balance – March 31, 2019	**770,515**	**33,555,167**	**34,325,682**	**97.8%**

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

2019 and 2020 Lease Expiries and Related Renewals

As at March 31, 2019, the Trust completed or was near completion on lease renewals totalling 2,720,262 square feet of space, representing approximately 76.1% of 2019 lease expiries (March 31, 2018 – 61.8% of 2018 expiries) at average rental rates per square foot ("psf") of $14.26 on renewed leases ($21.50 excluding 15 anchor tenant renewals included therein) (March 31, 2018 – $21.02, or $21.63 excluding the five anchor tenant renewals included therein). As at March 31, 2019, for 2020 lease maturities, the Trust completed or was near completion on renewals totalling 145,302 square feet or 3.8% of 2020 maturities (March 31, 2018 – 8.2% of 2019 expiries).

	March 31, 2019	March 31, 2018	Variance
Lease expiries during the period (sq. ft.)	**3,576,441**	2,766,452	809,989
Renewals year to date:			
Square feet – renewed	**2,499,331**	1,363,421	1,135,910
Square feet – near completion	**220,931**	346,048	(125,117)
Total renewals completed and near completion (sq. ft.)	**2,720,262**	1,709,469	1,010,793
Renewal percentage – complete and near completion	**76.1%**	61.8%	14.3%
Average net rent psf on renewed and near completion leases including Anchor leases	**$14.26**	$21.02	$(6.76)
Average net rent psf on renewed and near completion leases excluding Anchor leases	**$21.50**	$21.63	$(0.13)
Average net rent psf on leases near completion	**$25.62**	$27.03	$(1.41)
Increase in average net rent psf on renewed leases	**$0.53**	$0.76	$(0.23)
Percentage increase in average net rent psf on renewed leases	**4.2%**	3.8%	0.4%
Percentage increase in average net rent psf on renewed leases excluding Anchor tenants	**5.2%**	4.2%	1.0%

Lease expiries for the total portfolio as at March 31, 2019 are as follows:

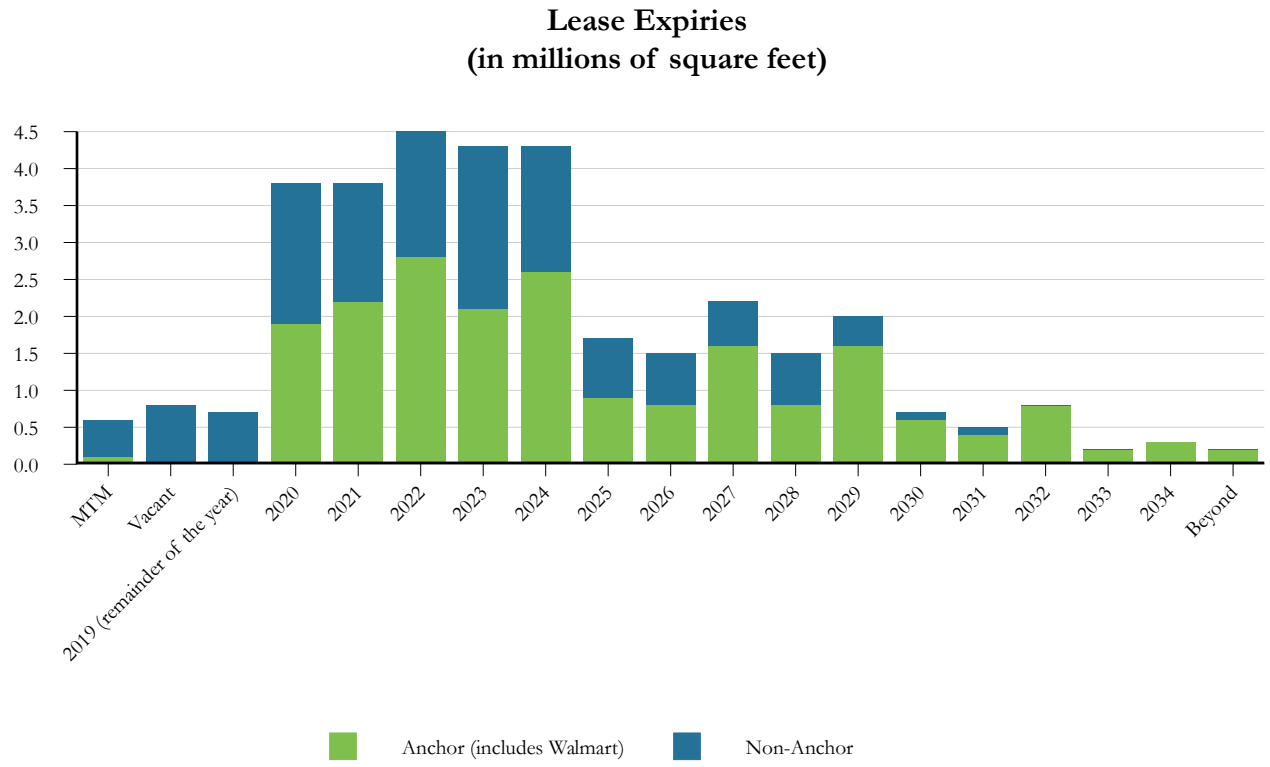
Year of Expiry	Total Area (sq. ft.)	Percentage of Total Area (%)	Annualized Base Rent ($000s)	Average Base Rent psf[1] ($)
Month-to-month and holdovers	567,165	1.7%	11,057	19.49
2019 (remainder of year)	659,233	1.9%	13,391	20.31
2020	3,797,138	11.1%	53,281	14.03
2021	3,821,909	11.1%	54,599	14.29
2022	4,428,729	12.9%	63,799	14.41
2023	4,395,095	12.8%	76,238	17.35
2024	4,302,774	12.5%	63,602	14.78
Beyond	11,583,124	33.8%	181,110	15.64
Vacant	770,515	2.2%	—	—
Total	34,325,682	100.0%	517,077	15.41

(1) The total average base rent per square foot excludes vacant space of 770,515 square feet.

Lease expiries for the portfolio excluding Anchor tenants as at March 31, 2019 are as follows:

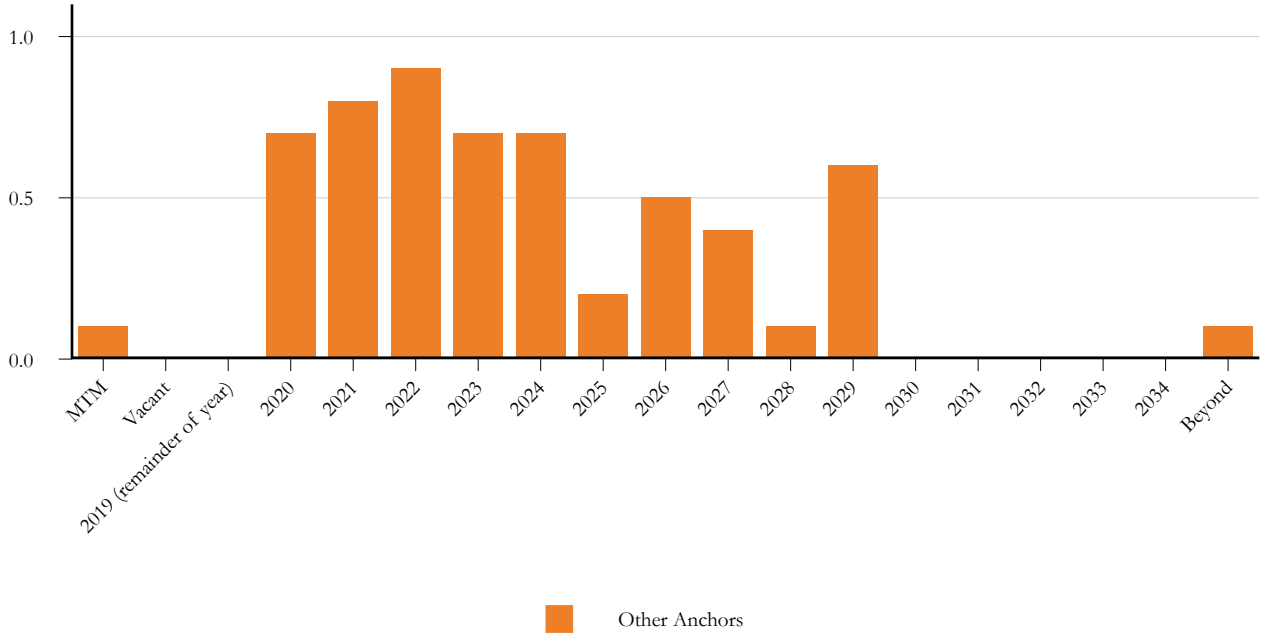
Year of Expiry	Total Area (excluding Anchor tenants) (sq. ft.)	Percentage of Total Area (excluding Anchor tenants) (%)	Proportion of Area (excluding Anchor tenants) (%)	Annualized Base Rent ($000s)	Average Base Rent psf[1] ($)
Month-to-month and holdovers	504,405	1.5%	3.5%	9,986	19.80
2019 (remainder of year)	659,233	1.9%	4.6%	13,391	20.31
2020	1,854,901	5.4%	12.9%	36,075	19.45
2021	1,610,485	4.7%	11.2%	33,123	20.57
2022	1,668,115	4.9%	11.6%	37,564	22.52
2023	2,245,438	6.5%	15.6%	52,732	23.48
2024	1,656,454	4.8%	11.5%	37,623	22.71
Beyond	3,445,127	10.0%	23.8%	79,501	23.08
Vacant	770,515	2.2%	5.3%	—	—
Total	14,414,673	41.9%	100.0%	299,995	21.99

(1) The total average base rent per square foot excludes vacant space of 770,515 square feet.



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

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



Other Measures of Performance

The following are measures sometimes used by Canadian real estate investment trusts ("REITs") as indicators of financial performance. Management uses these measures to analyze operating performance. Because one of the factors that may be considered relevant by prospective investors is the cash distributed by the Trust relative to the price of the Units, management believes these measures are useful supplemental measures that may assist prospective investors in assessing an investment in Units. The Trust analyzes its cash distributions against these measures to assess the stability of the monthly cash distributions to Unitholders. Because these measures are not standardized as prescribed by IFRS, they may not be comparable to similar measures presented by other REITs. These measures are not intended to represent operating profits for the year; nor should they be viewed as an alternative to net income and comprehensive income, cash flows from operating activities or other measures of financial performance calculated in accordance with IFRS. The calculations are derived from the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019, unless otherwise stated, do not include any assumptions, do not include any forward-looking information and are consistent with prior reporting years.

Weighted Average Number of Units

The weighted average number of Trust Units and LP Units is used in calculating the Trust's net income and comprehensive income per Unit, net income and comprehensive income excluding loss on disposition and fair value adjustments per Unit, and FFO per Unit. The corresponding diluted per Unit amounts are adjusted for the dilutive effect of the vested portion of deferred units granted under the Trust's deferred unit plan unless they are anti-dilutive. To calculate diluted FFO per Unit for the three months ended March 31, 2019, vested deferred units are added back to the weighted average Units outstanding because they are dilutive.

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

	Three Months Ended March 31		
(number of Units)	**2019**	2018	Variance
Trust Units	**140,323,135**	132,832,705	7,490,430
Class B LP Units	**16,416,667**	16,356,633	60,034
Class D LP Units	**311,022**	311,022	—
Class B LP II Units	**756,525**	756,525	—
Class B LP III Units	**3,818,542**	3,802,262	16,280
Class B LP IV Units	**3,052,504**	3,046,121	6,383
Class B Oshawa South LP Units	**710,416**	688,336	22,080
Class D Oshawa South LP Units	**260,417**	251,649	8,768
Class B Oshawa Taunton LP Units	**374,223**	374,223	—
Class B Series ONR LP Units	**1,248,140**	1,254,114	(5,974)
Class B Series 1 ONR LP I Units	**132,881**	132,881	—
Class B Series 2 ONR LP I Units	**137,109**	137,109	—
LP Units	**27,218,446**	27,110,875	107,571
Total Units – Basic	**167,541,581**	159,943,580	7,598,001
Vested deferred units	**906,588**	744,326	162,262
Total Units and vested deferred units – Diluted	**168,448,169**	160,687,906	7,760,263

Funds From Operations

FFO is a non-GAAP financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALpac, which published a White Paper describing the intended use of FFO, last revised in February 2019. It is the Trust's view that IFRS net income does not necessarily provide a complete measure of the Trust's recurring operating performance. This is primarily because IFRS net income includes items such as fair value changes of investment property that are subject to market conditions and capitalization rate fluctuations and gains and losses on the disposal of investment properties, including associated transaction costs and taxes, which management believes are not representative of a company's economic earnings. For these reasons, the Trust has adopted REALpac's definition of FFO, which was created by the real estate industry as a supplemental measure of operating performance. FFO is computed as IFRS consolidated net income and comprehensive income attributable to Unitholders adjusted for items such as, but not limited to, unrealized changes in the fair value of investment properties and transaction gains and losses on the acquisition or disposal of investment properties calculated on a basis consistent with IFRS.

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

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

Adjusted Cashflow From Operations

ACFO is not a term defined under IFRS and may not be comparable to similar measures used by other real estate entities. The Trust calculates its ACFO in accordance with REALpac's "White Paper on Adjusted Cashflow From Operations (ACFO)" for IFRS issued in February 2017, and recently further amended in February 2019. The purpose of the White Paper is to provide reporting issuers and stakeholders with greater guidance on the definitions of ACFO and to help promote more consistent disclosure from reporting issuers. ACFO is intended to be used as a sustainable, economic cash flow metric. The Trust considers ACFO an input to determine the appropriate level of distributions to Unitholders as it adjusts cash flows from operations to better measure sustainable, economic cash flows. Prior to the initial issuance of the February 2017 White Paper on ACFO, there was no industry standard to calculate a sustainable, economic cash flow metric.

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

Determination of Distributions

Pursuant to the Declaration of Trust, the Trust endeavours to distribute annually such amount as is necessary to ensure the Trust will not be subject to tax on its net income under Part I of the Income Tax Act (Canada).

Management determines the Trust's Unit cash distribution rate by, among other considerations, its assessment of cash flow as determined using certain non-GAAP measures. As such, management believes the cash distributions are not an economic return of capital, but a distribution of sustainable cash flow from operations. Given both existing ACFO and distribution levels, and current facts and assumptions, management does not anticipate cash distributions will be reduced or suspended in the foreseeable future.

In any given period, the distributions declared may differ from cash provided by operating activities, primarily due to seasonal fluctuations in non-cash operating items (amounts receivable, prepaid expenses, deposits, accounts payable and accrued liabilities). These seasonal or short-term fluctuations are funded, if necessary, by the Trust's revolving operating facility. In addition, the distributions declared include a component funded by the Trust's distribution reinvestment plan. Management anticipates that distributions declared will, in the foreseeable future, continue to vary from net income and comprehensive income because net income and comprehensive income include fair value adjustments to investment properties, fair value changes in financial instruments, and other adjustments and also because distributions are determined based on non-GAAP cash flow measures, which include consideration of the maintenance of productive capacity. Accordingly, the Trust does not use IFRS net income and comprehensive income as a proxy for distributions. Management will continue to assess the sustainability of cash and non-cash distributions in each financial reporting period.

Cash Flows from Operating Activities and Distributions Declared

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

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles cash flows provided by operating activities to adjusted cash flows from operating activities for the three months ended March 31, 2019 and March 31, 2018:

(in thousands of dollars)	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018
Cash flows provided by operating activities	**56,768**	44,063
Add:		
Normalizing adjustments, the elimination of actual sustaining expenditures and other[1]	**23,607**	37,745
Adjusted cash flows from operating activities[2]	**80,375**	81,808
Distributions declared	**76,716**	70,408
Surplus of ACFO over distributions declared	**3,659**	11,400
Distributions for Units classified as equity	**75,776**	69,495
Distributions for Units classified as liabilities	**940**	913

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

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

Reconciliation of FFO

The table and analysis below illustrate a reconciliation of the Trust's net income and comprehensive income (GAAP measures) to FFO, and FFO with one time adjustment and Transactional FFO (non-GAAP measures) for the three months ended March 31, 2019 and March 31, 2018:

(in thousands of dollars, except per Unit amounts)	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018	Variance	Variance (%)
Net income and comprehensive income	**79,973**	100,466	(20,493)	(20.4)%
Add (deduct):				
Fair value adjustment on revaluation of investment properties[1]	**(8,897)**	(10,871)	1,974	(18.2)%
Fair value adjustment on financial instruments[2]	**12,415**	(5,237)	17,652	N/R[7]
(Gain) loss on sale of investment properties	**(906)**	457	(1,363)	N/R[7]
Amortization of intangible assets	**333**	333	—	— %
Amortization of tenant improvement allowance	**1,735**	1,617	118	7.3 %
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	**1,358**	1,232	126	10.2 %
Salaries and related costs attributed to leasing activities[3]	**1,566**	1,656	(90)	(5.4)%
Acquisition related gain, net	**—**	(230)	230	N/R[7]
Adjustments relating to equity accounted investments:				
Rental revenue adjustment – tenant improvement amortization	**66**	57	9	15.8 %
Indirect interest with respect to the development portion[4]	**211**	280	(69)	(24.6)%
Fair value adjustment on revaluation of investment properties	**154**	(896)	1,050	N/R[7]
Fair value adjustment on financial instruments	**—**	12	(12)	N/R[7]
Adjustment for supplemental contribution	**288**	411	(123)	N/R[7]
FFO[5]	**88,296**	89,287	(991)	(1.1)%
One time adjustment:				
Yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs	**3,525**	—	3,525	— %
FFO with one time adjustment and before Transactional FFO[5]	**91,821**	89,287	2,534	2.8 %
Transactional FFO – gain on sale of land to co-owners	**—**	490	(490)	N/R[7]
FFO with one time adjustment and Transactional FFO[5]	**91,821**	89,777	2,044	2.3 %
Per Unit – basic/diluted[6]:				
FFO[5]	**$0.53/$0.52**	$0.56/$0.56	$-0.03/$-0.04	-5.4%/-7.1%
FFO with one time adjustment and before Transactional FFO[5]	**$0.55/$0.55**	$0.56/$0.56	$-0.01/$-0.01	-1.8%/-1.8%
FFO with one time adjustment and Transactional FFO[5]	**$0.55/$0.55**	$0.56/$0.56	$-0.01/$-0.01	-1.8%/-1.8%
Payout Ratio:				
FFO[5]	**85.8%**	78.7%	7.1%	9.0%
FFO with one time adjustment and before Transactional FFO[5]	**82.6%**	78.7%	3.9%	5.0%
FFO with one time adjustment and Transactional FFO[5]	**82.6%**	78.3%	4.3%	5.5%

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

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

(3) Adjusted salaries and related costs attributed to leasing of $1.6 million were incurred in the three months ended March 31, 2019 (three months ended March 31, 2018 – $1.7 million) and were eligible to be added back to FFO based on the definition of FFO, in the REALpac White Paper published in February 2019, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between Canadian publicly traded real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

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

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

(6) Diluted FFO and diluted FFO with one time adjustment are adjusted for the dilutive effect of vested deferred units, which are not dilutive for net income purposes. To calculate diluted FFO and diluted FFO with one time adjustment for the three months ended March 31, 2019, 906,588 vested deferred units are added back to the weighted average Units outstanding (three months ended March 31, 2018 – 744,326 vested deferred units).

(7) N/R - Not representative

For the three months ended March 31, 2019, FFO with one time adjustment and before Transactional FFO increased by $2.5 million or 2.8% to $91.8 million, and decreased by $0.01 or 1.8% to $0.55 on a per Unit basis, compared to the same period in 2018. This increase was primarily attributed to: i) a $3.1 million increase in NOI, ii) a $0.5 million increase in interest income, and partially offset by iii) a $1.4 million increase in general and administrative expense. The per Unit decrease resulted primarily because of dilution associated with the additional units issued in the January 2019 equity offering.

Reconciliation of ACFO

The table and analysis below illustrate a reconciliation of the Trust's cash flows provided by operating activities to ACFO for the three months ended March 31, 2019 and March 31, 2018:

(in thousands of dollars)	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018	Variance	Variance %
Cash flows provided by operating activities	**56,768**	44,063	12,705	28.8 %
Adjustments to working capital items that are not indicative of sustainable cash available for distribution[1]	**22,258**	32,324	(10,066)	(33.8)%
Notional interest capitalization[2]	**211**	280	(69)	(24.6)%
Expenditures on direct leasing costs and tenant incentives	**1,113**	3,108	(1,995)	(64.2)%
Expenditures on tenant incentives for properties under development	**1,503**	(131)	1,634	N/R[4]
Actual sustaining capital expenditures	**(3,235)**	(624)	(2,611)	N/R[4]
Actual sustaining leasing commissions	**(199)**	(368)	169	(45.9)%
Actual sustaining tenant improvements	**(932)**	(2,739)	1,807	(66.0)%
Non-cash interest expense	**941**	3,951	(3,010)	(76.2)%
Non-cash interest income	**1,947**	1,684	263	15.6 %
Acquisition related gain, net	**—**	(230)	230	N/R[4]
Transactional FFO – gain on sale of land to co-owners	**—**	490	(490)	N/R[4]
ACFO[3]	**80,375**	81,808	(1,433)	(1.8)%
One time adjustment:				
Yield maintenance on redemption of unsecured debentures	**3,525**	—	3,525	N/R[4]
ACFO with one time adjustment[3]	**83,900**	81,808	2,092	2.6 %
ACFO[3]	**80,375**	81,808	(1,433)	(1.8)%
Distributions declared	**76,716**	70,408	6,308	9.0 %
Surplus of ACFO over distributions declared	**3,659**	11,400	(7,741)	(67.9)%
Payout Ratio:				
ACFO[3]	**95.4%**	86.1%	9.3%	10.8 %
ACFO with one time adjustment[3]	**91.4%**	86.1%	5.3%	6.2 %

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

(2) See "Indirect interest with respect to the development portion" as presented in the reconciliation of FFO for the three months ended March 31, 2019.

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

(4) N/R - Not representative

For the three months ended March 31, 2019, ACFO with one time adjustment increased by $2.1 million or 2.6% to $83.9 million compared to the same quarter in 2018, which was primarily due to items previously identified (see Results of Operations section).

The Payout Ratio relating to ACFO with one time adjustment for the three months ended March 31, 2019 increased by 5.3% to 91.4% compared to the same quarter last year, primarily due to the dilutive impact of the $230.0 million equity offering in January 2019 and higher spending on capital expenditures during the three months ended March 31, 2019.

Distributions and ACFO Highlights

The following table is provided for historical continuity only:

(in thousands of dollars)	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018	Variance
Cash flows provided by operating activities	**56,768**	44,063	12,705
Distributions declared	**76,716**	70,408	6,308
Distributions paid	**59,722**	57,014	2,708
ACFO with one time adjustment[1]	**83,900**	81,808	2,092
Surplus of ACFO with one time adjustment over distributions declared	**7,184**	11,400	(4,216)
Surplus of ACFO with one time adjustment over distributions paid	**24,178**	24,794	(616)
Shortfall of cash flows provided by operating activities over distributions declared	**(19,948)**	(26,345)	6,397
Shortfall of cash flows provided by operating activities over distributions paid	**(2,954)**	(12,951)	9,997

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

For the three months ended March 31, 2019, the shortfall of cash flows provided by operating activities over both distributions declared and distributions paid of $19.9 million and $3.0 million, respectively, is primarily due to changes in other non-cash operating items of $18.3 million.

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

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

(in thousands of dollars)	**March 31, 2019**	December 31, 2018	Variance
Amounts receivable			
Tenant receivables (a)	**22,180**	17,329	4,851
Unbilled other tenant receivables (b)	**14,197**	7,574	6,623
Receivables from related party – excluding equity accounted investments (c)	**18,063**	16,741	1,322
Receivables from related party – equity accounted investments (c)	**12,069**	10,967	1,102
Other non-tenant receivables	**3,089**	3,030	59
	69,598	55,641	13,957
Allowance for expected credit loss	**(3,536)**	(3,114)	(422)
Prepaid expenses and deposits (d)	**14,477**	4,953	9,524
Deferred financing costs	**1,965**	1,638	327
Other	**3,170**	2,785	385
	85,674	61,903	23,771

As at March 31, 2019, total amounts receivable, allowance for expected credit loss, prepaid expenses and deposits, deferred financing costs and other increased by $23.8 million compared to December 31, 2018. The following is a commentary on the material variances noted:

(a) Tenant receivables
The $4.9 million increase in tenant receivables is primarily due to the seasonal billing of interim realty taxes for Anchor and other major tenants that do not contribute instalment payments on a monthly basis. These amounts are considered to be current and/or collectible and are at various stages of the billing and collection process, as applicable.

(b) Unbilled other tenant receivables
The $6.6 million increase in unbilled other tenant receivables is primarily due to an increase in accrued CAM receivable resulting from seasonal expenditures.

(c) Receivables from related party
The $1.3 million increase in receivables from related party – excluding equity accounted investments is primarily due to an increase in development and property management fees, shared cost and other service fees pursuant to the Development and Services Agreement.

The $1.1 million increase in receivables from related party – equity accounted investments is primarily due to an increase in development fees for the Penguin-Calloway Vaughan Partnership.

(d) Prepaid expenses and deposits
The $9.5 million increase in prepaid expenses and deposits is primarily due to an increase in prepaid realty taxes (see also a) above).

Mortgages, Loans and Notes Receivable, and Interest Income

The following table summarizes mortgages, loans and notes receivable as at March 31, 2019 and December 31, 2018:

(in thousands of dollars)	**March 31, 2019**	December 31, 2018	Variance
Mortgages, loans and notes receivable			
Mortgages receivable (Mezzanine Financing)	**136,071**	134,221	1,850
Loans receivable	**33,407**	19,949	13,458
Notes receivable	**2,979**	2,979	—
	172,457	157,149	15,308

Mortgages Receivable (Mezzanine Financing)

In addition to direct property acquisitions, the Trust has provided Mezzanine Financing to Penguin (see also, "Related Party") on terms that include an option to acquire an interest in the mortgaged property once a certain level of development and leasing is achieved. As at March 31, 2019, the Trust had total commitments of $282.1 million to fund mortgages receivable under this program. Five mortgages have an option entitling the Trust to acquire an additional interest in the property upon a certain level of development and leasing being achieved, with the acquisition price calculated pursuant to an agreed-upon formula, based on a market capitalization rate at the time the option is exercised. The properties under the Mezzanine Financing have 0.6 million potential square feet available (discussed in "Potential Future Pipeline"). If the specified level of development and leasing is not achieved prior to the maturity date of the loan, and the loan and accrued interest are repaid, then the option terminates. If an applicable property is to be sold prior to the maturity date of the loan and prior to the applicable option being triggered, then the Trust has a right of first refusal with respect to such sale.

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

(in thousands of dollars) **Property**	**Amount Outstanding ($)**	**Committed ($)**	**Amount Guaranteed by Penguin ($)**	**Maturity Date**	**Interest Rate at Period End**	**Purchase Option % of Property[1]**	**Potential Area Upon Exercising Purchase Option (sq. ft.)**
Salmon Arm, BC[2][3]	15,621	20,907	15,621	July 2019	5.00%	—	—
Innisfil, ON[2][4]	20,687	27,077	11,507	December 2020	6.75%	—	—
Aurora (South), ON	16,394	30,543	16,393	March 2022	4.97%	50%	96,500
Mirabel (Shopping Centre), QC[5]	—	18,262	—	December 2022	7.50%	—	—
Mirabel (Option Lands), QC[6]	—	5,721	—	December 2022	7.50%	—	—
Pitt Meadows, BC	28,241	68,664	28,241	November 2023	5.40%	50%	37,500
Vaughan (7 & 427), ON	17,972	53,127	17,972	December 2023	6.08%	50%	151,015
Caledon (Mayfield), ON	9,566	14,033	9,566	April 2024	5.25%	50%	101,865
Toronto (StudioCentre), ON[2]	27,590	43,759	17,090	June 2024	5.22%	25%	227,831
	136,071	282,093	116,390		5.55%[7]		614,711

(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 $108.1 million (December 31, 2018 – $106.6 million), and (ii) at fixed rates of 6.35% to 7.50% on mortgages receivable of $27.9 million (December 31, 2018 – $27.6 million) which is added to the outstanding principal up to a predetermined maximum accrual after which it is payable in cash monthly or quarterly. Additional interest of $69.2 million (December 31, 2018 – $71.0 million) may be accrued on certain of the mortgages receivable before cash interest must be paid.

The mortgage security includes a first or second charge on properties, assignments of rents and leases and general security agreements. In addition, $116.4 million (December 31, 2018 – $114.5 million) 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 $1.9 million (three months ended March 31, 2018 – $1.5 million).

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

(in thousands of dollars)	Mortgages (#)	Repayments of outstanding balances ($)
2019	1	15,621
2020	1	20,687
2022	3	16,394
2023	2	46,213
2024	2	37,156
	9	136,071

Loans Receivable

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

(in thousands of dollars)

Issued to	Maturity Date	Interest Rate	March 31, 2019	December 31, 2018
Unrelated party[1]	March 2019	5.50%	**9,804**	9,804
Penguin[2]	November 2020	Variable	**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:

(in thousands of dollars)	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 $13.2 million and a non-revolving construction facility of $13.0 million, which combine for a total loan facility of $26.2 million, 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 in the amount of $111.8 million to the Penguin-Calloway Vaughan Partnership ("PCVP") (in which the Trust has a 50% interest) that was interest bearing at 2.31% per annum from the advance date to March 20, 2018, and thereafter was equal to 76 basis points plus the 90-day Canadian Dealer Offer Rate (CDOR) and was payable on March 21, June 21, September 21 and December 21. In September 2018, the loan receivable was fully repaid and closed. The Trust reflected the activity from the PCVP as an equity accounted investment (see also Note 6, "Equity accounted investments" in the consolidated financial statements).

Notes Receivable

Notes receivable of $3.0 million (December 31, 2018 – $3.0 million) have been granted to Penguin (see also, "Related Party" section). These secured demand notes bear interest at 9.00% per annum.

Interest Income

The following table summarizes the components of interest income for the three months ended March 31, 2019 and March 31, 2018:

(in thousands of dollars)	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018	Variance
Interest income			
Mortgage interest (a)	**1,848**	1,455	393
Loan interest (b)	**232**	736	(504)
Note receivable interest	**66**	66	—
Bank interest	**313**	258	55
	2,459	2,515	(56)

(a) Mortgage interest

Mortgage interest increased by $0.4 million compared to the same period in 2018, which was primarily due to an increase in variable interest rates, as well as the impact from compounding interest on outstanding mortgages receivable.

(b) Loan interest

Loan interest decreased by $0.5 million compared to the same period in 2018 primarily due to a loan receivable of $111.8 million to PCVP bearing interest at 2.31% per annum that was fully repaid in September 2018.

Interest Expense

The following table summarizes the components of interest expense for the three months ended March 31, 2019 and March 31, 2018:

(in thousands of dollars)	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018	Variance
Interest at stated rates	**37,544**	39,542	(1,998)
Amortization of acquisition date fair value adjustments on assumed debt	**(533)**	(660)	127
Amortization of deferred financing costs	**870**	868	2
Distributions on vested deferred units and Units classified as liabilities	**1,358**	1,232	126
	39,239	40,982	(1,743)
Less:			
Interest capitalized to properties under development	**(4,448)**	(5,356)	908
Interest capitalized to residential development inventory	**(230)**	(201)	(29)
Interest associated with operating activities	**34,561**	35,425	(864)
Yield maintenance on redemption of unsecured debentures	**3,525**	—	3,525
Total interest expense	**38,086**	35,425	2,661
Weighted average interest rate (inclusive of deferred financing costs)	**3.72%**	3.80%	(0.08)%

For the three months ended March 31, 2019, interest expense incurred totalled $38.1 million, representing an increase of $2.7 million compared to the same period in 2018, which was primarily due to the following:

- $3.5 million increase in yield maintenance on redemption of unsecured debentures as none were redeemed during the three months ended March 31, 2018;

Partially offset by the following:

- $0.9 million decrease in interest expense principally due to refinancing of debt at lower interest rates.

General and Administrative Expense

The following summarizes general and administrative expense before allocation, general and administrative expense, net (as presented in the unaudited interim condensed consolidated statements of income and comprehensive income), general and administrative expense excluding internal leasing expense, and general and administrative expense, net as a percentage of rental from investment properties, for the three months ended March 31, 2019 and March 31, 2018:

(in thousands of dollars)	Note[1]		**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018	Variance
Salaries and benefits			**13,579**	11,453	2,126
Master planning services fee - by Penguin	21		**3,850**	875	2,975
Professional fees			**1,107**	916	191
Public company costs			**623**	709	(86)
Rent and occupancy			**612**	633	(21)
Amortization of intangible assets	8		**333**	333	—
Other costs including information technology, marketing, communications and other employee expenses[2]			**1,297**	1,783	(486)
Total general and administrative expense before allocation		**(A)**	**21,401**	16,702	4,699
Less:					
Allocated to property operating costs			**(3,828)**	(3,908)	80
Capitalized to properties under development and other assets			**(8,328)**	(4,439)	(3,889)
Total amounts allocated and capitalized		**(B)**	**(12,156)**	(8,347)	(3,809)
Costs to provide transition services charged to Penguin	21		**(750)**	(1,000)	250
Time billings, leasing, management fees, development fees and other fees	21		**(1,797)**	(1,772)	(25)
Shared service costs charged to Penguin	21		**(336)**	(278)	(58)
Total amounts charged		**(C)**	**(2,883)**	(3,050)	167
Total amounts allocated, capitalized and charged		**(D = B + C)**	**(15,039)**	(11,397)	(3,642)
General and administrative expense (net)		**(E = A + D)**	**6,362**	5,305	1,057
Less:					
Adjusted salaries and related costs attributed to leasing[3]		**(F)**	**(1,566)**	(1,656)	90
General and administrative expense excluding internal leasing expense		**(G = E + F)**	**4,796**	3,649	1,147
As a percentage of rentals from investment properties[4]			**3.1%**	2.7%	0.4%

(1) The note reference relates to the corresponding note disclosure in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019.

(2) For the three months ended March 31, 2019, other costs including information technology, marketing, communications and other employee expenses include $nil of aborted deals' expense (three months ended March 31, 2018 – $0.4 million), which were previously capitalized.

(3) Adjusted salaries and related costs attributed to leasing of $1.6 million were incurred in the three months ended March 31, 2019 (three months ended March 31, 2018 – $1.7 million) and were eligible to be added back to FFO based on the definition of FFO, in the REALpac White Paper published in February 2019, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between Canadian publicly traded real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

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

Total general and administrative expense before allocation

For the three months ended March 31, 2019, total general and administrative expense before allocation was $21.4 million, representing an increase of $4.7 million or 28.1% compared to the same period in 2018. This increase can be attributed primarily to: (i) a $3.0 million increase in Master planning services fees expected to be charged by Penguin, (ii) a $1.5 million increase in both DUP and LTIP expenses, (iii) a $0.6 million increase in salaries and benefits, and partially offset by iv) a $0.4 million decrease in other costs including public company costs, information technology, marketing, communication and other employee expenses.

Total amounts allocated, capitalized and charged

For the three months ended March 31, 2019, total amounts charged, allocated and capitalized of $15.0 million increased by $3.6 million or 32.0% compared to the same period in 2018. This increase is primarily due to a $3.9 million increase in the amounts capitalized to property under development and other assets resulting from additional accruals for expected amounts to be paid to Penguin. This increase was partially offset by a $0.3 million decrease in costs to provide transition services charged to Penguin.

Earnouts and Developments Completed on Existing Properties

During the three months ended March 31, 2019, $30.7 million of Earnouts and Developments (including Developments relating to equity accounted investments) were completed and transferred to income properties, compared to $14.0 million in the same quarter last year.

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	Area (sq. ft.)	**Investment ($millions)**	**Annualized Yield (%)**	Area (sq. ft.)	Investment ($millions)	Annualized Yield (%)
Earnouts	**14,980**	**6.3**	**6.9%**	6,675	1.5	7.3%
Developments	**71,634**	**21.4**	**5.8%**	37,655	12.5	6.4%
Developments – equity accounted investments	**5,222**	**3.0**	**6.0%**	—	—	—%
	91,836	**30.7**	**6.0%**	44,330	14.0	6.5%

Maintenance of Productive Capacity

Differentiating between those costs incurred to achieve the Trust's longer term goals to produce increased cash flows and Unit distributions, and those costs incurred to maintain the level and quality of the Trust's existing cash flows is key in the Trust's consideration of capital expenditures.

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

The sustaining capital expenditures are those of a capital nature that are not considered to increase or enhance the productive capacity of the Trust, but rather maintain the productive capacity of the Trust. Leasing and related costs, which include tenant improvements, leasing commissions and related costs, vary with the timing of new leases, renewals, vacancies, tenant mix and market conditions. Leasing and related costs are generally lower for renewals of existing tenants when compared to new leases. Leasing and related costs also include internal expenses for leasing activities, primarily salaries, which are eligible to be added back to FFO based on the definition of FFO in the REALpac White Paper last revised in February 2019. The sustaining capital expenditures and leasing costs are based on actual costs incurred during the period. FFO is a non-IFRS measure. See "Presentation of Non-GAAP Measures" and "Other Measures of Performance".

The following is a discussion and analysis of capital expenditures of a maintenance nature (actual sustaining recoverable and non-recoverable capital expenditures and leasing costs). Earnouts, Acquisitions and Developments are discussed elsewhere in the MD&A. Given that a significant proportion of the Trust's portfolio is relatively new, management does not believe that actual sustaining capital expenditures will have an impact on the Trust's ability to pay distributions at their current level.

(in thousands of dollars, except per Unit amounts)	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018	Variance
Adjusted salaries and related costs attributed to leasing	**1,566**	1,656	(90)
Actual sustaining leasing commissions	**199**	368	(169)
Actual sustaining tenant improvements[1]	**932**	2,739	(1,807)
Total actual sustaining leasing and related costs	**2,697**	4,763	(2,066)
Actual sustaining capital expenditures (recoverable and non-recoverable)	**3,235**	624	2,611
Total actual sustaining leasing costs and capital expenditures	**5,932**	5,387	545
Per Unit – diluted	**$0.04**	$0.03	$0.01

(1) Includes a $1.1 million payment to a tenant pursuant to a lease amending agreement for the three months ended March 31, 2018.

Investment Properties

The portfolio consists of 34.3 million square feet of income producing gross leasable area and 3.2 million square feet of future potential gross leasable area in 164 properties and the option to acquire a 50.0% interest in four investment properties and 25.0% interest in another investment property (0.6 million square feet) on their completion pursuant to the terms of Mezzanine Financing. The portfolio is located across Canada, with assets in each of the 10 provinces. The Trust continues to expand the breadth of its portfolio to include residential (single family, condominium and rental), retirement homes, office, and self storage, on its large urban properties or as an adjunct to its well-located existing shopping centres that are strong in their trade area. By selecting well-located centres, the Trust attracts quality tenants at market rental rates.

As at March 31, 2019, the fair value of investment properties, including investment properties classified as equity accounted investments, totalled $9,196.1 million, compared to $9,155.2 million at December 31, 2018, resulting in a net increase of $40.9 million. This net increase was primarily due to the following:

- additions to investment properties of $29.1 million (where $20.7 million relates to the Trust and $8.4 million relates to equity accounted investments) predominantly from the completion of Earnouts and Developments on various properties and the construction of PwC Tower at VMC;
- fair value adjustments of $8.7 million due to adjustments to underlying assumptions in valuation models including but not limited to net operating income, capitalization rates and leasing assumptions (where $8.9 million (gain) relates to the Trust and $0.2 million (loss) relates to equity accounted investments);
- capitalized interest of $4.7 million (where $4.4 million relates to the Trust and $0.3 million relates to equity accounted investments); and
- $3.2 million of the Trust's Earnout Fees on properties subject to development management agreements, all of which relates to the Trust;

Partially offset by the following:

- dispositions of $4.9 million, which primarily relate to the sale of a parcel of land located in Jonquiere, Quebec, to an unrelated party.

The following table summarizes the changes in values of investment properties including the Trust's share of equity accounted investments for the three months ended March 31, 2019 and year ended December 31, 2018:

	March 31, 2019			December 31, 2018		
(in thousands of dollars)	**Income Properties**	**Properties Under Development**	**Total Investment Properties**	Income Properties	Properties Under Development	Total Investment Properties
Investment properties						
Balance – beginning of period	**8,404,513**	**500,544**	**8,905,057**	8,220,153	513,156	8,733,309
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	**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	**(95)**	**(4,798)**	**(4,893)**	(43)	(18,946)	(18,989)
Net additions	**16,156**	**7,352**	**23,508**	162,357	(41,374)	120,983
Fair value adjustment on revaluation of investment properties	**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
Investment properties classified as equity accounted investments						
Balance – beginning of period	**137,328**	**112,788**	**250,117**	130,530	88,628	219,159
Acquisitions	**—**	**—**	**—**	—	6,028	6,028
Transfer to income properties from properties under development[1]	**3,023**	**(3,023)**	**—**	5,296	(5,296)	—
Additions to investment properties	**456**	**7,918**	**8,374**	115	34,432	34,547
Dispositions	**—**	**—**	**—**	—	(16,214)	(16,214)
Capitalized interest	**—**	**257**	**257**	—	158	158
Fair value adjustment on revaluation of investment properties	**(137)**	**(17)**	**(154)**	1,387	5,052	6,439
Balance – end of period	**140,670**	**117,923**	**258,594**	137,328	112,788	250,117
Total balance (including investment properties classified as equity accounted investments) – end of period	**8,572,856**	**623,199**	**9,196,055**	8,541,841	613,332	9,155,173

(1) For the three months ended March 31, 2019, the transfer from properties under development to income properties included a prior period transfer adjustment of $nil (year ended December 31, 2018 – $0.3 million).

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Valuation Methodology

From April 1, 2016 to March 31, 2019, the Trust has had approximately 64.6% (by value) or 57.5% (by number of properties) of its operating portfolio appraised externally by independent national real estate appraisal firms with representation and expertise across Canada.

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

The remaining portfolio is valued internally by management utilizing a valuation methodology that is consistent with the external appraisals. Management performed these valuations by updating cash flow information reflecting current leases, renewal terms and market rents and applying updated capitalization rates determined, in part, through consultation with the external appraisers and available market data. The fair value of properties under development reflects the impact of development agreements (see Note 4 in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019 for further discussion).

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

For the quarter ended March 31, 2019, investment properties (including properties under development) with a total carrying value of $2,044.0 million (December 31, 2018 – $2,038.0 million) were valued internally by the Trust with updated capitalization rates provided by external parties, and investment properties with a total carrying value of $6,893.4 million (December 31, 2018 – $6,867.0 million) were valued internally by the Trust. Based on these valuations, the aggregate weighted average stabilized capitalization rate on the Trust's income properties portfolio as at March 31, 2019 was 5.80% (December 31, 2018 – 5.82%).

Properties Under Development

At March 31, 2019, the fair value of properties under development including properties under development recorded in equity accounted investments totalled $623.2 million compared to $613.3 million at December 31, 2018, resulting in a net increase of $9.9 million (for details on the factors influencing this change, see the "Investment Properties" section), presented as follows:

(in thousands of dollars)	**March 31, 2019**	December 31, 2018	Variance
Earnouts subject to option agreements[1]	**48,561**	50,636	(2,075)
Developments	**456,715**	449,908	6,807
Total	**505,276**	500,544	4,732
Equity accounted investments	**117,923**	112,788	5,135
Total including equity accounted investments	**623,199**	613,332	9,867

(1) Earnout development costs during the development period are paid by the Trust and funded through interest-bearing secured debt provided by the vendors to the Trust. On completion of the development and the commencement of lease payments by a tenant, the Earnouts will be acquired from the vendors based on predetermined or formula-based capitalization rates ranging from 6.00% to 7.40%, net of land and development costs incurred. Penguin has contractual options to acquire Trust Units and LP Units on completion of Earnouts as shown in Note 13(b) of the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019.

Potential Future Pipeline

Total future retail Earnouts, Developments and options under Mezzanine Financing could increase the existing Trust portfolio by an additional 3.8 million square feet. With respect to the future pipeline, commitments have been negotiated on 202,000 square feet.

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

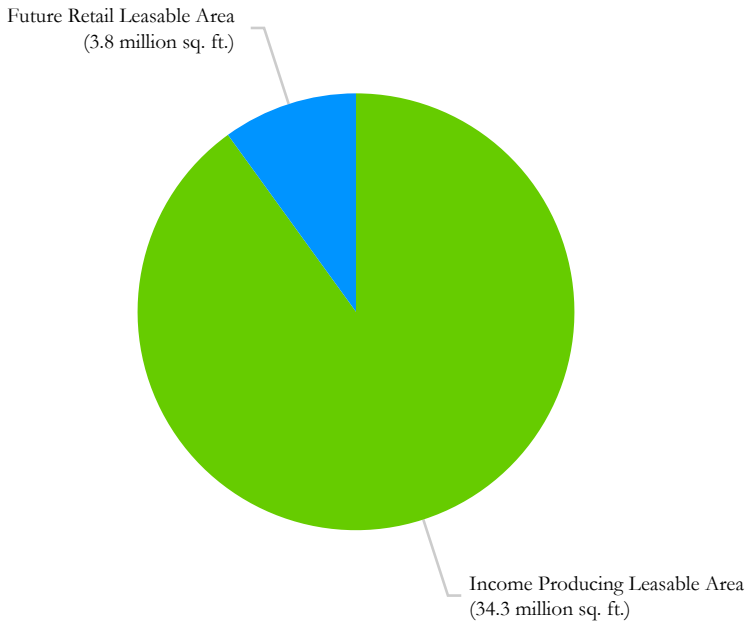
- Pending finalization of the development plan with the City of Vaughan, the Trust expects that VMC will over time have the potential to build, inclusive of completed and phases currently under development, 5.0 million to 5.5 million square feet of office, retail and residential space (at the Trust's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

- In addition to VMC, the Trust has identified over 70 sites within its portfolio that have the potential to add, at the Trust's share, in excess of 10.0 million square feet for residential, self storage, and other non-retail uses over the medium to long term at sites including Westside Mall in Toronto, Vaughan North West, Highway 400/7, Laval Centre and Pointe-Claire in

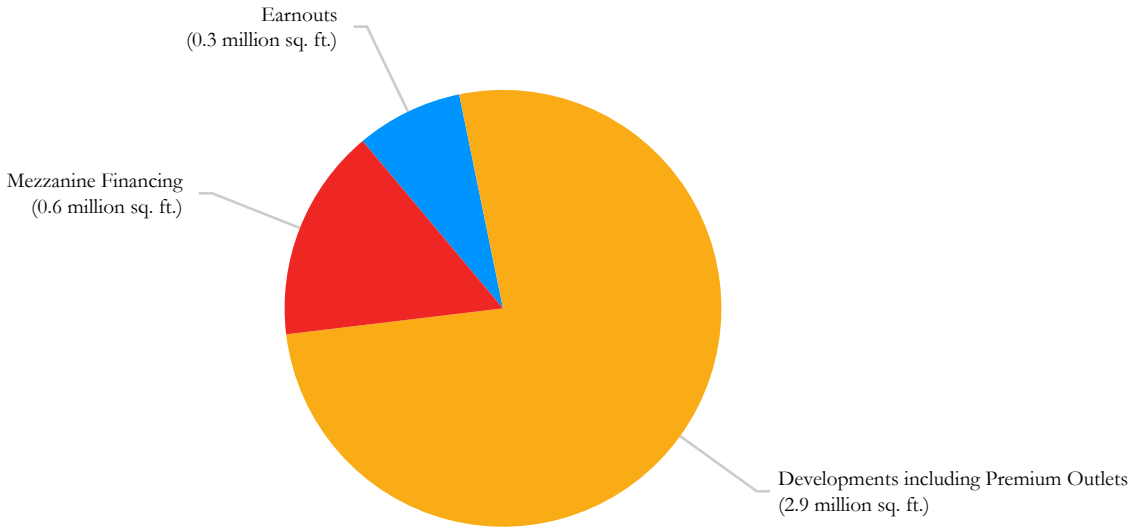
Montreal and South Keys in Ottawa, as well as a significant number of shopping centre sites with adjacent vacant development land.

- The Trust is continuing its discussions with various parties to jointly develop parcels within its existing portfolio with residential, seniors housing and self-storage uses where such uses make sense in optimizing each centre within its local community. This is expected to occur on adjacent vacant land that would have historically been designated for retail development or in designated parking areas that are no longer needed.

Gross Leasable Area Upon Completion of Retail Pipeline - excludes non-retail development initiatives (38.1 million square feet)



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



(in thousands of square feet)	Committed	Years 0–3	Beyond Year 3	Total[1]
Earnouts	35	180	93	308
Developments	167	1,318	1,385	2,870
Premium Outlets	—	—	50	50
	202	1,498	1,528	3,228
Mezzanine Financing	—	—	615	615
	202	1,498	2,143	3,843

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

During the quarter ended March 31, 2019, the future retail properties under development pipeline increased by 14,000 square feet to a total of 3.2 million square feet. The change is summarized as follows:

(in thousands of square feet)	Total Area
Future retail properties under development pipeline – January 1, 2019	3,214
Add:	
Net adjustment to project densities	101
Less:	
Completion of Earnouts and Developments	(87)
Net change	14
Future retail properties under development pipeline – March 31, 2019	3,228

Committed Retail Pipeline

The following table summarizes the committed investment by the Trust in properties under development as at March 31, 2019:

(in millions of dollars)	Total Cost	Costs Incurred	Estimated Future Development Costs
Earnouts	10	4	6
Developments	54	29	25
	64	33	31

The completion of these committed Earnouts and Developments as currently scheduled is expected to have an average estimated yield of 6.6% in 2019 (remainder of year) and 5.9% in 2020, which, based on the committed lease arrangements with respect to such Earnouts and Developments, should increase FFO per Unit by $0.003 in 2019 (remainder of year) and an additional $0.002 in 2020.

Uncommitted Retail Pipeline

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

(in millions of dollars)	Years 0–3	Beyond Year 3	Total Cost	Costs Incurred[1]	Future Development Costs
Earnouts	61	31	92	6	86
Developments	381	462	843	309	534
Premium Outlets	—	24	24	3	21
	442	517	959	318	641

(1) Properties under development totalled $623.2 million (including equity accounted investments of $117.9 million) which primarily consists of costs of $318.0 million in the uncommitted pipeline, costs of $33.0 million in the committed pipeline, costs of $96.3 million in potential land/parcel sales and costs of $117.9 million of future development land in VMC plus $57.2 million of non-cash development costs relating to future land development and cumulative fair value loss on revaluation of properties under development.

Approximately 10.0% of the properties under development – representing a proportion of gross investment cost (committed and uncommitted) relating to Earnouts ($102.0 million, divided by total potential future development pipeline of $1,023.0 million) – representing 308,000 square feet are lands that are under contract by vendors to develop and lease to third parties for additional proceeds when developed. In certain events, the developer may sell the portion of undeveloped land to accommodate the construction plan that provides the best use of the property. It is management's intention to finance the costs of construction through interim financing or operating facilities and, once rental revenue is stabilized, long-term financing will be arranged. With respect to the remaining gross leasable area, it is expected that 2.9 million square feet of future space will be developed as the Trust leases space and finances the related construction costs.

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 townhome units.

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

(in thousands of dollars)	**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

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		
(in thousands of dollars)	**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".

The following summarizes the associated major mixed-use initiatives:

	Project	Type	Estimated GLA (sq. ft.)/ units	Trust Share	Expected Completion Year
PCVP	KPMG (Tower #1)	Office	360,000 sq. ft.	50%	Completed
	PwC (Tower #2)	Office	105,000 sq. ft.	50%	2019
	Office (Tower #3)	Office	600,000 sq. ft.	50%	2024
	Office (Tower #4)	Office	300,000 sq. ft.	50%	2026
	Residential Rental	Apartments	450 units	50%	2023-2024
Residences LP	Transit City I	Condo	551 units	25%	2020
	Transit City II	Condo	559 units	25%	2020
Residences III LP	Transit City III	Condo	631 units	25%	2021
East Block Residences	Transit City IV and V	Condo	1,013 units	25%	2023-2024

b) Investment in joint ventures

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

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

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

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

Related Party

Pursuant to the Trust's declaration of trust ("Declaration of Trust"), provided certain thresholds are met, until July 1, 2020, Penguin is entitled to have a minimum of 25.0% of the votes eligible to be cast at any meeting of Unitholders (the "Voting Top-Up Right"). Pursuant to the Voting Top-Up Right, the Trust will issue additional special voting Units of the Trust ("Special Voting Units") to Penguin to increase its voting rights to 25.0% in advance of a meeting of Unitholders. The total number of Special Voting Units is adjusted for each meeting of the Unitholders based on changes in Penguin's ownership interest. As a result, in connection with the 2019 annual general meeting of Unitholders that is scheduled on May 31, 2019, the Trust issued 2,940,452 additional Special Voting Units ("Additional Special Voting Units"). These Additional Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust; nor are they convertible into any securities of the Trust. There is no value assigned to the Special Voting Units. The Voting Top-Up Right is more particularly described in the Trust's annual information form for the year ended December 31, 2018, which is filed on SEDAR. As at March 31, 2019, Penguin owned 20.8% of the aggregate issued and outstanding Trust Units in addition to the Special Voting Units noted above. The 20.8% ownership would increase to 24.9% if Penguin exercised all remaining options to purchase Units pursuant to existing development and exchange agreements. In addition, the Trust has entered into property management, leasing, development and exchange, and co-ownership agreements with Penguin. Pursuant to its rights under the Declaration of Trust, at March 31, 2019, Penguin has appointed two trustees out of seven.

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

In addition to agreements and contracts with Penguin described elsewhere in this MD&A, the Trust has the following agreements with Penguin:

1) Pursuant to the Development and Services Agreement, the Trust and certain subsidiary limited partnerships of the Trust provide the following services to Penguin over a five-year term with automatic five-year renewal periods thereafter:

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

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

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

2) Pursuant to the 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 $3.5 million for the term of the 2015 Agreement and has earned this amount in each year to date. Since that time, as a result of the Trust's significant increase in development activity throughout its portfolio, the scope of services being provided by Penguin to the Trust in respect of development activities is greatly expanding and is expected to continue to do so for the foreseeable future. Penguin has agreed to provide such expanded services on the understanding by both parties that the 2015 Agreement will be appropriately amended to provide for the significantly expanded services and will therefore also include an adjustment to compensation received by Penguin. It will also provide for the extension of the term of such services in the future beyond the current expiry date of the 2015 Agreement (May 2020). All terms of the amended services agreement have not been finalized. The special independent committee of the board of Trustees is in the process of negotiating such amendments.

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

In addition to related party transactions and balances disclosed in the Trust's 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:

(in thousands of dollars)	Note[1]	**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)[2]		**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) The note reference relates to the corresponding note disclosure in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019.
(2) These amounts relate to accrued interest on prepaid land costs subject to future Earnouts.

(in thousands of dollars)	Note[1]	**March 31, 2019**	December 31, 2018
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable[2]	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) The note reference relates to the corresponding note disclosure in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019.
(2) 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:

(in thousands of dollars)	Note[1]	**March 31, 2019**	December 31, 2018
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable[2]	10(c)	**12,069**	10,967
Other unsecured debt	11(b)(ii)	**3,041**	3,766

(1) The note reference relates to the corresponding note disclosure in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019.

(2) Amounts receivable includes Penguin's portion, which represents $5.8 million (December 31, 2018 – $5.3 million) 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" in the Trust's unaudited interim condensed consolidated financial statements).

Future land development obligations

The future land development obligations represent payments required to be made to Penguin for certain undeveloped lands acquired from 2006 to 2015, either on completion and rental of additional space on the undeveloped lands or, if no additional space is completed on the undeveloped lands, at the expiry of the 10-year development management agreement periods ending in 2019 to 2025. The accrued future land development obligations are measured at their 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" in the Trust's unaudited interim condensed consolidated financial statements).

Other related party transactions:

(in thousands of dollars)	**Three Months Ended March 31, 2019**	Three Months Ended March 31, 2018
Legal fees paid to a law firm in which a partner, Mr. Gregory Howard, is a trustee of the Trust:		
Costs associated with the Arrangement	**—**	21
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**	—

Capital Resources and Liquidity

As at March 31, 2019 and December 31, 2018 the Trust had the following capital resources available:

(in thousands of dollars)	**March 31, 2019**	December 31, 2018	Variance
Cash and cash equivalents	**104,575**	29,444	75,131
Unused operating facility	**490,456**	369,060	121,396
Unused other credit facility	**80,000**	—	80,000
	675,031	398,504	276,527

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

As at March 31, 2019, the Trust's capital resources increased by $276.5 million compared to December 31, 2018, which is primarily due to the following:

- proceeds from issuance of unsecured debentures, net of issuance costs, of $349.3 million;
- proceeds from issuance of Trust Units, net of issuance costs, of $220.4 million; and
- proceeds from issuance of other unsecured debt and credit facility of $150.0 million;

Partially offset by the following:

- net repayments of secured debt of $248.4 million;
- redemption of unsecured debentures including yield maintenance on redemption of $153.3 million;
- additions to investing activities including Earnouts, investment properties and equity accounted investments of $37.2 million; and
- other cash used in operating activities of $4.3 million.

The Trust manages its cash flow from operating activities by maintaining a target debt level. The debt to gross book value, as defined in the Declaration of Trust, as at March 31, 2019 is 49.0% (December 31, 2018 – 51.1%). Including the Trust's capital resources as at March 31, 2019, the Trust could invest an additional $1,683.2 million (December 31, 2018 - $1,453.7 million) in new investments and remain at the midpoint of the Trust's target debt to gross book value range of 55% to 60%.

Future obligations, including the estimated costs of the planned development pipeline noted below, total $4.2 billion, as identified in the following table. Other than contractual maturity dates, the timing of payment of these obligations is management's best estimate based on assumptions with respect to the timing of leasing, construction completion, occupancy and Earnout dates at March 31, 2019.

As at March 31, 2019, the timing of the Trust's future obligations is as follows:

(in thousands of dollars)	**Total**	**2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**
Secured debt	1,852,632	129,272	201,492	258,534	326,449	223,163	713,722
Unsecured debt	2,163,041	—	250,000	503,041	300,000	200,000	910,000
Mortgage receivable advances[1]	146,022	18,748	15,014	22,337	7,794	31,698	50,431
Development obligations (commitments)[2]	30,261	30,261	—	—	—	—	—
	4,191,956	178,281	466,506	783,912	634,243	454,861	1,674,153

(1) Mortgages receivable of $136.1 million at March 31, 2019, and further forecasted commitments of $146.0 million, mature over a period extending to 2024 if the Trust does not exercise its option to acquire the investment properties. Refer to the "Mortgages, Loans and Notes Receivable, and Interest Income" section for timing of principal repayments.

(2) The Trust is in the process of refining its estimates of development obligations for the years subsequent to 2019. This total does not include commitments associated with equity accounted investments of $266.9 million, of which the Trust's share is $74.4 million.

As at March 31, 2019, the timing of the equity accounted investment's future obligations including development obligations is as follows:

(in thousands of dollars)	Total	2019	2020	2021	2022	2023	Thereafter
Secured debt	301,773	3,825	45,585	69,356	17,353	5,971	159,683
Development obligations (commitments)	266,864	—	—	164,963	101,901	—	—
	568,637	3,825	45,585	234,319	119,254	5,971	159,683

The following represents the Trust's net working capital surplus (deficiency) for the three months ended March 31, 2019 and December 31, 2018

(in thousands of dollars)	March 31, 2019	December 31, 2018
Current assets	**229,529**	140,009
Less: Current liabilities	**(360,129)**	(797,147)
Working capital deficiency	**(130,600)**	(657,138)
Less: Current portion of debt	**(144,061)**	(580,530)
Net working capital surplus (deficiency)	**13,461**	(76,608)

As at March 31, 2019 the Trust experienced a working capital deficiency of $130.6 million (December 31, 2018 – $657.1 million). This deficiency includes mortgages, unsecured debentures and operating lines of credit of $144.1 million (December 31, 2018 – $580.5 million) that have maturity dates within 12 months of the balance sheet date. It is management's intention to either repay or refinance these maturing liabilities with newly issued secured or unsecured debt, equity or, in certain circumstances not expected to occur frequently, the disposition of certain assets. Any net working capital deficiencies are funded with the Trust's existing $500.0 million revolving operating facility.

As noted in the Unitholders' Equity section, in January 2019, the Trust successfully raised $230.0 million in new equity. The Trust used approximately $200.0 million of these proceeds to repay outstanding amounts on its operating lines of credit and the balance is intended to be used for other general purposes. It is management's intention to either repay or refinance $79.7 million of maturing secured debt in 2019. Potential upfinancing on maturing debt using a 65% loan to value and a 6.25% capitalization rate amounts to $107.0 million in 2019 (remainder of year) and $74.0 million in 2020. In addition, the Trust has an unencumbered asset pool with an approximate fair value totalling $4.5 billion, which can generate gross financing proceeds on income properties of approximately $2,847.8 million using a 65% loan to value. The secured debt, unsecured debt, mortgage receivable advances and development obligations will be funded by additional term mortgages, net proceeds on the sale of certain assets, existing cash or operating lines, the issuance of unsecured debentures, and equity Units, as necessary.

The Trust's estimated potential development pipeline of $1,023.0 million consists of $102.0 million estimated to be payable in Earnouts and $921.0 million estimated for the costs of developing land categorized in Developments. Costs totalling $351.0 million have been incurred to date with a further $672.0 million of potential Development costs still to be funded. The future funding includes $92.0 million for future Earnouts that will be paid once a lease has been executed and construction of the space commenced. The remaining $580.0 million of costs of developing lands categorized under Developments will proceed once the Trust has an executed lease and financing is in place.

Debt

The following table summarizes total debt before equity accounted investments and total debt including equity accounted investments, at March 31, 2019 and December 31, 2018:

	March 31, 2019				December 31, 2018			
(in thousands of dollars)	**Balance**	**% of Total Debt**	**Weighted Average Term of Debt (years)**	**Weighted Average Interest Rate of Debt (%)**	Balance	% of Total Debt	Weighted Average Term of Debt (years)	Weighted Average Interest Rate of Debt (%)
Secured debt	**1,852,344**	**45%**	**4.6**	**4.05%**	2,103,379	50%	4.4	3.93%
Unsecured debt	**2,154,971**	**52%**	**4.4**	**3.43%**	1,886,105	45%	4.8	3.53%
Revolving operating facility	**—**	**—%**	**0.0**	**—%**	121,000	2%	4.6	3.64%
Total debt before equity accounted investments	**4,007,315**	**97%**	**4.5**	**3.72%**	4,110,484	97%	4.7	3.73%
Share of debt classified as equity accounted investments	**132,367**	**3%**	**13.2**	**3.79%**	125,880	3%	14.1	3.85%
Total debt including equity accounted investments	**4,139,682**	**100%**	**4.8**	**3.72%**	4,236,364	100%	4.9	3.73%

The following table summarizes the activity in debt including debt recorded in equity accounted investments, for the three months ended March 31, 2019:

(in thousands of dollars)	**Secured Debt**	**Unsecured Debt**	**Revolving Operating Facility**	**Equity Accounted Investments**	**Total**
Balance – January 1, 2019	**2,103,379**	**1,886,105**	**121,000**	**125,880**	**4,236,364**
Borrowings	2,623	500,000	—	6,815	509,438
Scheduled amortization	(16,488)	—	—	(578)	(17,066)
Repayments	(236,880)	(230,725)	(121,000)	—	(588,605)
Amortization of acquisition fair value adjustments, net of additions	(533)	—	—	(45)	(578)
Financing costs incurred, net of additions	243	(409)	—	295	129
Balance – March 31, 2019	**1,852,344**	**2,154,971**	**—**	**132,367**	**4,139,682**

Secured Debt

The Trust continues to have access to secured debt due to its strong tenant base and high occupancy levels at mortgage loan levels ranging from 60% to 70% of loan to value. If maturing mortgages in 2019 and 2020 were refinanced using a 10-year secured rate of 3.37%, annualized FFO would increase by $0.012 per Unit for 2019 and increase by $0.013 per Unit for 2020. FFO is a non-IFRS measure, see "Presentation of Non-GAAP Measures" for further information.

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

(in thousands of dollars)	**Payments of Principal Amortization ($)**	**Debt Maturing During Year ($)**	**Total ($)**	**Total (%)**	**Weighted Average Interest Rate of Maturing Debt (%)**
2019 (remainder of year)	49,622	79,650	129,272	7%	6.01%
2020	61,250	140,242	201,492	11%	5.16%
2021	55,798	202,736	258,534	14%	4.55%
2022	51,189	275,260	326,449	18%	3.54%
2023	42,914	180,249	223,163	12%	4.59%
Thereafter	89,289	624,433	713,722	38%	3.64%
Total	350,062	1,502,570	1,852,632	100%	4.07%
Acquisition date fair value adjustment			4,981		
Unamortized financing costs			(5,269)		
			1,852,344		4.05%

Unsecured Debt

The following table summarizes the components of unsecured debt:

(in thousands of dollars)	**March 31, 2019**	December 31, 2018
Unsecured debentures (a)	**2,001,930**	1,802,339
Other unsecured debt (b)	**3,041**	3,766
Credit facilities (c)	**150,000**	80,000
	2,154,971	1,886,105

(a) Unsecured Debentures

The following unsecured debentures were issued and outstanding as at March 31, 2019 and December 31, 2018:

(in thousands of dollars)

Series	**Maturity Date**	**Annual Interest Rate**	**March 31, 2019**	December 31, 2018
Series H	July 27, 2020	4.050%	**—**	150,000
Series I	May 30, 2023	3.985%	**200,000**	200,000
Series L	February 11, 2021	3.749%	**150,000**	150,000
Series M	July 22, 2022	3.730%	**150,000**	150,000
Series N	February 6, 2025	3.556%	**160,000**	160,000
Series O	August 28, 2024	2.987%	**100,000**	100,000
Series P	August 28, 2026	3.444%	**250,000**	250,000
Series Q	March 21, 2022	2.876%	**150,000**	150,000
Series R	December 21, 2020	Variable[1]	**250,000**	250,000
Series S	December 21, 2027	3.834%	**250,000**	250,000
Series T	June 23, 2021	2.757%	**350,000**	—
		3.32%[2]	**2,010,000**	1,810,000
		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 and excludes deferred financing costs.

Credit Rating of Unsecured Debentures

Dominion Bond Rating Services (DBRS) provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfil its obligations. An investment-grade rating must exceed "BB", with the highest rating being "AAA". The Trust's debentures are rated "BBB" with a stable trend at March 31, 2019.

(b) Other unsecured debt

Other unsecured debt totalling $3.0 million (December 31, 2018 – $3.8 million) pertains to loans received from equity accounted investments (see also, "Equity accounted investments") in connection with contribution agreements relating to joint ventures. The loans are non-interest bearing with repayment terms based on the distributions that are to be paid pursuant to the limited partnership agreements.

(c) Credit facilities

In August 2018, the Trust entered into an unsecured non-revolving credit facility totalling $80.0 million, bearing interest at a variable interest rate based on either bank prime rate plus 20 basis points or the banker's acceptance rate plus 120 basis points, and matures on July 31, 2023. 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 $80.0 million on the facility until September 30, 2019. The balance of the credit facility of $80.0 million was repaid in February 2019.

In March 2019, the Trust entered into an unsecured non-revolving credit facility totalling $150.0 million bearing interest at a fixed interest rate of 3.59% and matures on March 7, 2024, with the option to extend a further two years. As at March 31, 2019, $150.0 million was drawn to fund the redemption of 4.050% Series H senior unsecured Debentures.

Revolving Operating Facility

As at March 31, 2019, the Trust has a $500.0 million unsecured revolving operating facility bearing interest at a variable interest rate based on either bank prime rate plus 45 basis points or the banker's acceptance rate plus 145 basis points, which matures on July 31, 2023. The facility includes an accordion feature of $250.0 million whereby the Trust has an option to increase its facility amount with the lenders to sustain future operations as required.

(in thousands of dollars)	**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

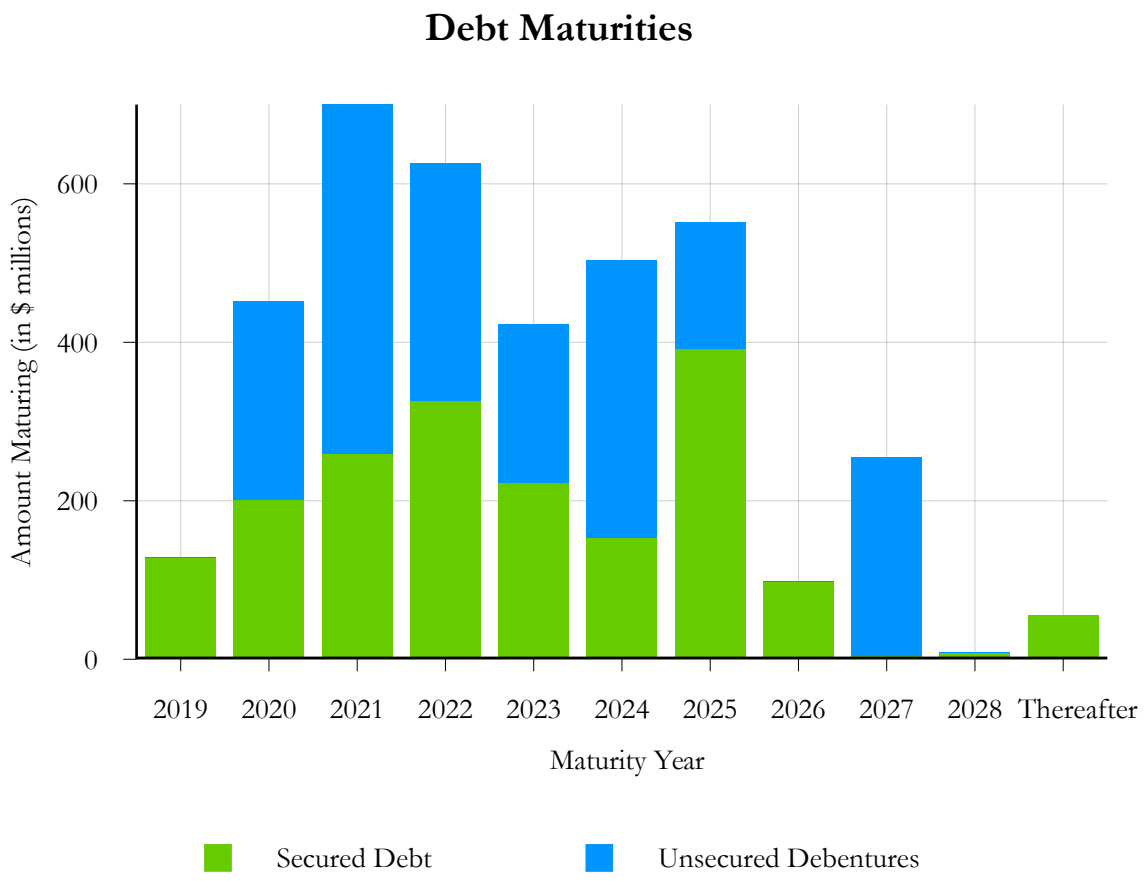
In addition to the letters of credit outstanding on the Trust's revolving operating facility (see above), the Trust also has $30.5 million of letters of credit outstanding with other financial institutions as at March 31, 2019 (December 31, 2018 – $52.1 million).

Unencumbered Assets

As at March 31, 2019, the Trust had $4.5 billion of unencumbered assets (December 31, 2018 – $4.3 billion), which reflects the Trust's share of the value of investment properties. In connection with this pool of unencumbered assets, management estimates that the total Forecasted Annualized NOI for 2019 to be $270.0 million. Forecasted Annualized NOI is representative of board approved budgets, and includes all known leasing and cost assumptions pertaining to the Trust's income properties that are not encumbered by secured debt, and is a forward-looking non-GAAP measure. See "Presentation of Non-GAAP Measures".

Debt Maturities

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



Financial Covenants

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

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

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

Ratios	**March 31, 2019**	December 31, 2018
Interest coverage	**3.3X**	3.3X
Interest coverage (net of capitalized interest expense)[1]	**3.8X**	3.6X
Debt to aggregate assets	**42.2%**	43.9%
Adjusted debt to adjusted aggregate assets[1]	**41.7%**	43.9%
Debt to gross book value (excluding convertible debentures)	**49.0%**	51.1%
Debt to gross book value (including convertible debentures)	**49.0%**	51.1%
Debt to Adjusted EBITDA	**8.0X**	8.2X

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

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

Ratios	Threshold	**March 31, 2019**	December 31, 2018
Debt to aggregate assets	65%	**42.2%**	43.9%
Secured debt to aggregate assets	40%	**20.0%**	23.1%
Fixed charge coverage	1.5X	**2.3X**	2.2X
Unencumbered assets to unsecured debt	1.3X	**2.0X**	2.1X
Unitholders' equity (in thousands)	$2,000,000	**$5,250,361**	$5,008,331

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

Ratios	Threshold	**March 31, 2019**	December 31, 2018
Debt to gross book value (excluding convertible debentures)	60%	**49.0%**	51.1%
Debt to gross book value (including convertible debentures)	65%	**49.0%**	51.1%
Interest coverage	1.65X	**3.3X**	3.3X
Unitholders' equity (in thousands)	$500,000	**$5,250,361**	$5,008,331

For the quarter ended March 31, 2019, the Trust was in compliance with all financial covenants.

Unitholders' Equity

The Unitholders' equity of the Trust is calculated based on the equity attributable to the holders of Trust Units and Limited Partnership Units ("Exchangeable Securities") that are exchangeable into Trust Units on a one-for-one basis. These Limited Partnership Units consist of Class B Units of the Trust's subsidiary limited partnerships. Certain of the Trust's subsidiary limited partnerships also have Units classified as liabilities that are exchangeable on a one-for-one basis for Units. The following is a summary of the number of Units outstanding for the three months ended March 31, 2019 and year ended December 31, 2018:

Type	Class and Series	March 31, 2019	December 31, 2018	Variance
Trust Units	N/A	**142,391,179**	134,498,397	7,892,782
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	—
Total Units classified as equity		**167,520,056**	159,627,274	7,892,782
Smart Limited Partnership	Class D Series 1	**311,022**	311,022	—
Smart Oshawa South Limited Partnership	Class D Series 1	**260,417**	260,417	—
ONR Limited Partnership	Class B	**1,248,140**	1,248,140	—
ONR Limited Partnership I	Class B Series 1	**132,881**	132,881	—
ONR Limited Partnership I	Class B Series 2	**137,109**	137,109	—
Total Units classified as liabilities		**2,089,569**	2,089,569	—
Total Units		**169,609,625**	161,716,843	7,892,782

The following is a summary of the activities having an impact on Unitholders' equity for the three months ended March 31, 2019 and March 31, 2018:

(in thousands of dollars)	March 31, 2019	March 31, 2018
Unitholders' equity – beginning of the period	**5,008,331**	4,827,457
Issuance of Trust Units	**245,812**	13,324
Units issuance cost	**(9,634)**	—
Deferred Units exchanged for Trust Units	**24**	—
Trust options exercised for Trust Units	**1,631**	—
Issuance of LP Units classified as equity	**—**	134
Net income and comprehensive income	**79,973**	100,466
Distributions	**(75,776)**	(69,495)
Unitholders' equity – end of the period	**5,250,361**	4,871,886

During the three months ended March 31, 2019, the Trust issued $237.8 million in Units as follows:

	Trust Units (#)	LP Units (#)	Total Units (#)	March 31, 2019 ($ thousands)
Units issued for cash (net of issuance cost)	7,360,000	—	7,360,000	**220,366**
Distribution reinvestment plan (DRIP)	479,060	—	479,060	**15,812**
Deferred units exchanged for Trust Units	720	—	720	**24**
Earnout options exercised	53,002	—	53,002	**1,631**
Total change in Unit equity	7,892,782	—	7,892,782	**237,833**

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 per Unit, totalling $220.4 million, net of issuance costs of $9.6 million (three months ended March 31, 2018 – no Units issued). During the three months ended March 31, 2019, distributions declared by the Trust totalled $76.7 million, of which $75.8 million relates to distributions on Units classified as equity, and $0.9 million relates to distributions on Units classified as liabilities that is treated as interest expense (March 31, 2018 – $70.4 million, of which $69.5 million relates to distributions on Units classified as equity, and $0.9 million relates to

distributions on Units classified as liabilities that is treated as interest expense), or $0.4500 per Unit (March 31, 2018 – $0.4375 per Unit). For the three months ended March 31, 2019, the Trust paid $60.9 million in cash distributions and the balance of $15.8 million by issuing 479,060 Trust Units under the DRIP (March 31, 2018 – $57.1 million in cash distributions and the balance of $13.3 million by issuing 449,044 Trust Units under the DRIP).

Declared distributions and declared distributions net of DRIP for the three months ended March 31, 2019 compared to the three months ended March 31, 2018, were as follows:

(in thousands of dollars)	**March 31, 2019**	March 31, 2018
Distributions declared on:		
Trust Units	**64,468**	58,547
LP Units	**11,308**	10,948
Distributions on Units classified as equity	**75,776**	69,495
Distributions on Units classified as liabilities	**940**	913
Total distributions declared	**76,716**	70,408
Distributions reinvested through DRIP	**(15,812)**	(13,324)
Total distributions declared, net of DRIP	**60,904**	57,084
DRIP as a percentage of total distributions declared	**20.6%**	18.9%

Quarterly Results and Trends

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

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Rentals from investment properties[1]	**207,227**	200,545	194,883	197,092	198,395	196,530	178,752	181,511
NOI[1][2]	**125,934**	127,105	128,761	126,708	122,839	125,460	117,867	117,107
Net income and comprehensive income[1]	**79,973**	102,580	96,155	103,748	100,466	101,911	69,946	124,070
FFO[2]	**88,296**	93,139	93,722	91,036	89,287	90,075	87,754	85,634
Per Unit								
Basic	**$0.53**	$0.58	$0.58	$0.57	$0.56	$0.57	$0.56	$0.55
Diluted[3]	**$0.52**	$0.57	$0.58	$0.56	$0.56	$0.56	$0.56	$0.55
FFO with one time adjustment and before Transactional FFO[2][4]	**91,821**	92,791	93,722	92,538	89,287	90,075	87,754	85,815
Per Unit								
Basic	**$0.55**	$0.57	$0.58	$0.58	$0.56	$0.57	$0.56	$0.55
Diluted[3][4]	**$0.55**	$0.57	$0.58	$0.57	$0.56	$0.56	$0.56	$0.55
FFO with one time adjustment and Transactional FFO[2][4]	**91,821**	92,791	93,722	95,012	89,777	91,020	87,754	88,939
Per Unit								
Basic	**$0.55**	$0.57	$0.58	$0.59	$0.56	$0.57	$0.56	$0.57
Diluted[3][4]	**$0.55**	$0.57	$0.58	$0.59	$0.56	$0.57	$0.56	$0.57
Cash flows provided by operating activities	**56,768**	131,475	74,656	101,060	44,063	137,492	84,967	74,285
Distributions declared	**76,716**	73,151	70,889	70,634	70,408	70,191	67,018	66,806
Units outstanding[5]	**169,609,625**	161,716,843	161,222,910	160,704,177	160,173,698	159,720,126	158,196,022	156,455,314
Weighted average Units outstanding								
Basic	**167,541,581**	161,471,118	160,950,811	160,415,583	159,943,580	159,388,010	156,681,702	156,256,467
Diluted	**168,448,169**	162,341,647	161,810,678	161,220,808	160,687,906	160,078,219	157,367,314	156,916,777
Total assets	**9,608,647**	9,459,632	9,427,341	9,513,881	9,416,938	9,380,232	8,839,166	8,843,016
Total unencumbered assets	**4,451,600**	4,250,800	4,116,100	3,940,600	3,524,500	3,387,000	2,921,700	2,914,000
Total debt[1]	**4,139,682**	4,236,364	4,256,252	4,296,836	4,269,593	4,318,330	3,889,763	3,909,966
In-place occupancy rate[1]	**97.8%**	98.0%	98.1%	98.0%	98.0%	98.2%	98.5%	98.4%

(1) Includes the Trust's share of earnings from equity accounted investments.
(2) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Non-GAAP Measures" section in this MD&A.
(3) Diluted FFO are adjusted for the dilutive effect of the vested Earnout options and vested portion of deferred units, unless they are anti-dilutive.
(4) Q2 2017 excludes the yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs ($0.2 million).
(5) Total Units outstanding include Trust Units and LP Units, including Units classified as financial liabilities.

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

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

Rentals from investment properties

For the second quarter of 2017 and the third quarter of 2017, rentals from investment properties were relatively stable with quarterly fluctuations resulting primarily from leasing and additional recoveries of tax and recoverable operating costs. The increase in the fourth quarter of 2017 over the third quarter of 2017 results primarily from the revenue attributed to the 12 additional OneREIT properties acquired pursuant to the Arrangement.

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

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

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

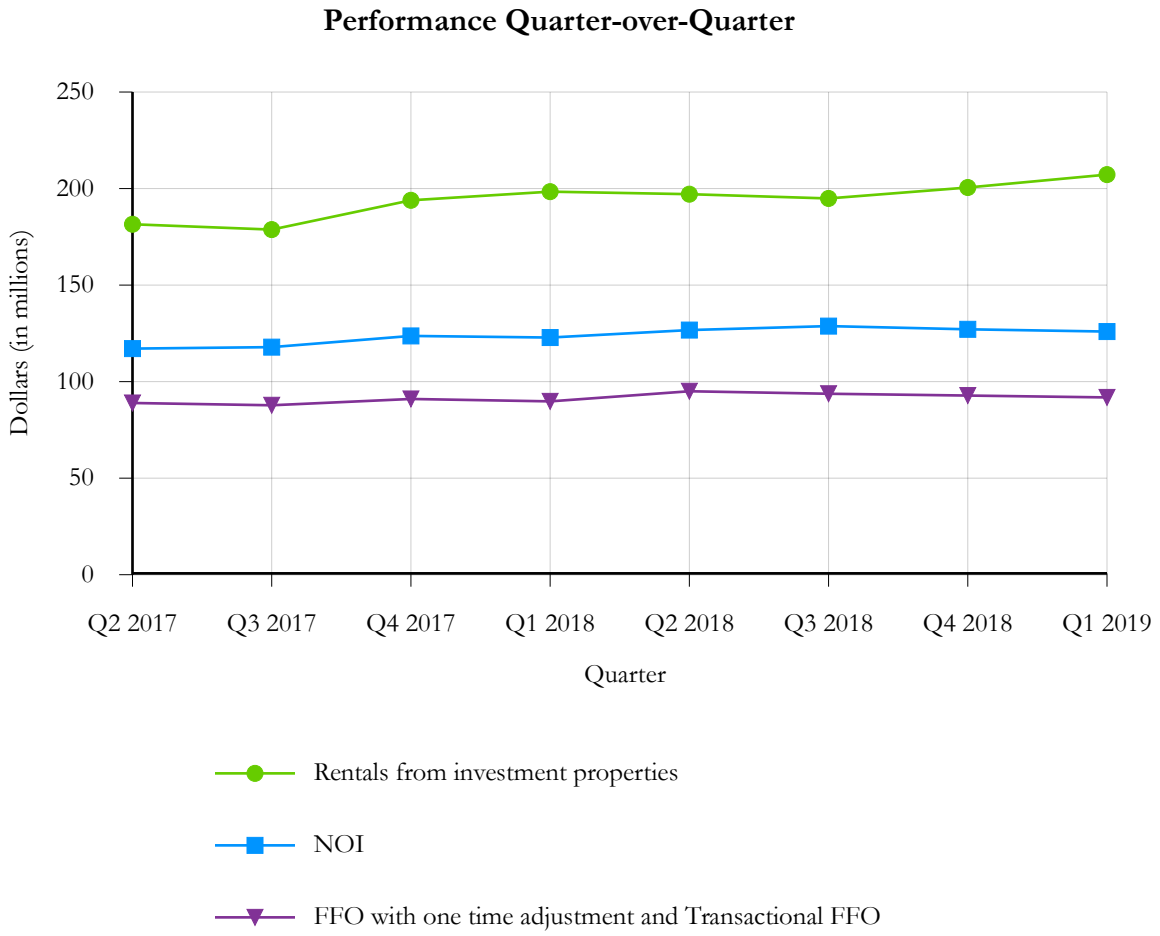
Units outstanding
Quarterly increases in Units outstanding and weighted average Units outstanding (basic and diluted) can be attributed to Units issued pursuant to: (i) DRIP, (ii) Earnouts, (iii) the properties under development issuances, and (iv) the equity raise of $230.0 million in Q1 2019 resulting in the issuance of 7,360,000 Trust Units.

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

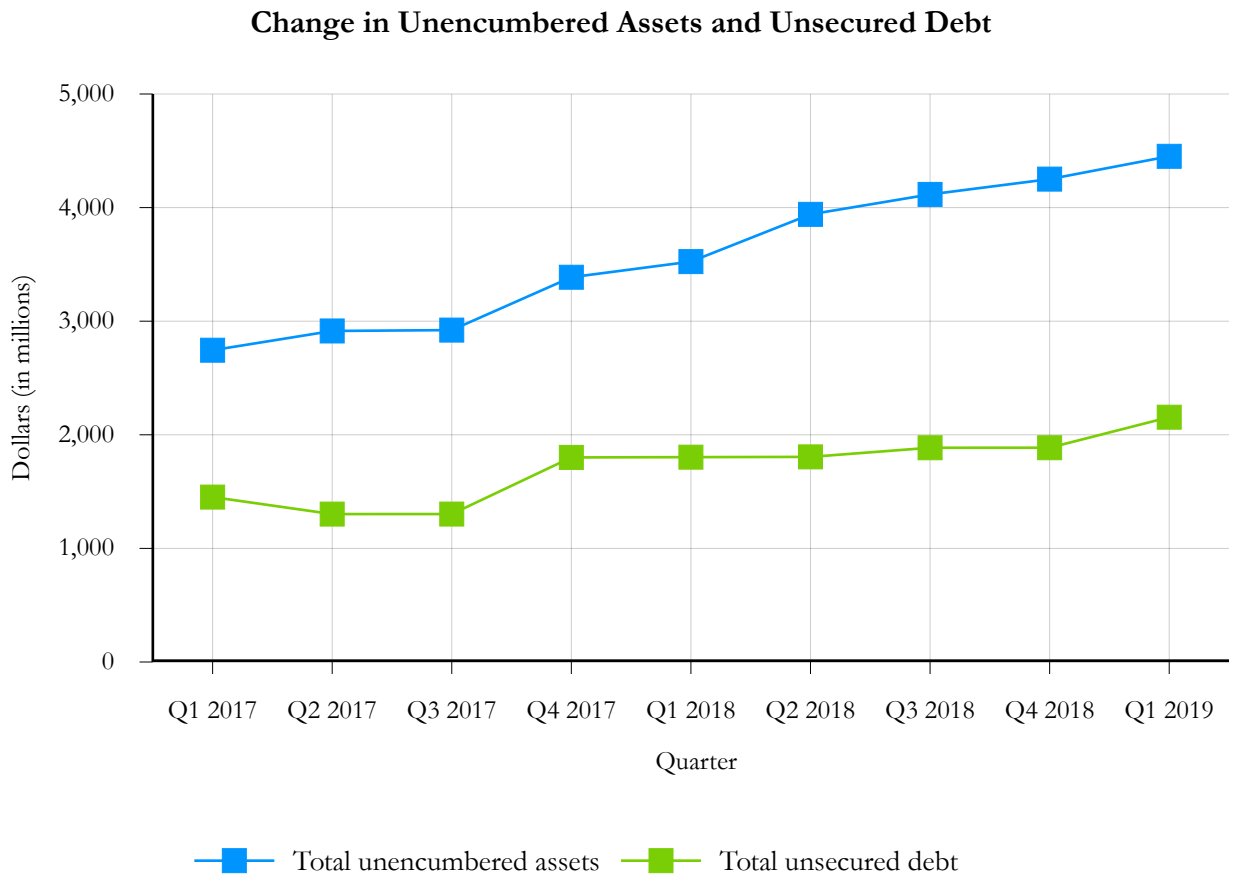
Unencumbered assets
The quarter-over-quarter increase in unencumbered assets over the last two years is primarily attributed to the Trust's practice of repaying maturing mortgages by using its existing credit facilities and unsecured debt, resulting in the related assets remaining unencumbered thereafter.

Occupancy rate
The Trust's in-place occupancy rate has remained relatively stable over the last eight quarters, ranging from a low of 97.8% in Q1 2019 to a high of 98.5% in Q3 2017. The primary reason for the reduction in occupancy rate since Q4 2017 relates to additional vacancy in the portfolio. Quarterly changes in occupancy rates are primarily caused by: (i) the expiration, bankruptcies, closures, and non-renewals of existing tenancies, (ii) new leasing, (iii) assumed occupancy/vacancy on acquisitions, and (iv) movements of space in and out of the Trust's portfolio of properties under development.

General trends in SmartCentres' key performance indicators



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



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

Income Taxes and the REIT Exception

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

The Tax Act imposes a special taxation regime (the "SIFT Rules") applicable to certain publicly traded income trusts (each a "SIFT"). A SIFT includes a trust resident in Canada with publicly traded units that holds one or more "non-portfolio properties". "Non-portfolio properties" include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada. Under the SIFT Rules, a SIFT is subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (as defined in the Tax Act; generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties", which does not include certain investments in non-Canadian entities), at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income. The SIFT Rules are not applicable to a SIFT that meets certain specified criteria relating to the nature of its revenues and investments in order to qualify as a real estate investment trust for purposes of the Tax Act (the "REIT Exception"). The Trust qualifies for the REIT Exception as at March 31, 2019.

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

Disclosure Controls and Procedures ("DCP")

The Trust's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have designed or caused to be designed under their direct supervision, the Trust's DCP (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), adopted by the Canadian Securities Administrators) to provide reasonable assurance that: (i) material information relating to the Trust, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the interim filings are being prepared, and (ii) material information required to be disclosed in the annual filings is recorded, processed, summarized and reported on a timely basis. The Trust continues to evaluate the effectiveness of DCP, and changes are implemented to adjust to the needs of new processes and enhancements as required. There were no changes in the Trust's internal controls over financial reporting in the three months ended March 31, 2019 that materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

Internal Control Over Financial Reporting ("ICFR")

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

Inherent Limitations

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

Significant Accounting Estimates and Policies

In preparing the Trust's unaudited interim condensed consolidated financial statements and accompanying notes, it is necessary for management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the period. The significant items requiring estimates are discussed in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019, and the notes contained therein.

The Trust's MD&A for the year ended December 31, 2018 also contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the audited consolidated financial statements for the year ended December 31, 2018. Management determined that at March 31, 2019, there is no change to the assessment of significant accounting policies most affected by estimates and judgments described in the Trust's MD&A for the year ended December 31, 2018, except for the following:

IFRS 16, "Leases"

IFRS 16, "Leases" is a new standard that sets out the principles for the recognition, measurement and disclosure of leases. This new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessors, IFRS 16 carries forward the lessor accounting requirements in IAS 17, "Leases", with enhanced disclosure requirements that will provide information to the users of financial statements about a lessor's risk exposure, particularly to residual value risk. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, although earlier application is permitted for entities that apply IFRS 15. This standard supersedes IAS 17, IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives", and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

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**

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.

Risks and Uncertainties

In addition to the risks discussed below, further risks are discussed in the Trust's annual information form for the year ended December 31, 2018 under the heading "Risk Factors".

Real Property Ownership Risk

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

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

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants and on the vacancy rates of the Trust's portfolio of income producing properties. On the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the Trust than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the Trust's investment may be incurred. Furthermore, at any time, a tenant of any of the Trust's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and, thereby, cause a reduction in the cash flow available to the Trust. The ability to rent unleased space in the properties in which the Trust has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to property. The failure to rent vacant space on a timely basis or at all would likely have an adverse effect on the Trust's financial condition.

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

Real property investments tend to be relatively illiquid with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. If the Trust were to be required to liquidate its real property investments, the proceeds to the Trust might be significantly less than the aggregate carrying value of its properties.

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

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

Development and Construction Risk

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

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

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

Joint Venture Risk

The Trust is a co-owner in several properties including joint ventures with Penguin to develop SmartCentres Place, CentreCourt and Penguin to develop Transit City at SmartCentres Place, Jadco to develop a residential rental unit project in Laval, Quebec, Fieldgate to develop a 16-acre parcel of land in Vaughan and build townhomes, SmartStop to develop and operate various self-storage locations, Revera to develop and operate retirement home communities, and various third parties to own and further develop retail and residential properties, which are classified as equity accounted investments. As part of its growth strategy, the Trust expects to increase its participation in additional joint ventures in the future, which may include additional joint ventures in condominiums, self-storage facilities, retirement homes and other initiatives. The Trust is subject to the risks associated with the conduct of joint ventures. Such risks include disagreements with its partners to develop and operate the properties efficiently and the inability of the partners to meet their obligations to the joint ventures or third parties. Any failure of the Trust or its partners to meet its obligations or any disputes with respect to strategic decision-making or the parties' respective rights and obligations, could have a material adverse effect on the joint ventures, which may have a material adverse effect on the Trust. The Trust attempts to mitigate these risks by continuing to maintain strong relationships with its partners.

Interest and Financing Risk

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

Interest rate changes will also affect the Trust's development portfolio. The Trust has entered into development agreements that obligate the Trust to acquire up to approximately 0.3 million square feet of additional income properties at a cost determined by capitalizing the rental income at predetermined rates. Subject to the ability of the Trust to obtain financing on acceptable terms, the Trust will finance these acquisitions by issuing additional debt and equity. Changes in interest rates will have an impact on the return from these acquisitions should the rate exceed the capitalization rate used and could result in a purchase being non-accretive. This risk is mitigated as management has certain rights of approval over the developments and acquisitions.

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

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

Credit Risk

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

Environmental Risk

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

The Trust is making the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, the Trust does not believe that costs relating to environmental matters will have a material adverse effect on the Trust's business, financial condition or results of operations. However, environmental laws and regulations can change, and the Trust may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on the Trust's business, financial condition or results of operations.

Capital Requirements

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

Tax Related Risks

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

If the Trust fails to qualify for the REIT Exception, the Trust will be subject to the taxation regime under the SIFT Rules. The Trust qualifies for the REIT Exception as at March 31, 2019. In the event that the REIT Exception did not apply to the Trust, the corresponding application of the SIFT Rules to the Trust could affect the level of cash distributions that would otherwise be made by the Trust and the taxation of such distributions to Unitholders. The Trust intends to take all necessary steps to continue to qualify for the REIT Exception. However, there can be no assurance that Canadian federal income tax laws with respect to the REIT Exception will not be changed, or that administrative and assessment practices of the Canada Revenue Agency will not develop in a manner that adversely affects the Trust or its Unitholders. Furthermore, the determination as to whether the Trust qualifies for the REIT Exception in a particular taxation year can only be made at the end of such taxation year. Accordingly, no assurance can be given that the Trust will continue to qualify for the REIT Exception.

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

Cyber Security Risk

Cyber security has become an increasingly problematic issue for issuers and businesses in Canada and around the world, including for the Trust and the real estate industry. Cyber attacks against large organizations are increasing in sophistication and are often focused on financial fraud, compromising sensitive data for inappropriate use or disrupting business operations. Such an attack could compromise the Trust's confidential information as well as that of the Trust's employees, tenants and third parties with whom the Trust interacts and may result in negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny, litigation and reputational damage. As a result, the Trust continually monitors for malicious threats and adapts accordingly in an effort to ensure it maintains high privacy and security standards. The Trust invests in cyber defence technologies to support its business model and to protect its systems, employees and tenants by employing industry better practices. The Trust's investments continue to manage the risks it faces today and position the Trust for the evolving threat landscape.

Significant Unitholder Risk

According to reports filed under applicable Canadian securities legislation, as at March 31, 2019, Mitchell Goldhar ("Mr. Goldhar") of Vaughan, Ontario beneficially owns or controls a number of the outstanding Units which, together with the securities he beneficially owns or controls that are exchangeable at his option for Trust Units for no additional consideration and the associated Special Voting Units, represent an approximate 20.8% voting interest in the Trust. Further, according to the above-mentioned reports, as at March 31, 2019, Mr. Goldhar beneficially owns or controls additional rights to acquire Trust Units which, if exercised or converted, would result in him increasing his beneficial economic and voting interest in the Trust to as much as approximately 24.9%. In addition, pursuant to the Voting Top-Up Right, Mr. Goldhar may be issued additional Special Voting Units to entitle Penguin to cast 25% of the votes attached to Voting Units at a meeting of the holders of Voting Units.

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

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

Subsequent Events

On May 6, 2019, the Trust and Penguin announced that Transit City Condo Towers 4 and 5 in SmartCentres Place at the VMC in Vaughan, Ontario, were substantially sold out and actual sales figure result in the Trust projecting a return on costs in excess of 20%.

Glossary of Terms

Term	Definition
Adjusted Cashflow From Operations ("ACFO")	ACFO is a non-GAAP financial measure and may not be comparable to similar measures used by other real estate entities. The Trust calculates its ACFO in accordance with the Real Property Association of Canada's ("REALpac") White Paper on Adjusted Cashflow from Operations for IFRS last revised in February 2019. The purpose of the White Paper is to provide reporting issuers and investors with greater guidance on the definitions of ACFO and to help promote more consistent disclosure from reporting issuers. ACFO is intended to be used as a sustainable, economic cash flow metric. The Trust considers ACFO an input to determine the appropriate level of distributions to Unitholders as it adjusts cash flows from operations to better measure sustainable, economic cash flows.
Adjusted Debt to Adjusted Aggregate Assets	Calculated as debt divided by aggregate assets including equity accounted investments. The ratio is used by the Trust to manage an acceptable level of leverage and is not considered a measure in accordance with IFRS, as adjusted for the repayment of certain secured debt within 30 days of the balance sheet date.
Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization Expense ("Adjusted EBITDA")	Adjusted earnings before interest expense, income taxes, depreciation expense and amortization expense, as defined by the Trust, is a non-GAAP financial measure that comprises net earnings less income taxes, interest expense, amortization expense and depreciation expense, as well as adjustments for gains and losses on disposal of investment properties including transactional gains and losses on the sale of investment properties to a joint venture that are expected to be recurring, and the fair value changes associated with investment properties and financial instruments, and excludes non-recurring one time adjustments such as, but not limited to, yield maintenance on redemption of unsecured debentures and Transactional FFO – gain on sale of land to co-owners. It is a metric that can be used to help determine the Trust's ability to service its debt, finance capital expenditures and provide for distributions to its Unitholders. Additionally, Adjusted EBITDA removes the non-cash impact of the fair value changes and gains and losses on investment property dispositions. Adjusted EBITDA is reconciled with net income, which is the closest IFRS measure (see "Results of Operations").
Annual Run-Rate NOI	Represents a non-GAAP financial measure and is calculated as management's estimate of annualized NOI excluding the impact of straight-line rent and other non-recurring items including but not limited to bad debt provisions and termination fees.
Anchors	Anchors are defined as tenants within a property with gross leasable area greater than 30,000 square feet.
CAM	Defined as common area maintenance.
Debt to Adjusted EBITDA	Defined as debt divided by Adjusted EBITDA. The ratio of total debt to Adjusted EBITDA is included and calculated each period to provide information on the level of the Trust's debt versus the Trust's ability to service that debt. Adjusted EBITDA is used as part of this calculation because the fair value changes and gains and losses on investment property dispositions do not have an impact on cash flow, which is a critical part of this measure (see "Financial Covenants" section).
Debt to Aggregate Assets	Calculated as debt divided by aggregate assets including equity accounted investments. The ratio is used by the Trust to manage an acceptable level of leverage and is not considered a measure in accordance with IFRS.
Debt to Gross Book Value	Calculated as debt divided by aggregate assets plus accumulated amortization less cumulative unrealized fair value gain or loss with respect to investment property. The ratio is used by the Trust to manage an acceptable level of leverage and is not considered a measure in accordance with IFRS.

Glossary of Terms (continued)

Term	Definition
Earnings Before Interest Expense, Income Taxes, Depreciation Expense and Amortization Expense ("EBITDA")	Earnings before interest expense, income taxes, depreciation expense and amortization expense is a non-GAAP measure that can be used to help determine the Trust's ability to service its debt, finance capital expenditures and provide for distributions to its Unitholders. EBITDA is reconciled with net income, which is the closest IFRS measure (see "Financial Covenants").
Exchangeable Securities	Exchangeable Securities are securities issued by the limited partnership subsidiaries of the Trust that are convertible or exchangeable directly for Units without the payment of additional consideration, including Class B Smart Limited Partnership Units ("Class B Smart LP Units") and Units classified as liabilities. Such Exchangeable Securities are economically equivalent to Units as they are entitled to distributions equal to those on the Units and are exchangeable for Units on a one-for-one basis. The issue of a Class B Smart LP Unit and Units classified as liabilities is accompanied by a Special Voting Unit that entitles the holder to vote at meetings of Unitholders.
Fixed Charge Coverage Ratio	Defined as Adjusted EBITDA divided by interest expense on debt and distributions on Units classified as liabilities and all regularly scheduled principal payments made with respect to indebtedness during the period. The ratio is used by the Trust to manage an acceptable level of leverage and is not considered a measure in accordance with IFRS.
Forecasted Annualized NOI	Represents a forward-looking, non-GAAP measure, and is calculated based on management's estimates of annualized NOI.
Funds From Operations ("FFO")	FFO is a non-GAAP financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALpac, which published a White Paper describing the intended use of FFO last revised in February 2019. It is the Trust's view that IFRS net income does not necessarily provide a complete measure of the Trust's economic earnings. This is primarily because IFRS net income includes items such as fair value changes of investment property that are subject to market conditions and capitalization rate fluctuations and gains and losses on the disposal of investment properties, including associated transaction costs and taxes, which are not representative of a company's economic earnings. For these reasons, the Trust has adopted REALpac's definition of FFO, which was created by the real estate industry as a supplemental measure of economic earnings.
Interest Coverage Ratio	Defined as Adjusted EBITDA over interest expense, where interest expense excludes the distributions on deferred units and Units classified as liabilities and adjustments relating to the early redemption of unsecured debentures. The ratio is used by the Trust to manage an acceptable level of interest expense relative to available earnings and is not considered a measure in accordance with IFRS.
Net Operating Income ("NOI")	NOI (a non-GAAP financial measure) from continuing operations is defined as rentals from investment properties and other less property operating costs and other. In the consolidated statements of income and comprehensive income, NOI is presented as "net rental income and other".
Payout Ratio to ACFO	Represents a non-GAAP financial measure and is calculated as distributions declared divided by ACFO. It is the proportion of earnings paid out as dividends to Unitholders. Management determines the Trust's Unit cash distribution rate by, among other considerations, its assessment of cash flow as determined using certain non-GAAP measures. As such, management believes the cash distributions are not an economic return of capital, but a distribution of sustainable cash flow from operations.

Glossary of Terms (continued)

Term	Definition
Penguin	Penguin refers to entities controlled by Mitchell Goldhar, a Trustee, executive chairman and significant Unitholder of the Trust.
Recovery Ratio	Defined as property operating cost recoveries divided by recoverable costs.
Same Properties NOI	To facilitate a more meaningful comparison of NOI between periods, Same properties NOI (a non-GAAP financial measure) amounts are calculated as the NOI attributable to those income properties that were owned by the Trust during the current period and the same period in the prior year. Any NOI from properties either acquired, Earnouts, developed or disposed of, outside of these periods, are excluded from Same Properties NOI.
Shadow Anchor	A shadow anchor is a store or business that satisfies the criteria for an anchor tenant, but which may be located at an adjoining property or on a portion.
SIFT	The Tax Act imposes a special taxation regime for specific investment flow-through trusts ("SIFT") (referred to as the "SIFT Rules") applicable to certain publicly traded income trusts. A SIFT includes a trust resident in Canada with publicly traded units that holds one or more "non-portfolio properties". "Non-portfolio properties" include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada. Under the SIFT Rules, a SIFT is subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (as defined in the Tax Act; generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties", which does not include certain investments in non-Canadian entities), at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income. The SIFT Rules are not applicable to a SIFT that meets certain specified criteria relating to the nature of its revenues and investments in order to qualify as a real estate investment trust for purposes of the Tax Act.
The Arrangement	On October 4, 2017, the Trust announced the closing of a transaction to acquire a portfolio of 12 retail properties from OneREIT through the acquisition of OneREIT's ONR Limited Partnership as part of a plan of arrangement with OneREIT and others. The Arrangement added 2.2 million square feet of gross leasable area to the Trust's existing portfolio, with 10 of the 12 properties located in Ontario. Further, the portfolio includes 11 food stores, inclusive of 6 Walmart Supercentres and a strong mix of national tenants.
The Transaction	On May 28, 2015, the Trust completed the previously announced acquisition of the SmartCentres platform from Mitchell Goldhar as part of a $1,171.2 million transaction that transformed the Trust into a fully integrated real estate developer and operator by adding the SmartCentres platform of development, leasing, planning, engineering, architecture, and construction capabilities. The Transaction also included the acquisition of interests in a portfolio of 22 properties located principally in Ontario and Quebec, including 20 open-format Walmart Supercentre anchored or shadow-anchored shopping centres owned by Mitchell Goldhar and joint venture partners, including Wal-Mart Canada Realty Inc., for $1,116.0 million.

Glossary of Terms (continued)

Term	Definition
Transactional FFO	Transactional FFO is a non-GAAP financial measure that represents the net financial/economic gain (loss) resulting from a partial sale of an investment property to a third party. Transactional FFO is calculated as the difference between the actual selling price and actual costs incurred for the subject investment property. Because the Trust intends to establish numerous joint ventures with partners in which it plans to co-develop mixed-use projects, the Trust expects such gains (losses) to be recurring and therefore represent part of the Trust's overall distributable earnings.
Voting Top-Up Right	Until July 1, 2020, Penguin is entitled to have a minimum of 25.0% of the votes eligible to be cast at any meeting of Unitholders provided certain conditions are met. Pursuant to the Voting Top-Up Right, the Trust will issue additional special voting Units of the Trust to Penguin to increase its voting rights to 25.0% in advance of a meeting of Unitholders. The total number of Special Voting Units is adjusted for each meeting of the Unitholders based on changes in Penguin's ownership interest.