SMARTCENTRES®
REAL ESTATE INVESTMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

INFINITE POSSIBILITIES...

YEAR-END REPORT

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Independent auditor's report

To the Unitholders of SmartCentres Real Estate Investment Trust

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SmartCentres Real Estate Investment Trust and its subsidiaries, (together, the Trust) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Trust's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2019 and 2018;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Daniel D'Archivio.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Ontario
February 12, 2020

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

As at December 31, 2019 and December 31, 2018
(in thousands of Canadian dollars)

	Note	**2019**	2018
Assets			
Non-current assets			
Investment properties	4	**9,050,066**	8,905,057
Mortgages, loans and notes receivable	5	**216,907**	131,916
Equity accounted investments	6	**345,376**	146,306
Other assets	7	**89,023**	87,211
Intangible assets	8	**47,801**	49,133
		9,749,173	9,319,623
Current assets			
Residential development inventory	9	**24,564**	23,429
Current portion of mortgages, loans and notes receivable	5	**55,953**	25,233
Amounts receivable, prepaid expenses and deposits, deferred financing costs and other	10	**43,403**	61,903
Cash and cash equivalents		**55,374**	29,444
		179,294	140,009
Total assets		**9,928,467**	9,459,632
Liabilities			
Non-current liabilities			
Debt	11	**4,110,548**	3,529,954
Other payables	12	**21,444**	29,216
Other financial liabilities	13	**95,735**	94,984
		4,227,727	3,654,154
Current liabilities			
Current portion of debt	11	**115,385**	580,530
Accounts payable and current portion of other payables	12	**217,603**	216,617
		332,988	797,147
Total liabilities		**4,560,715**	4,451,301
Equity			
Trust Unit equity		**4,492,678**	4,148,181
Non-controlling interests		**875,074**	860,150
		5,367,752	5,008,331
Total liabilities and equity		**9,928,467**	9,459,632

Commitments and contingencies (Note 27)

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

Approved by the Board of Trustees.

Michael Young
Trustee

Garry Foster
Trustee

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the years ended December 31, 2019 and December 31, 2018
(in thousands of Canadian dollars)

	Note	**2019**	2018
Net rental income and other			
Rentals from investment properties and other	17	**806,412**	790,178
Property operating costs and other	18	**(301,513)**	(292,962)
Net rental income and other		**504,899**	497,216
Other income and expenses			
General and administrative expense, net	19	**(20,456)**	(24,430)
Earnings from equity accounted investments	6	**6,639**	10,539
Fair value adjustment on revaluation of investment properties	25	**29,471**	50,765
Gain (loss) on sale of investment properties		**623**	(637)
Interest expense	11(d)	**(157,038)**	(141,223)
Interest income		**11,668**	10,381
Fair value adjustment on financial instruments	25	**(1,320)**	(7)
Acquisition related (loss) gain, net		**(283)**	343
Net income and comprehensive income		**374,203**	402,947
Net income and comprehensive income attributable to:			
Trust Units		**314,046**	334,529
Non-controlling interests		**60,157**	68,418
		374,203	402,947

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and December 31, 2018
(in thousands of Canadian dollars)

	Note	**2019**	2018
Cash provided by (used in)			
Operating activities			
Net income and comprehensive income for the year		**374,203**	402,947
Add (deduct):			
Fair value adjustments	25	**(28,151)**	(50,758)
(Gain) loss on sale of investment properties		**(623)**	637
Earnings from equity accounted investments, net of distributions	6	**558**	10,840
Acquisition related loss (gain), net		**283**	(343)
Interest expense	11(d)	**157,038**	141,223
Cash interest paid	11(d)	**(154,854)**	(136,347)
Other financing costs		**(2,618)**	(933)
Interest income		**(11,668)**	(10,381)
Interest received		**3,274**	3,391
Amortization of other assets		**6,685**	7,141
Amortization of intangible assets	8	**1,331**	1,331
Lease obligation interest		**541**	529
Deferred unit compensation expense, net of redemptions	13(c)	**(4,737)**	2,476
Long Term Incentive Plan accrual adjustment	12(b)	**(596)**	327
Payment of vested Long Term Incentive Plan performance units	12(b)	**—**	(2,013)
Expenditures on direct leasing costs and tenant incentives		**(5,910)**	(6,196)
Expenditures on tenant incentives for properties under development		**(2,467)**	(6,613)
Changes in other non-cash operating items	20	**13,322**	(6,937)
Cash flows provided by operating activities		**345,611**	350,321
Financing activities			
Proceeds from debt issuance		**1,331,923**	590,140
Repayment of debt		**(1,184,165)**	(710,439)
Proceeds from issuance of Trust Units, net of issuance costs	15	**220,365**	(250)
Distributions paid on Trust Units		**(189,582)**	(179,706)
Distributions paid on non-controlling interests and Units classified as liabilities		**(49,529)**	(48,263)
Payment of lease liability		**(170)**	—
Cash flows provided by (used in) financing activities		**128,842**	(348,518)
Investing activities			
Acquisitions and Earnouts of investment properties	3	**(24,625)**	(18,766)
Additions to investment properties		**(104,448)**	(114,799)
Additions to equity accounted investments		**(254,702)**	(20,334)
Net proceeds from sale of investment properties in equity accounted investments	6	**31,978**	—
Additions to equipment	7	**(1,278)**	(844)
Advances of mortgages and loans receivable	5	**(109,527)**	(112,340)
Repayments of mortgages and loans receivable		**2,212**	124,230
Net proceeds from sale of investment properties		**11,867**	7,794
Cash flows used in investing activities		**(448,523)**	(135,059)
Increase (decrease) in cash and cash equivalents during the year		**25,930**	(133,256)
Cash and cash equivalents – beginning of year		**29,444**	162,700
Cash and cash equivalents – end of year		**55,374**	29,444
Supplemental cash flow information	20		

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EQUITY

For the years ended December 31, 2019 and December 31, 2018
(in thousands of Canadian dollars)

		Attributable to Unitholders			Attributable to LP Units Classified as Non-Controlling Interests				
	Note	Trust Units (Note 15)	Retained Earnings	Unit Equity	LP Units (Note 15)	Retained Earnings	LP Unit Equity	Other Non-Controlling Interest (Note 21)	Total Equity
Equity – January 1, 2018		2,724,472	1,269,787	3,994,259	629,492	200,468	829,960	3,238	4,827,457
Issuance of Units	15	56,406	—	56,406	3,245	—	3,245	—	59,651
Net income and comprehensive income		—	334,529	334,529	—	68,030	68,030	388	402,947
Distributions	16	—	(237,204)	(237,204)	—	(44,196)	(44,196)	(515)	(281,915)
Units exchanged	13, 15	191	—	191	—	—	—	—	191
Equity – December 31, 2018		2,781,069	1,367,112	4,148,181	632,737	224,302	857,039	3,111	5,008,331
Equity – January 1, 2019		**2,781,069**	**1,367,112**	**4,148,181**	**632,737**	**224,302**	**857,039**	**3,111**	**5,008,331**
Issuance of Units	15	**291,752**	**—**	**291,752**	**621**	**—**	**621**	**—**	**292,373**
Net income and comprehensive income		**—**	**314,046**	**314,046**	**—**	**59,795**	**59,795**	**362**	**374,203**
Distributions	16	**—**	**(261,301)**	**(261,301)**	**—**	**(45,556)**	**(45,556)**	**(298)**	**(307,155)**
Equity – December 31, 2019		**3,072,821**	**1,419,857**	**4,492,678**	**633,358**	**238,541**	**871,899**	**3,175**	**5,367,752**

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and December 31, 2018
(in thousands of Canadian dollars, except Unit, square foot and per Unit amounts)

1. Organization

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

These consolidated financial statements have been approved for issue by the Board of Trustees on February 12, 2020. The Board of Trustees has the power to amend the consolidated financial statements after issue.

As at December 31, 2019, the Penguin Group of Companies (“Penguin”), owned by Mitchell Goldhar, owned approximately 20.7% (December 31, 2018 – 21.8%) of the issued and outstanding Units of the Trust and Limited Partnerships (see also Note 21, “Related party transactions”).

2. Summary of significant accounting policies

2.1 Basis of presentation

The Trust’s consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand. The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of investment property and certain financial and derivative instruments (discussed in Note 2.4 and Note 2.11, respectively). The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

Statement of compliance

The consolidated financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

2.2 Principles of consolidation

Subsidiaries are all entities over which the Trust has control. The Trust controls an entity when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, unrealized losses and unrealized gains on transactions between the Trust and its subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Trust.

Non-controlling interests represent equity interests in subsidiaries not attributable to the Trust. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Net income and comprehensive income are attributed to Trust Units and non-controlling interests.

Interests in joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The Trust is a co-owner in several properties that are subject to joint control and has determined that certain current joint arrangements are joint operations as the Trust, through its subsidiaries, is the direct beneficial owner of the Trust's interests in the properties. For these properties, the Trust recognizes its proportionate share of the assets, liabilities, revenue and expenses of

these co-ownerships in the respective lines in the consolidated financial statements (see Note 23, “Co-ownership interests”).

2.3 Equity accounted investments

a) Investment in associates

Investment in associates are entities over which the Trust has significant influence but not control or joint control, generally accompanying an ownership of between 20% and 50% of the voting rights. Investment in associates are accounted for using the equity method of accounting and recorded as equity accounted investments on the consolidated balance sheet. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee, including the Trust's pro rata share of changes in fair value of investment property held by the associate from the previous reporting period, after the date of acquisition. The Trust’s investment in associates includes any notional goodwill identified on acquisition.

b) Investment in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control only have rights to the net assets of the arrangement. Investment in joint ventures are accounted for using the equity method of accounting and recorded as equity accounted investments on the consolidated balance sheet. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee, including the Trust's pro rata share of changes in fair value of investment property held by the equity accounted investment from the previous reporting period, after the date of acquisition. The Trust’s investment in joint ventures includes any notional goodwill identified on acquisition.

The Trust’s share of post-acquisition profit or loss is recognized in the consolidated statement of income and comprehensive income with a corresponding adjustment to the carrying amount of the equity accounted investment. When the Trust’s share of losses in an equity accounted investment equals or exceeds its interest in the equity accounted investment, including any other unsecured receivables, the Trust does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the equity accounted investment.

The Trust determines at each reporting date whether there is any objective evidence that the equity accounted investment is impaired. If this is the case, the Trust calculates the amount of impairment as the difference between the recoverable amount of the equity accounted investment and its carrying value and recognizes the amount in the consolidated statement of income and comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Trust and its equity accounted investment are recognized in the Trust’s consolidated financial statements only to the extent of an unrelated investor's interests in the equity accounted investment. Accounting policies of equity accounted investments are updated when necessary to ensure consistency with the policies adopted by the Trust.

2.4 Investment properties

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

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

Borrowing costs that are incurred for the purpose of, and are directly attributable to, acquiring or constructing a qualifying investment property are capitalized as part of its cost. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Borrowing costs are capitalized while acquisition or construction is actively underway and ceases once

the asset is ready for use as intended by management, or suspended if the development of the asset is suspended, as identified by management.

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

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

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

Investment property held by the Trust under a lease is classified as investment property when the definition of an investment property is met and the Trust accounts for the lease as a right-of-use asset. The Trust accounts for all leasehold property interests that meet the definition of investment property held by the Trust as right-of-use assets.

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

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

2.5 Residential development inventory

Residential development inventory, which is developed for sale in the ordinary course of business within the normal operating cycle, is stated at the lower of cost and estimated net realizable value. Residential development inventory is reviewed for impairment at each reporting date. An impairment loss is recognized as an expense when the carrying value of the property exceeds its net realizable value. Net realizable value is based on projections of future cash flows, which take into account the development plans for each project and management’s best estimate of the most probable set of anticipated economic conditions.

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

The revenue generated from contracts with customers on the sale of townhomes is recognized on the date (i.e. the point in time) when control of the asset (i.e. townhome) has transferred to the purchaser (i.e. generally, when the purchaser takes possession of the townhome) as the purchaser has the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. The amount of revenue recognized is based on the transaction price included in the purchasers' contracts. Any funds received prior to the purchasers taking possession of their respective assets are recognized as deferred revenue (contractual liability). Sales, marketing and disposition costs directly related to the sale of residential development inventory are expensed as incurred.

2.6 *Business combinations*

The Trust applies business combination accounting whereby identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. Any excess of the purchase price over the fair value of identifiable net assets acquired is considered goodwill. If the purchase price is less than the fair value of the net assets acquired the difference is recognized directly in the consolidated statement of income and comprehensive income as a gain. The Trust expenses any transaction costs associated with a business combination in the period incurred. When an acquisition does not meet the criteria for a business, it is accounted for as an asset acquisition. Any transaction costs associated with an asset acquisition are allocated to the assets acquired and liabilities assumed. No goodwill is recognized for asset acquisitions.

2.7 *Intangible assets*

The Trust's intangible assets comprise key joint venture relationships, trademarks and goodwill. The joint venture relationships and trademarks have finite useful lives, and as such are amortized over a period of 30 years and reviewed for impairment when an indication of impairment exists. Goodwill is not amortized but tested for impairment at least annually, or more frequently if there are indicators of impairment.

2.8 *Equipment*

Equipment is stated at cost less accumulated amortization and accumulated impairment losses and is included in other assets. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The Trust records amortization expense on a straight-line basis over the assets' estimated useful lives included in the table as follows:

Office furniture and fixtures	Up to 7 years
Computer hardware	Up to 5 years
Computer software	Up to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

If events and circumstances indicate an asset may be impaired, the asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount defined as the higher of an asset's fair value less costs to sell and its value in use.

2.9 *Provisions*

Provisions are recognized when: (i) the Trust has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation that reflect current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.10 *Classification of Units as liabilities and equity*

a) Trust Units

The Trust Units meet the definition of a financial liability under IFRS as the redemption feature of the Trust Units creates an unavoidable contractual obligation to pay cash.

The Trust Units are considered to be "puttable instruments" because of the redemption feature. IFRS provides a very limited exemption to allow puttable instruments to be presented as equity provided certain criteria are met.

To be presented as equity, a puttable instrument must meet all of the following conditions: (i) it must entitle the holder to a pro rata share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class in (ii) must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instrument must be based substantially on the profit or loss of the entity or change in fair value of the instrument. This is called the "Puttable Instrument Exemption".

The Trust Units meet the Puttable Instrument Exemption criteria and accordingly are presented as equity in the consolidated financial statements. The distributions on Trust Units are deducted from retained earnings.

b) Limited Partnership Units

The Class B General Partnership Units, Class D Limited Partnership Units, and Class F Limited Partnership Units of Smart Limited Partnership (referred to herein as "Smart LP Units"), Class B Limited Partnership Units of Smart Limited Partnership II (referred to herein as "Smart LP II Units"), Class B General Partnership Units of Smart Limited Partnership III (referred to herein as "Smart LP III Units"), Class B General Partnership Units of Smart Limited Partnership IV (referred to herein as "Smart LP IV Units"), Class B General Partnership Units and Class D Limited Partnership Units of Smart Oshawa South Limited Partnership (referred to herein as "Smart Oshawa South LP Units"), Class B General Partnership Units and Class D Limited Partnership Units of Smart Oshawa Taunton Limited Partnership (referred to herein as "Smart Oshawa Taunton LP Units"), Class B Limited Partnership Units of ONR Limited Partnership (referred to herein as "ONR LP Units"), and Class B Limited Partnership Units of ONR Limited Partnership I (referred to herein as "ONR LP I Units") are exchangeable into Trust Units at the partners' option. All limited partnership units that are presented as equity are referred to herein as "LP Units".

The original characteristics of the LP Units indicated that they were exchangeable into a liability (the Trust Units are a liability by definition), and accordingly the Class B and D Smart LP Units, Class B LP II Units and Class B LP III Units were also considered to be a liability, measured at amortized cost each reporting period with changes in carrying amount recorded directly in the consolidated statements of income and comprehensive income. The distributions on such Units were classified as interest expense in the consolidated statements of income and comprehensive income. Certain amendments to the Exchange, Option and Support Agreements (“EOSA”) for each respective Smart LP, LP II and LP III were made so that effective December 31, 2010, the Series 1 and Series 3 Class B Smart LP Units, Class B LP II Units and Class B LP III Units, and effective December 31, 2012, the Class B Series 2 Smart LP Units, could be classified as equity in the Trust’s consolidated financial statements. These Units were transferred at their carrying value on the date the amendments to the EOSA were made, and no further adjustments were made. The amendments to the EOSA for Smart LP, LP II and LP III Units and Class B Units (including Smart LP IV Class B Units, Smart Oshawa South Class B Units and Smart Oshawa Taunton Class B Units) require the Trust to convert to a closed-end trust prior to honouring a redemption request by the partners. Converting to a closed-end trust will classify the Trust Units as equity as the Trust Units will no longer have the redemption feature. Accordingly, the respective LP Units subject to the amended EOSA are exchangeable only into equity and as a result are presented in equity as non-controlling interests in the Trust’s consolidated financial statements. The above noted amendments were reflected in the EOSA for each new limited partnership that the Trust entered into subsequent to December 31, 2012, such that unless otherwise stated, any Class B Unit (including Smart LP IV Class B Units, Smart Oshawa South Class B Units and Smart Oshawa Taunton Class B Units) is to be presented in equity as non-controlling interests in the Trust's consolidated financial statements.

The Class D Smart LP Units, Class F Smart LP Units, Class D Smart Oshawa South LP Units, Class D Smart Oshawa Taunton LP Units, Class B ONR LP Units and Class B ONR LP I Units (collectively referred to herein as "Units classified as liabilities"), are presented as a liability, designated at fair value in accordance with IFRS 9 transitional provisions, and approximate the fair value of Trust Units, with changes in fair value recorded directly in earnings. The distributions on such Units are classified as interest expense in the consolidated statement of income and comprehensive income. The Trust considers distributions on such Units classified as interest expense to be a financing activity in the consolidated statement of cash flows.

2.11 Financial instruments – recognition and measurement

The Trust's financial instruments are accounted for under IFRS 9:

Initial Recognition

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

Classification

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

- amortized cost;
- fair value through other comprehensive income (“FVOCI”); and
- fair value through profit or loss (“FVTPL”).

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

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

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

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

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

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

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

e) *Modifications or extinguishments of loans and debt*
Amendments to mortgages and loans receivable and debt are assessed as either modifications or extinguishments based on the terms of the revised agreements.

When a modification is determined, the carrying amount of the loan or debt is adjusted using the original effective interest rate, with a corresponding adjustment recorded as a gain or loss.
When an extinguishment is determined, the new loan or debt is recorded at its fair value and a corresponding gain/loss is recognized immediately for the difference between the carrying amount of the old loan or debt and the new loan or debt.

f) Impairment of financial assets

The Trust assesses, on a forward-looking basis, the expected credit losses ("ECL") associated with its debt instruments carried at amortized cost. The impairment was dependent on whether there has been a significant increase in credit risk.

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

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

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

g) Interest Income

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

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term investments with original maturities of three months or less.

2.13 Trust and Limited Partnership Unit based arrangements

a) Unit options issued to non-employees on acquisitions (the "Earnout options")

In connection with certain acquisitions and the associated development agreements, the Trust may grant options to acquire Units of the Trust or Limited Partnerships to Penguin or other vendors. These options are exercisable only at the time of completion and rental of additional space on acquired properties at strike prices determined on the date of grant. Earnout options that have not vested expire at the end of the term of the corresponding development management agreement.

The Earnout options are considered to be a financial liability because there is a contractual obligation for the Trust to deliver Trust or Limited Partnership Units upon exercise of the Earnout options. The Earnout options are considered to be contingent consideration with respect to the acquisitions they relate to, and are initially recognized at their fair value. The Earnout options are subsequently carried at fair value with changes in fair value recognized in the fair value adjustment on financial instruments in the consolidated statements of income and comprehensive income.

The fair value of Earnout options is determined using the Black-Scholes option-pricing model using certain observable inputs with respect to the volatility of the underlying Trust Unit price, the risk-free rate and using unobservable inputs with respect to the anticipated expected lives of the options, the number of options that will ultimately vest and the expected Trust Unit distribution rate. Generally, increases in the anticipated lives of the options, decreases in the number of options that will ultimately vest, and decreases in the expected Trust Unit distribution rate will combine to result in a lower fair value of Earnout options. (See also 2.21(b)(i)).

b) Deferred unit plan

Deferred units granted to Trustees with respect to their Trustee fees, as well as the matching deferred units, vest immediately and are considered to be with respect to past services and are recognized as compensation expense upon grant. Deferred units granted to eligible associates with respect to their bonuses vest immediately, and the matching deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries. Deferred units granted relating to amounts matched by the Trust are considered to be with respect to future services and are recognized as compensation expense based upon the fair value of Trust Units over the vesting period of each deferred unit.

The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units as if they instead had been issued as Trust Units on the date of grant. The deferred units are considered to be a financial liability because there is a contractual obligation for the Trust to deliver Trust Units or settle in cash upon conversion of the deferred units.

The deferred units are measured at fair value using the market price of the Trust Units on each reporting date, with changes in fair value recognized in the consolidated statements of income and comprehensive income as additional compensation expense over their vesting period and as a gain or loss on financial instruments once vested. The additional deferred units are recorded in the consolidated statements of income and comprehensive income as compensation expense over their vesting period and as interest expense once vested. (See also 2.21(b)(ii)).

c) Long Term Incentive Plan

The Trust has a Long Term Incentive Plan that awards officers of the Trust with performance units that are linked to the long term performance of Trust Units relative to the respective market index. Performance units vest over a performance period of three years and are settled for cash based on the market value of Trust Units at the end of the performance period.

At each reporting date, the performance units are measured based on the performance of Trust Units relative to the respective market index, the market value of Trust Units and the total performance units granted including additional units for distributions. (See also 2.21(b)(iv)).

2.14 Rentals from investment properties and other

The Trust's rental from investment properties and other comes from different sources and is accounted for in accordance with IFRS 15 and IFRS 16.

a) Rentals from investment properties and other

i) Rentals from investment properties

The Trust's lease agreements may contain both lease and non-lease elements. IFRS 16 requires lessors to allocate consideration in the contracts between lease and non-lease components based on their relative standalone prices. Rentals from investment properties accounted for using IFRS 16 (lease components) include rents from tenants under leases, recoveries of property tax and operating costs that do not relate to additional services provided to lessees, percentage participation rents, lease cancellation fees, parking income and some incidental lease-related income. Rents from tenants may include free rent periods and rental increases over the term of the lease and are recognized in revenue on a straight-line basis over the term of the lease. The difference between revenue income recognized and the cash received is included in other assets as straight-line rent receivable. Lease incentives provided to tenants are deferred and are amortized against revenue rental income over the term of the lease. Percentage participation rents are recognized after the minimum sales level has been achieved with each lease. Lease cancellation fees are recognized as revenue income once an agreement is completed with the tenant to terminate the lease and the collectibility is probable.

Rentals from investment properties also include certain amounts accounted for under IFRS 15 (non-lease components) where the Trust provides lessees or others with a distinct service. Non-lease components include revenue in a form of recoveries of operating costs where services are provided to tenants (common area maintenance recoveries, chargeback recoveries and administrative recoveries), parking revenue and revenue from other services that are distinct. The respective performance obligations are satisfied as services are rendered and revenue is recognized over time. See also Note 17 for details on amounts related to lease and non-lease components.

Typically, revenue from operating costs recoveries and other services is collected from tenants on a monthly basis, parking revenue is collected at the day when the respective service has been provided. This results in immaterial contract balances as at each reporting date.

ii) Service and other revenues

The Trust provides asset and property management services to co-owners, partners and third parties for which it earns market-based construction, development and other fees. These fees are recognized over time in accordance with IFRS 15 as the service or activity is performed. Where a contract has multiple deliverables, the Trust identifies the different performance obligations of the contract and recognizes the revenue allocated to each obligation as the respective obligation is met.

The Trust recognizes non-lease component revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Trust expects to be entitled in exchange for those goods or services. It applies to all contracts with customers, excluding leases, financial instruments and insurance contracts.

2.15 Tenant receivables

Tenant receivables are recognized initially at fair value and subsequently are measured at amortized cost using the effective interest method, less impairment provision. The carrying amount of tenant receivables is reduced through the use of expected credit losses, and a loss is recorded in the consolidated statements of income and comprehensive income within “Property operating costs.” The Trust records the expected credit loss to comply with IFRS 9’s simplified approach for tenant receivable where its loss allowance is measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime expected credit loss.

2.16 Current and deferred income tax

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. In accordance with the Declaration of Trust, distributions to Unitholders are declared at the discretion of the Trustees. The Trust endeavours to declare distributions in each taxation year in such an amount as is necessary to ensure that the Trust will not be subject to tax on its net income and net capital gains under Part I of the Tax Act.

The Trust qualifies for the REIT Exception under the specified investment flow-through ("SIFT") trust rules for accounting purposes. The Trust considers the tax deductibility of the Trust's distributions to Unitholders to represent, in substance, an exemption from current tax so long as the Trust continues to expect to distribute all of its taxable income and taxable capital gains to its Unitholders. Accordingly, the Trust will not recognize any current tax or deferred income tax assets or liabilities on temporary differences in the Trust's financial statements.

2.17 Distributions

Distributions are recognized as a deduction from retained earnings for the Trust Units and the Limited Partnership Units classified as equity, and as interest expense for the Units classified as liabilities and vested deferred units, in the Trust's consolidated financial statements in the period in which the distributions are approved (see Note 16, "Unit distributions").

2.18 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Trust has determined that its chief operating decision-makers are the Executive Chairman and the President and Chief Executive Officer.

2.19 Critical judgments in applying accounting policies

The following are the critical judgments that have been made in applying the Trust's accounting policies and that have the most significant effect on the amounts recorded or disclosed in the consolidated financial statements:

a) Investment properties

The Trust's accounting policies relating to investment properties are described in Note 2.4. In applying these policies, judgment is applied in determining whether certain costs are additions to the carrying amount of an investment property and, for properties under development, identifying the point at which substantial completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property. The Trust applies judgment in determining whether development projects are active and viable, otherwise previously capitalized costs are written off.

The Trust also applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. With the exception of the arrangement with OneREIT that took place in 2017 ("Arrangement"), the Trust considers all the properties it has acquired to date to be asset acquisitions. Earnout options, as described in Note 2.14, are exercisable upon completion and rental of additional space on acquired properties. Judgment is applied in determining whether Earnout options are considered to be contingent consideration relating to the acquisition of the acquired properties or additional cost of services during the construction period. The Trust considers the Earnout options it has issued to date to represent contingent considerations relating to the acquisitions. The valuation of the investment properties is the main area of judgment exercised by the Trust. Investment properties are stated at fair value. Gains and losses arising from changes in the fair values are recognized in fair value adjustment on revaluation of investment properties in the consolidated statements of income and comprehensive income in the period in which they arise.

The Trust endeavours to obtain external valuations of approximately 15%–20% (by value) of the portfolio annually carried out by professionally qualified valuers in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors. Properties are rotated annually to ensure that approximately 50% (by value) of the portfolio is appraised externally over a three-year period. Management internally values the remainder of the portfolio utilizing external data where applicable. Judgment is applied in determining the extent and frequency of independent appraisals.

b) Investment in associates

The Trust's policy for its investment in associates is described in Note 2.3. For those investment in associates disclosed in Note 6, "Equity accounted investments", management has assessed the level of influence that the Trust has over those investment in associates and determined that it has significant influence based on its decision-making authority with regards to the operating, financing and investing activities as specified in the contractual terms of the arrangement. Consequently, those investments have been classified as investment in associates.

c) Joint arrangements

The Trust's policy for its joint arrangements is described in Note 2.2. In applying this policy, the Trust makes judgments with respect to whether the Trust has joint control and whether the arrangements are joint operations or joint ventures.

d) Intangible assets

The Trust's policy for intangible assets and goodwill is described in Note 2.7. In applying this policy, the Trust makes judgments with respect to the amortization period relating to the joint venture relationships and trademarks that have finite useful lives, while also reviewing for impairment when an indication of impairment exists. In addition, on an annual basis or more frequently if there are any indications of impairment, the Trust evaluates whether goodwill may be impaired by determining whether the recoverable amount is less than the carrying amount for the smallest identified cash-generating unit.

e) Classifications of Units as liabilities and equity

The Trust's accounting policies relating to the classification of Units as liabilities and equity are described in Note 2.10. The critical judgments inherent in these policies relate to applying the criteria set out in IAS 32, "Financial Instruments Presentation," relating to the Puttable Instrument Exemption.

f) Income taxes

The Trust is taxed as a mutual fund trust for Canadian income tax purposes and qualifies for the REIT Exemption under the SIFT rules for tax purposes. The Trust endeavours to declare distributions in each taxation year in such an amount as is necessary to ensure that the Trust will not be subject to tax on its net income and net capital gains under Part I of the Tax Act.

The Trust considers the tax deductibility of its distributions to Unitholders to represent, in substance, an exemption from current tax so long as the Trust continues to expect to distribute all of its taxable income and taxable capital gains to its Unitholders. Accordingly, the Trust will not recognize any current tax or deferred income tax assets or liabilities on temporary differences in the Trust.

2.20 Leases

Effective January 1, 2019, the Trust 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 rates 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 leases with remaining terms as at January 1, 2019 less than 12 months and leases of low-value assets.
Adoption of IFRS 16 had the following impact on the primary statements:

- In the 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 consolidated balance sheets, the right-of-use assets are included within Investment properties and Other assets, the non-current and the current lease liabilities are recorded within Other payables and current portion of other payables, respectively; and
- In the consolidated statements of cash flows, include amortization of the right-of-use assets, interest paid and repayments of lease liabilities are presented separately within financing activities.

With respect to tenant improvements in connection with the sublease, under IFRS 16, tenant improvements provided by the Trust are not included in the cost of the right-of-use asset. However, as when the leased property meets the definition of investment property under IAS 40 (see Note 2.4) the Trust presents tenant improvements that enhance the value of the leased property as an adjustment together with right-of-use assets or incentives resulting in an adjustment to revenue within investment properties.

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:

	Total
Operating lease commitments as at December 31, 2018	746
Discounted using the weighted average incremental borrowing rates 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 year ended December 31, 2019:

	Right-of-use Assets	**Lease Liabilities**
Net book value as at January 1, 2019	631	631
Interest expense	—	21
Depreciation and amortization/repayment	(179)	(191)
Net book value as at December 31, 2019	**452**	**461**

Until December 31, 2018, the Trust's accounting policy for leases was based on IAS 17, as follows:

The Trust's policy for revenue recognition on investment properties is described in Note 2.15. In applying this policy, the Trust made judgments with respect to whether tenant improvements provided in connection with a lease enhanced the value of the leased property, which determines whether such amounts were treated as additions to investment property or incentives resulting in an adjustment to revenue.

The Trust made judgments in determining whether certain leases, in particular long-term ground leases where the Trust is the lessee and the property meets the definition of investment property, were operating or finance leases. The Trust elected to treat all long-term ground leases where the Trust is the lessee as finance leases. All tenant leases where the Trust is a lessor were determined to be operating leases.

2.21 Critical accounting estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

a) Fair value of investment properties

The fair value of investment properties and properties under development is dependent on stabilized or forecasted net operating income, and capitalization and discount rates applicable to those assets. The review of stabilized or forecasted net operating income is based on the location, type and quality of the properties and involves assumptions of current market rents for similar properties, adjusted for estimated vacancy rates and estimated maintenance costs. Capitalization and discount rates are based on the location, size and condition of the properties and take into account market data at the valuation date. These assumptions may not ultimately be achieved.

The critical estimates and assumptions underlying the valuation of investment properties are set out in Note 4, "Investment Properties".

b) Fair value of financial instruments

i) Unit options issued to non-employees on acquisitions (the "Earnout options")

The Earnout options are considered to be contingent consideration with respect to the acquisitions they relate to, and are initially recognized at their fair value. The Earnout options are subsequently carried at fair value with changes in fair value recognized in the consolidated statements of income and comprehensive income. The fair value of Earnout options is determined using the Black-Scholes option-pricing model using certain observable inputs with respect to the volatility of the underlying Trust Unit price, the risk-free rate and using unobservable inputs with respect to the anticipated expected lives of the options, the number of options that will ultimately vest and the expected Trust Unit distribution rate. Generally, increases in the anticipated lives of the options, decreases in the number of options that will ultimately vest, and decreases in the expected Trust Unit distribution rate will combine to result in a lower fair value of Earnout options.

ii) Deferred unit plan

The deferred units are measured at fair value using the market price of the Trust Units on each reporting date with changes in fair value recognized in the consolidated statements of income and comprehensive income as additional compensation expense over their vesting period and as a gain or loss on financial instruments once vested. The additional deferred units are recorded in the consolidated statements of income and comprehensive income as compensation expense over their vesting period and as interest expense once vested.

iii) Units classified as liabilities

Units classified as liabilities are measured at each reporting period and approximate the fair value of Trust Units, with changes in value recorded directly in earnings. The distributions on such Units are classified as interest expense in the consolidated statement of income and comprehensive income. The Trust considers distributions on such Units classified as interest expense to be a financing activity in the consolidated statement of cash flows.

iv) Long Term Incentive Plan

The fair value of the Long Term Incentive Plan ("LTIP") is based on the Monte Carlo simulation pricing model, which incorporates: (i) the long term performance of the Trust relative to the S&P/TSX Capped REIT Index for each performance period, (ii) the market value of Trust Units at each reporting date, and (iii) the total granted LTIP units under the plan including LTIP units reinvested.

c) Fair value of mortgages and loans receivable

The fair values of mortgages and loans receivable are estimated based on discounted future cash flows using discounted rates that reflect current market conditions for instruments with similar terms and risks.

d) Fair value of secured debt and the revolving operating facility

The fair values of secured debt and the revolving operating facility reflect current market conditions for instruments with similar terms and risks.

2.22 Future changes in accounting policies

Amendments to IFRS 3, Business Combinations

The IASB published amendments to IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendments clarify the definition of a business, as well as provide additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted. The Trust intends to adopt the amendments to IFRS 3 on the required effective date of January 1, 2020.

3. Acquisitions and Earnouts

Acquisitions and Earnouts completed during the year ended December 31, 2019

a) In September 2019, the Trust acquired a 50% interest in a parcel of land totalling 7.8 acres in Barrie, Ontario with Greenwin Developments Inc. (“Greenwin”), to develop a multi-phase rental apartment community, for a purchase price of $7,450, paid in cash and adjusted for costs of acquisition and other working capital amounts.

b) During the year ended December 31, 2019, pursuant to development management agreements referred to in Note 4 (see also Note 21, “Related party transactions”), the Trust completed the purchase of Earnouts totalling 41,008 square feet of development space with a purchase price of $12,926, of which $1,858 was satisfied through the issuance of 53,002 Trust Units, 4,214 Class B Series 4 LP III Units, 4,886 Class F Series 3 Smart LP Units, 15,089 Class B Series 1 LP IV Units, 2,193 Class B Series 2 ONR LP I Units, (see also Note 13(b), "Other financial liabilities") and the balance paid in cash, adjusted for other working capital amounts.

The following table summarizes the consideration for Acquisitions and Earnouts completed for the year ended December 31, 2019:

	Note	**Acquisitions**	**Earnouts**	**Total**
Cash		**18,332**	**6,293**	**24,625**
Trust Units issued	4(d)(ii)	**—**	**1,065**	**1,065**
LP Units issued	4(d)(ii)	**—**	**793**	**793**
Amounts previously funded and other adjustments		**50**	**4,775**	**4,825**
		18,382	**12,926**	**31,308**

The Earnouts in the above table do not include the cost of previously acquired freehold land of $364.

See also Note 6, "Equity Accounted Investments", for additional details on acquisition in equity accounted investments.

Acquisitions and Earnouts completed during the year ended December 31, 2018

a) In June 2018, the Trust completed the acquisition of a property in Valleyfield, Quebec, totalling 54,193 square feet of leasable area. The total purchase price of this acquisition was $15,663, of which $15,466 was paid in cash, adjusted for costs of acquisition and other working capital amounts.

b) During the year ended December 31, 2018, pursuant to development management agreements referred to in Note 4 (see also Note 21, “Related party transactions”), the Trust completed the purchase of:

   i. Earnouts totalling 26,557 square feet of development space for a purchase price of $6,169, of which $2,559 was satisfied through the issuance of 63,103 Class B Series 2 Smart LP Units and 16,280 Class B Series 4 Smart LP III Units and 6,383 Class B Series 1 Smart LP IV Units, and the balance paid in cash, adjusted for other working capital amounts.

   ii. A parcel of land located in Toronto (Leaside), Ontario that was transferred to a separate joint venture that is recorded in equity accounted investments (see Note 6). The purchase price of the Earnout completed was $1,906, which was paid in cash and adjusted for other working capital amounts.

   iii. A parcel of land located in Oshawa, Ontario that was transferred to a separate joint venture that is recorded in equity accounted investments (see Note 6), the purchase price of the Earnouts completed was $1,000, of which $959 was satisfied through the issuance of 22,080 Class B Series 1 Smart Oshawa South LP Units and 8,768 Class D Series 1 Smart Oshawa South LP Units, and the balance paid in cash, adjusted for other working capital amounts.

The following table summarizes the consideration for Acquisitions and Earnouts completed for the year ended December 31, 2018:

	Note	Acquisitions	Earnouts	Total
Cash		16,111	2,655	18,766
LP Units issued	4(d)(ii)	—	3,518	3,518
Amounts previously funded and other adjustments		718	2,902	3,620
		16,829	9,075	25,904

The Earnouts in the above table do not include the cost of previously acquired freehold land and leasehold land in the amount of $35 and $nil, respectively.

4. Investment properties

The following table summarizes the activity in investment properties for the years ended December 31, 2019 and December 31, 2018:

		2019			2018		
	Note	**Income Properties**	**Properties Under Development**	**Total**	Income Properties	Properties Under Development	Total
Balance – beginning of year		**8,404,513**	**500,544**	**8,905,057**	8,220,153	513,156	8,733,309
Additions:							
Acquisitions, and related adjustments, of investment properties		**1,641**	**16,752**	**18,393**	15,761	645	16,406
Transfer to income properties from properties under development		**66,306**	**(66,306)**	**—**	146,966	(146,966)	—
Transfer from income properties to properties under development		**(43,400)**	**43,400**	**—**	(16,199)	16,199	—
Earnout Fees on properties subject to development management agreements	4(d)(ii)	**5,311**	**—**	**5,311**	2,850	2,865	5,715
Capital expenditures		**17,665**	**—**	**17,665**	11,106	—	11,106
Leasing costs		**1,789**	**—**	**1,789**	1,916	—	1,916
Development expenditures		**—**	**69,387**	**69,387**	—	83,971	83,971
Capitalized interest	11(d)	**—**	**18,956**	**18,956**	—	20,858	20,858
Dispositions		**(95)**	**(15,868)**	**(15,963)**	(43)	(18,946)	(18,989)
Fair value adjustments	25	**34,939**	**(5,468)**	**29,471**	22,003	28,762	50,765
Balance – end of year		**8,488,669**	**561,397**	**9,050,066**	8,404,513	500,544	8,905,057

The historical costs of both income properties and properties under development as at December 31, 2019 totalled $6,584,852 and $703,472, respectively (December 31, 2018 – $6,961,845 and $617,895, respectively).

Secured debt with a carrying value of $1,442,278 (December 31, 2018 – $2,103,379) is secured by investment properties with a fair value of $3,353,966 (December 31, 2018 – $4,654,257).

Presented separately from investment properties is $86,398 (December 31, 2018 – $85,479) of net straight-line rent receivables and tenant incentives (these amounts are included in “Other assets”, see Note 7) arising from the recognition of rental revenues on a straight-line basis and amortization of tenant incentives over the respective lease terms. The fair value of investment properties has been reduced by these amounts.

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

i) Income properties

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

Stabilized net operating income:

Based on the location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions after expiry of any current lease and expected maintenance costs.

Capitalization rate:

Based on the location, size and quality of the properties and taking into account market data at the valuation date.

Fair value estimates of income properties that are leasehold interests with purchase options were valued using the direct income capitalization method as described above, adjusted for the present value of the purchase options. The significant unobservable inputs, in addition to stabilized net operating income and capitalization rate described above, include the discount rate used to present value the contractual purchase option, which is based on the location, type and quality of each property.

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

Remaining income stream:

Based on the location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions and expected maintenance costs.

Discount rate:

Based on market data at the valuation date, adjusted for property-specific risks dependent on the location, size and quality of the properties.

ii) Properties under development

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

The significant unobservable inputs for the direct income capitalization method less any construction costs to complete development and Earnout Fees, if any, include:

Forecasted net operating income:

Based on the location, type and quality of the properties and supported by the terms of actual or anticipated future leases, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on expected future market conditions and estimated maintenance costs, which are consistent with internal budgets, based on management’s experience and knowledge of market conditions.

Earnout Fee:

Based on estimated net operating rents divided by predetermined negotiated capitalization rates, less associated land and development costs incurred by the Trust.

Costs to complete:

Derived from internal budgets, based on management’s experience and knowledge of market conditions.

Completion date:

Properties under development require approval or permits from oversight bodies at various points in the development process, including approval or permits with respect to initial design, zoning, commissioning and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals, construction delays, weather and any remedial action required by the Trust.

The significant unobservable inputs for the sales comparison approach represents characteristics specific to each property that could cause the fair value to differ from the property to which it is being compared.

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

			2019		
Class	**Valuation Technique**	**Carrying Value**	**Total Stabilized or Forecasted NOI**	**Range of Capitalization or Discount Rates**	**Weighted Average Capitalization or Discount Rate**
Income properties	Direct income capitalization	**7,456,585**	**431,662**	**4.25%–9.11%**	**5.79%**
	Direct income capitalization less present value of purchase option	**829,462**	**52,500**	**5.88%–6.75%**	**6.33%**
	Discounted cash flow	**202,622**	**12,568**	**6.00%–6.50%**	**6.20%**
		8,488,669			
Properties under development	Direct income capitalization	**476,183**	**31,254**	**6.10%–7.40%**	**6.56%**
	Sales comparison	**85,214**	**N/A**	**N/A**	**N/A**
		561,397			
Balance – end of year		**9,050,066**			

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

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

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

Change in capitalization rate of:	**-0.50%**	**-0.25%**	**+0.25%**	**+0.50%**
Increase (decrease) in fair value				
Income properties	783,180	373,919	(342,965)	(658,668)
Properties under development	39,289	18,866	(17,481)	(33,724)

b) Dispositions

Disposition of investment properties during the year ended December 31, 2019

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

In August 2019, the Trust contributed its interest in a parcel of land located in Vaughan, Ontario, to a joint venture arrangement, Vaughan NW SAM Limited Partnership, with Smart Asset Management ("SmartStop"), to develop, own and operate a self-storage facility for a value of $3,417, excluding closing costs (see also, Note 6(b), "Equity accounted investments").

In September 2019, the Trust contributed its interest in a parcel of land located in Brampton, Ontario, to a joint venture arrangement, Bramport SAM Limited Partnership, with SmartStop, to develop, own and operate a self-storage facility for a value of $1,850, excluding closing costs (see also, Note 6(b), "Equity accounted investments").

Disposition of investment properties during the year ended December 31, 2018

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

In June 2018, the Trust contributed its interest in a parcel of land located in Toronto (Leaside), Ontario, to a joint venture arrangement, Leaside SAM LP to develop, own and operate a self-storage facility for a value of $5,717 excluding closing costs of $356 (see also, Note 6(b), "Equity accounted investments").

In August 2018, the Trust sold two parcels of land located in Laval, Quebec, for gross proceeds of $5,001 and $1,937, respectively, excluding closing costs of $127 and $93, respectively, which were satisfied by cash, adjusted for other working capital amounts.

In September 2018, the Trust contributed its interest in a parcel of land located in Oshawa, Ontario, to a joint venture arrangement, Oshawa South Self Storage LP, with SmartStop, to develop, own and operate a self-storage facility for a value of $607 excluding closing costs of $59 (see also, Note 6(b), "Equity accounted investments"). The parcel of land was purchased through an Earnout transaction in September 2018 (see Note 3(b)(iii)), and the transfer of which resulted in a fair value loss of $400 that is recorded as "Loss on sale of investment properties" in the Trust's consolidated statement of income and comprehensive income.

c) Leasehold property interests

At December 31, 2019, 16 (December 31, 2018 – 16) investment properties with a fair value of $1,032,084 (December 31, 2018 – $1,008,190) are leasehold property interests accounted for as leases.

i) Leasehold property interests without bargain purchase options

Three of the leasehold interests commenced in 2005 under the terms of 35-year leases with Penguin. Penguin has the right to terminate the leases after 10 years on payment to the Trust of the fair value of a 35-year leasehold interest in the properties at that time and also has the right to terminate the leases at any time in the event any third party acquires 20% of the aggregate of the Trust Units and Special Voting Units by payment to the Trust of the unamortized balance of any prepaid lease cost. The Trust does not have a purchase option under these three leases.

Ten of the leasehold interests commenced in 2006 through 2009, of which four are under the terms of 80-year leases with Penguin and six are under the terms of 49-year leases with Penguin. The Trust has separate options to purchase each of these 10 leasehold interests at the end of the respective leases at prices that are not considered to be bargain prices.

An additional leasehold interest commenced in 2015 under the terms of a 49-year lease with Penguin. The Trust has an option to purchase this leasehold interest at the end of the lease term at a price that is not considered to be a bargain price.

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

ii) Leasehold property interests with bargain purchase options

One leasehold interest commenced in 2003 under the terms of a 35-year lease with Penguin (see also Note 21, "Related party transactions"). The lease requires a $10,000 payment at the end of the lease term in 2038 to exercise a purchase option, which is considered to be a bargain purchase option. The Trust prepaid its entire lease obligation for this property of $57,997 (December 31, 2018 – $57,997). As the Trust expects to exercise the purchase option in 2038, the purchase option price has been included in accounts payable, net of imputed interest at 9.18% of $8,214 (December 31, 2018 – $8,370), in the amount of $1,786 (December 31, 2018 – $1,630) (see also Note 12, "Accounts and other payables").

A second leasehold interest was acquired on February 11, 2015 and includes a land lease that expires on September 1, 2054. The land lease requires monthly payments ranging from $400 to $600 annually until September 1, 2054, and a $6,000 payment between September 1, 2023 and September 1, 2025 to exercise a purchase option that is considered to be a bargain purchase option. As the Trust expects to exercise the purchase option on September 1, 2023, the purchase option price and the monthly payments up to September 1, 2023 have been included in accounts payable, net of imputed interest at 6.25% of $1,408 (December 31, 2018 – $1,793), in the amount of $6,279 (December 31, 2018 – $6,311) (see also Note 12, "Accounts and other payables").

d) Properties under development

Properties under development as at December 31, 2019 and December 31, 2018 are included in the following table:

	2019	2018
Properties under development not subject to development management agreements (i)	**513,034**	449,908
Properties under development subject to development management agreements (ii)	**48,363**	50,636
	561,397	500,544

For the year ended December 31, 2019, the Trust capitalized a total of $18,956 (year ended December 31, 2018 – $20,858) of borrowing costs related to properties under development.

i) Properties under development not subject to development management agreements

During the year ended December 31, 2019, the Trust completed the development and leasing of certain properties under development not subject to development management agreements. The value of land and development costs incurred has been reclassified from properties under development into income properties. For the year ended December 31, 2019, the Trust incurred land and development costs of $58,185 (year ended December 31, 2018 – $143,613).

ii) Properties under development subject to development management agreements

These properties under development (including certain leasehold property interests) are subject to various development management agreements with Penguin and Walmart.

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

For additional space completed on land with a fair value of $13,237 (December 31, 2018 – $15,208), the fixed predetermined negotiated capitalization rates range from 6.0% to 7.4% during the five-year period of the respective development management agreements. For additional space completed on land with a fair value of $35,126 (December 31, 2018 – $35,428), the predetermined negotiated capitalization rates are fixed for each contract for either the first one, two, three, four or five years, ranging from 6.0% to 8.0%, and then are determined by reference to the 10-year Government of Canada bond rate at the time of completion plus a fixed predetermined negotiated spread ranging from 2.00% to 3.90% for the remaining term of the 10-year period of the respective development management agreements subject to a maximum capitalization rate ranging from 6.60% to 9.50% and a minimum capitalization rate ranging from 5.75% to 7.50%.

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

The Earnout options that Penguin and third parties elected to exercise during the years ended December 31, 2019 and December 31, 2018 which resulted in proceeds are presented in the table as follows (see also Note 13(b), “Other financial liabilities”):

Unit Type	Class and Series	**2019**	2018
Trust Units	N/A	**1,065**	—
Smart Limited Partnership	Class B Series 2	**—**	1,865
Smart Limited Partnership	Class F Series 3	**98**	—
Smart Limited Partnership III	Class B Series 4	**134**	496
Smart Limited Partnership IV	Class B Series 1	**487**	198
Smart Oshawa South Limited Partnership	Class B Series 1	**—**	686
Smart Oshawa South Limited Partnership	Class D Series 1	**—**	273
ONR Limited Partnership I	Class B Series 2	**74**	—
Total LP Units		**793**	3,518
		1,858	3,518

The development costs incurred (exclusive of the cost of land previously acquired) and Earnout Fees paid to vendors relating to the completed retail spaces (see also Note 3, "Acquisitions and Earnouts") that have been reclassified to income properties during the years ended December 31, 2019 and December 31, 2018 are presented in the table as follows:

	2019	2018
Development costs incurred	**7,615**	3,360
Earnout Fees paid	**5,311**	5,715
	12,926	9,075

5. Mortgages, loans and notes receivable

Mortgages, loans and notes receivable as at December 31, 2019 and December 31, 2018 are included in the following table:

	Note	**2019**	2018
Mortgages receivable (a)	21	**138,762**	134,221
Loans receivable (b)		**131,119**	19,949
Notes receivable (c)	21	**2,979**	2,979
		272,860	157,149
Current		**55,953**	25,233
Non-current		**216,907**	131,916
		272,860	157,149

a) Mortgages receivable of $138,762 (December 31, 2018 – $134,221) are provided pursuant to agreements with Penguin (see also Note 21, "Related party transactions"). These amounts are provided to fund costs associated with both the original acquisition and development of these nine (December 31, 2018 – nine) properties across Ontario, Quebec and British Columbia. The Trust is committed to lend up to $279,235 (December 31, 2018 – $282,093) to assist with the further development of these properties.

The following table provides further details on the mortgages receivable (by maturity date) provided to Penguin as at December 31, 2019 and December 31, 2018:

Property	**Committed**	**Maturity Date**	**Interest Rate at Period End**	**Purchase Option % of Property**[1]	**2019**	2018
Salmon Arm, BC[2][3]	19,719	April 2020	4.99 %	— %	**14,997**	15,429
Innisfil, ON[2][4]	26,257	December 2020	6.75 %	— %	**20,937**	20,346
Aurora (South), ON	30,543	March 2022	4.89 %	50 %	**17,005**	16,192
Mirabel (Shopping Centre), QC[5]	18,262	December 2022	7.50 %	— %	**—**	—
Mirabel (Option Lands), QC[6]	5,721	December 2022	7.50 %	— %	**—**	—
Pitt Meadows, BC	68,664	November 2023	5.30 %	50 %	**29,387**	27,864
Vaughan (7 & 427), ON	52,277	December 2023	5.24 %	50 %	**17,820**	17,714
Caledon (Mayfield), ON	14,033	April 2024	5.16 %	50 %	**9,944**	9,442
Toronto (StudioCentre), ON[2]	43,759	June 2024	5.13 %	25 %	**28,672**	27,234
	279,235		5.38%[7]		**138,762**	134,221

(1) The Trust has a purchase option from the borrower in these properties upon a certain level of development and leasing being achieved. As at December 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 $110,590 (December 31, 2018 – $106,640); and (ii) at fixed rates of 6.35% to 7.50% on mortgages receivable of $28,172 (December 31, 2018 – $27,581), which is added to the outstanding principal up to a predetermined maximum accrual after which it is payable in cash monthly or quarterly. Additional interest of $63,613 (December 31, 2018 – $71,011) on the existing credit facilities 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, $125,536 (December 31, 2018 – $121,586) 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.

The following table illustrates the interest accrued and repayments for the years ended December 31, 2019 and December 31, 2018:

	2019	2018
Balance – beginning of year	**134,221**	127,704
Interest accrued	**7,399**	6,517
Interest payments	**(1,498)**	—
Principal repayments	**(1,360)**	—
Balance – end of year	**138,762**	134,221

b) Loans receivable as at December 31, 2019 of $131,119 (December 31, 2018 – $19,949) are included in the following table (by maturity date):

Issued to	**Committed**	**Maturity Date**	**Interest Rate**	**Note**	**2019**	2018
Unrelated party[1]	**N/A**	November 2020	6.25%		**9,804**	9,804
Penguin[2]	**20,000**	November 2020	Variable	21	**10,215**	10,145
Penguin[3]	**26,226**	June 2021	2.78%	21	**14,173**	—
PCVP[4]	**N/A**	June 2021	2.76%	21	**92,427**	—
Unrelated party[5]	**16,500**	September 2024	Variable		**4,500**	—
	62,726				**131,119**	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 will mature in November 2020, and bears interest at 6.25% per annum. 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 Canadian Dealer Offer Rate plus 145 basis points.

(3) In March 2019, the Trust entered into a loan agreement with Penguin for a non-revolving principal advance facility of $13,226 and a non-revolving construction facility of $13,000, which combine for a total loan facility of $26,226, bearing interest accruing at a fixed rate of 2.78% and a variable rate based on banker's acceptance rate plus 150 basis points, respectively. The loan security includes a first or second charge on the property, assignments of rents and leases and general security agreements, and is guaranteed by Penguin. 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.

(4) In April 2019, the Trust entered into a loan agreement with Penguin-Calloway Vaughan Partnership ("PCVP") (in which the Trust has a 50% interest) for a total loan facility of $90,600, bearing interest accruing at 2.76% per annum. The loan security includes a first or second charge on properties, assignments of rents and leases and general security agreements, and is guaranteed by Penguin up to its 50% share of the loan. This loan facility was advanced in full in April 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. The Trust reflects the activity from the PCVP as an equity accounted investment (see also Note 6, "Equity accounted investments"), and 100% of the loan provided to the PCVP is recorded in the consolidated financial statements for the year ended December 31, 2019.

(5) In September 2019, the Trust entered into a loan agreement with an unrelated party, Greenwin, to use in acquiring a 50% interest in development lands in Barrie, Ontario (see also Note 3, "Acquisitions and Earnouts") for a non-revolving term acquisition credit facility of $4,500, a $2,000 non-revolving term pre-development credit facility, and a $10,000 non-revolving term construction credit facility, which combine for a total loan facility of $16,500 The loan security includes a first charge on the development lands and is guaranteed by Greenwin. This loan will mature in September 2024, and bears cash interest at the greater of: (i) 7.0% per annum, and (ii) the Trust's weighted average cost of capital plus 1.25% per annum.

The following table illustrates the activity in loans receivable for the years ended December 31, 2019 and December 31, 2018:

	2019	2018
Balance – beginning of year	**19,949**	31,503
Loans issued	**108,326**	—
Advances	**1,201**	112,340
Interest accrued	**2,495**	336
Principal repayments	**(852)**	(124,230)
Balance – end of year	**131,119**	19,949

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

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

6. Equity accounted investments

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

Equity Accounted Investment	Principal Intended Activity	2019	2018
Investment in associates:			
PCVP	Own, develop and operate investment properties	**50 %**	50 %
Residences LP	Own, develop and sell two residential condominium towers (Transit City 1 and 2)	**25 %**	25 %
Residences III LP	Own, develop and sell a residential condominium tower (Transit City 3)	**25 %**	25 %
East Block Residences LP	Own, develop and sell two residential condominium towers (Transit City 4 and 5)	**25 %**	25 %
Investment in joint ventures:			
1500 Dundas East LP	Own and operate a retail investment property	**30 %**	30 %
Laval C Apartments LP	Own, develop and operate residential apartments	**50 %**	50 %
Leaside SAM LP	Own, develop and operate a self-storage facility	**50 %**	50 %
Oshawa South Self Storage LP	Own, develop and operate a self-storage facility	**50 %**	50 %
Bramport SAM LP	Own, develop and operate a self-storage facility	**50 %**	N/A(1)
Vaughan NW SAM LP	Own, develop and operate a self-storage facility	**50 %**	N/A(1)
Vaughan NW SA Propco LP	Own and develop senior apartments	**50 %**	N/A(1)
Vaughan NW RR Propco LP	Own and develop retirement residences	**50 %**	N/A(1)
Vaughan NW RR Opco LP	Operate retirement residences	**50 %**	N/A(1)
Hopedale RR Propco LP	Own and develop retirement residences	**50 %**	N/A(1)
Hopedale RR Opco LP	Operate retirement residences	**50 %**	N/A(1)
Dupont Self Storage LP	Own and operate a self-storage facility	**50 %**	N/A(1)

(1) N/A – Not applicable during the year

The following table summarizes key components relating to the Trust's equity accounted investments for the years ended December 31, 2019 and December 31, 2018:

	2019			2018		
	Investment in Associates	**Investment in Joint Ventures**	**Total**	Investment in Associates	Investment in Joint Ventures	Total
Investment – beginning of year	**116,284**	**30,022**	**146,306**	109,316	16,046	125,362
Contributions	**237,008**	**20,773**	**257,781**	18,808	12,976	31,784
Earnings	**5,981**	**658**	**6,639**	8,963	1,576	10,539
Fair value adjustment on loan	**(28,356)**	**—**	**(28,356)**	—	—	—
Distributions from operations	**(6,621)**	**(576)**	**(7,197)**	(103)	(576)	(679)
Distributions from development	**(31,978)**	**—**	**(31,978)**	(20,700)	—	(20,700)
	292,318	**50,877**	**343,195**	116,284	30,022	146,306
Acquisition costs	**2,181**	**—**	**2,181**	—	—	—
Investment – end of year	**294,499**	**50,877**	**345,376**	116,284	**30,022**	**146,306**

Acquisition completed through PCVP during the year ended December 31, 2019

In December 2019, the Trust acquired, through PCVP, a 50% interest in a parcel of land with approximately 15.5 acres in Vaughan, Ontario, proximate to SmartVMC, which is a 50/50 joint arrangement with Penguin, for a purchase price of $109,218 paid in cash, adjusted for other working capital amounts.

a) Investment in associates

In 2012, the Trust entered into the PCVP with Penguin (see also Note 21, "Related party transactions") to develop the Vaughan Metropolitan Centre ("SmartVMC"), which is expected to consist of approximately 10.0 million to 11.0 million square feet of mixed-use space 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 CentreCourt Developments, to develop residential condominium towers, located on the SmartVMC site.

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

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

i) Summary of balance sheets

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

	2019			2018		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Non-current assets	**812,469**	**—**	**812,469**	416,756	—	416,756
Current assets	**14,995**	**505,286**	**520,281**	41,583	269,697	311,280
Total assets	**827,464**	**505,286**	**1,332,750**	458,339	269,697	728,036
Non-current liabilities[1]	**234,592**	**143,757**	**378,349**	198,597	23,237	221,834
Current liabilities	**50,475**	**283,693**	**334,168**	57,917	184,970	242,887
Total liabilities	**285,067**	**427,450**	**712,517**	256,514	208,207	464,721
Net assets	**542,397**	**77,836**	**620,233**	201,824	61,490	263,314
Trust's share of net assets	**271,198**	**19,459**	**290,657**	100,911	15,373	116,284
Fair value adjustment on loan	**3,842**	**—**	**3,842**	—	—	—
Trust's share of net assets including acquisition costs	**275,040**	**19,459**	**294,499**	100,911	15,373	116,284

(1) Balance as at December 31, 2019 includes loan payable to the Trust of $92,427, see Note 5(b) "Mortgages, loans and notes receivables".

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

	Commitments	**Trust's share**
PCVP	**18,397**	**9,198**
Residences LP	**82,648**	**20,662**
Residences LP III	**74,069**	**18,517**
East Block Residences LP	**50,845**	**12,711**
	225,959	**61,088**

ii) Summary of earnings (losses)

The following table represents the summary of earnings (losses) for the years ended December 31, 2019 and December 31, 2018:

	2019			2018		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Revenue[1]	**25,088**	**—**	**25,088**	19,520	—	19,520
Operating expense	**(10,606)**	**—**	**(10,606)**	(7,520)	—	(7,520)
Other sales and related costs	**—**	**(1,281)**	**(1,281)**	—	(450)	(450)
Fair value adjustment on revaluation of investment properties	**9,667**	**—**	**9,667**	12,659	—	12,659
Fair value adjustment on financial instruments	**—**	**—**	**—**	(1,255)	—	(1,255)
Interest expense	**(5,156)**	**—**	**(5,156)**	(2,956)	—	(2,956)
Earnings (losses)	**18,993**	**(1,281)**	**17,712**	20,448	(450)	19,998
Trust's share of earnings (losses) before supplemental cost	**9,497**	**(321)**	**9,176**	10,224	(113)	10,111
Supplemental cost	**(3,195)**	**—**	**(3,195)**	(1,148)	—	(1,148)
Trust's share of earnings (losses)	**6,302**	**(321)**	**5,981**	9,076	(113)	8,963

(1) Includes office rental revenue from the Trust in the amount of $1,953 for the year ended December 31, 2019 (year ended December 31, 2018 - nil)

In accordance with the Supplemental Development Fee Agreement, the Trust invoiced PCVP a net amount of $6,390 related to associated development fees for the year ended December 31, 2019 (year ended December 31, 2018 – $2,296).

iii) Summary of development credit facilities

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

	2019	2018
Development credit facilities – beginning of year	**555,826**	499,656
Reduction	**—**	(25,976)
Repayment	**(86,800)**	(129,400)
Letters of credit released	**(888)**	(12,504)
Additional development credit facilities obtained	**300,164**	224,050
Development credit facilities – end of year	**768,302**	555,826
Amount drawn on development credit facility	**(168,057)**	(100,738)
Letters of credit – outstanding	**(37,734)**	(68,150)
	562,511	386,938
Trust's share of remaining unused development credit facilities	**152,006**	113,056

PCVP

As at December 31, 2019, the PCVP had the following credit facilities:

- two development credit facilities totalling $64,376 (the Trust's share of which is $32,188) with interest rates ranging from the banker's acceptance rate plus 135 basis points to 145 basis points, that have maturity dates between 2020 and 2021;
- a letter of credit facility totalling $35,000 (the Trust's share of which is $17,500); and
- one development facility was settled in February 2018 before maturity.

VMC Residences

As at December 31, 2019, the Residences LP and Residences III LP had the following credit facilities:

- one development credit facility totalling $246,612 net of letters of credit released (the Trust's share of which is $61,653) bearing interest at the banker's acceptance rate plus 175 basis points, which matures in 2021;

- one development credit facility totalling $142,150 (the Trust's share of which is $35,538) bearing interest at the banker's acceptance rates plus 175 basis points, which matures in 2022; and
- one development credit facility totalling $280,164 (the Trust's share of which is $70,041) bearing interest at the banker's acceptance rate plus 160 basis points, which matures in 2023.

b) Investment in joint ventures

i) Summary of balance sheets

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

	2019	2018
Non-current assets	**244,686**	151,186
Current assets	**5,158**	4,294
Total assets	**249,844**	155,480
Non-current liabilities	**109,029**	69,247
Current liabilities	**15,118**	3,452
Total liabilities	**124,147**	72,699
Net assets	**125,697**	82,781
Trust's share of net assets	**50,877**	30,022

The Laval C Apartments LP, Leaside SAM LP, and Bramport SAM LP have entered into various development construction contracts with existing commitments totalling $24,335, of which the Trust's share is $12,167.

ii) Summary of earnings

The following table represents the summary of earnings for the years ended December 31, 2019 and December 31, 2018:

	2019	2018
Revenue	**10,631**	10,318
Operating expense	**(3,251)**	(2,993)
Fair value adjustments on revaluation of investment properties	**(1,511)**	372
Interest expense	**(2,389)**	(2,436)
Loss on sale of investment properties	**(190)**	—
Earnings	**3,290**	5,261
Trust's share of earnings	**658**	1,576

iii) Summary of credit facility

The development financing relating to Laval C Apartments comprises a pre-development and construction facility. From time to time, the facility amounts may be reduced through repayments and through amended agreements with the financial institutions from which the facility was obtained. The development facility totals $35,417, bears interest at the banker's acceptance rate plus 160 basis points and matures in 2022, with the activity for the years ended December 31, 2019 and December 31, 2018 presented as follows:

	2019	2018
Development facility – beginning of year	**35,417**	—
Additional development facility obtained	**—**	35,417
Development facility – end of year	**35,417**	35,417
Amount drawn on development facility	**(24,292)**	—
Remaining unused development facility	**11,125**	35,417
Trust's share of remaining unused development facility	**5,563**	17,709

7. Other assets

The components of other assets are presented in the table as at December 31, 2019 and December 31, 2018:

	2019	2018
Straight-line rent receivables	**48,380**	46,911
Tenant incentives	**38,018**	38,568
	86,398	85,479
Equipment	**2,173**	1,732
Right-of-use assets	**452**	—
	89,023	87,211

The following table summarizes the activity in other assets for the year ended December 31, 2019:

	2018	**Additions**	**Amortization**	**2019**
Straight-line rent receivables	46,911	**11,274**	**(9,805)**	**48,380**
Tenant incentives	38,568	**6,589**	**(7,139)**	**38,018**
	85,479	**17,863**	**(16,944)**	**86,398**
Equipment	1,732	**1,278**	**(837)**	**2,173**
Right-of-use assets	—	**631**	**(179)**	**452**
	87,211	**19,772**	**(17,960)**	**89,023**

8. Intangible assets

The components of intangible assets are included in the table as at December 31, 2019 and December 31, 2018:

	2019			2018		
	Cost	**Accumulated Amortization**	**Net**	Cost	Accumulated Amortization	Net
Intangible assets with finite lives:						
Key joint venture relationships	**36,944**	**5,658**	**31,286**	36,944	4,426	32,518
Trademarks	**2,995**	**459**	**2,536**	2,995	359	2,636
Total intangible assets with finite lives	**39,939**	**6,117**	**33,822**	39,939	4,785	35,154
Goodwill	**13,979**	**—**	**13,979**	13,979	—	13,979
	53,918	**6,117**	**47,801**	53,918	4,785	49,133

The total amortization expense recognized for the year ended December 31, 2019 amounted to $1,331, respectively (year ended December 31, 2018 – $1,331).

9. Residential development inventory

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

The following table summarizes the activity in residential development inventory for the years ended December 31, 2019 and December 31, 2018:

	2019	2018
Balance – beginning of year	**23,429**	20,267
Development costs	**207**	2,345
Capitalized interest	**928**	817
Balance – end of year	**24,564**	23,429

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

The components of amounts receivable, prepaid expenses and deposits, deferred financing costs and other are included in the table as at December 31, 2019 and December 31, 2018:

	2019	2018
Amounts receivable		
Tenant receivables	**15,921**	17,329
Unbilled other tenant receivables	**7,649**	7,574
Receivables from related party – excluding equity accounted investments	**7,958**	16,741
Receivables from related party – equity accounted investments	**1,690**	10,967
Other non-tenant receivables	**1,482**	3,030
	34,700	55,641
Allowance for expected credit loss	**(3,061)**	(3,114)
Prepaid expenses and deposits	**5,247**	4,953
Deferred financing costs	**1,477**	1,638
Other	**5,040**	2,785
	8,703	6,262
	43,403	61,903

Allowance for expected credit loss

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

Amounts receivable net of allowance for ECL are included in the table as at December 31, 2019 and December 31, 2018:

	2019	2018
Amounts receivable	**34,700**	55,641
Allowance for ECL	**(3,061)**	(3,114)
Amounts receivable – net of allowance for ECL	**31,639**	52,527

The reconciliation of changes in the allowance for ECL on amounts receivable is included in the table for the years ended December 31, 2019 and December 31, 2018:

	2019	2018
Balance – beginning of year	**3,114**	3,237
Additional allowance recognized as expense	**711**	525
Reversal of previous allowances	**(295)**	(101)
Net	**416**	424
Tenant receivables written off during the year	**(469)**	(547)
Balance – end of year	**3,061**	3,114

11. Debt

Debt balances are included in the following table as at December 31, 2019 and December 31, 2018:

	2019	2018
Secured debt (a)	**1,442,278**	2,103,379
Unsecured debt (b)	**2,783,655**	1,886,105
Revolving operating facility (c)	**—**	121,000
	4,225,933	4,110,484
Current	**115,385**	580,530
Non-current	**4,110,548**	3,529,954
	4,225,933	4,110,484

a) Secured debt

Secured debt bears interest at a weighted average interest rate of 3.81% as at December 31, 2019 (December 31, 2018 – 3.93%). Total secured debt of $1,442,278 includes $1,385,278 (December 31, 2018 – $1,812,110) at fixed interest rates and $57,000 (December 31, 2018 – $291,269) at variable interest rates based on banker's acceptance rates plus a margin. Secured debt matures at various dates between 2020 and 2031 and is secured by first or second registered mortgages over specific income properties and properties under development and first general assignments of leases, insurance and registered chattel mortgages.

Principal repayment requirements for secured debt are included in the table as follows:

	Instalment Payments	**Lump Sum Payments at Maturity**	**Total**
2020	46,185	69,924	116,109
2021	43,307	133,989	177,296
2022	41,116	220,306	261,422
2023	36,725	142,344	179,069
2024	31,759	118,568	150,327
Thereafter	54,014	505,866	559,880
	253,106	1,190,997	1,444,103
Unamortized acquisition date fair value adjustments			2,395
Unamortized financing costs			(4,220)
			1,442,278

b) Unsecured debt

The following table summarizes the components of unsecured debt as at December 31, 2019 and December 31, 2018:

	2019	2018
Unsecured debentures (i)	**2,301,257**	1,802,339
Credit facilities (ii)	**399,102**	80,000
Other unsecured debt (iii)	**83,296**	3,766
	2,783,655	1,886,105

i) Unsecured debentures

The following table summarizes the components of unsecured debentures as at December 31, 2019 and December 31, 2018:

Series	Maturity Date	Annual Interest Rate	Interest Payment Dates	2019	2018
Series H	July 27, 2020	4.050 %	January 27 and July 27	**—**	150,000
Series I	May 30, 2023	3.985 %	May 30 and November 30	**200,000**	200,000
Series L	February 11, 2021	3.749 %	February 11 and August 11	**—**	150,000
Series M	July 22, 2022	3.730 %	January 22 and July 22	**150,000**	150,000
Series N	February 6, 2025	3.556 %	February 6 and August 6	**160,000**	160,000
Series O	August 28, 2024	2.987 %	February 28 and August 28	**100,000**	100,000
Series P	August 28, 2026	3.444 %	February 28 and August 28	**250,000**	250,000
Series Q	March 21, 2022	2.876 %	March 21 and September 21	**150,000**	150,000
Series R	December 21, 2020	Variable[1]	March 21, June 21, September 21 and December 21	**250,000**	250,000
Series S	December 21, 2027	3.834 %	June 21 and December 21	**250,000**	250,000
Series T	June 23, 2021	2.757 %	June 23 and December 23	**350,000**	—
Series U	December 20, 2029	3.526 %	June 20 and December 20	**450,000**	—
		3.330 %[2]		**2,310,000**	1,810,000
			Less: Unamortized financing costs	**(8,743)**	(7,661)
				2,301,257	1,802,339

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

Unsecured debenture activities for the year ended December 31, 2019

Issuance

In December 2019, the Trust issued $450,000 of 3.526% Series U senior unsecured debentures (net proceeds after issuance costs – $448,200, which are due on December 20, 2029 with semi-annual payments due on June 20 and December 20 of each year. The proceeds were used to repay existing indebtedness, to fund a property acquisition, and for general Trust purposes.

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

Redemptions

In June 2019, the Trust redeemed $150,000 aggregate principal of 3.749% Series L senior unsecured debentures. In addition to paying accrued interest of $2,065, the Trust paid a yield maintenance fee of $4,035 in connection with the redemption. The redemption was funded by advances from the non-revolving credit facility (see Note 11(b)(ii)).

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

Unsecured debenture activity for the year ended December 31, 2018

There was no activity during the year ended December 31, 2018.

Credit rating of unsecured debentures

Dominion Bond Rating Services (“DBRS”) provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower’s capabilities to fulfil its obligations. An investment-grade rating must exceed “BB,” with the highest rating being “AAA”. The Trust received a credit rating upgrade on December 6, 2019, and unsecured debentures issued after this date are rated “BBB (H)” with a stable trend as at December 31, 2019.

ii) Credit facilities

In May 2019, the Trust entered into an unsecured non-revolving credit facility totalling $170,000 bearing interest at a fixed interest rate of 3.26% and matures on June 24, 2026. As at December 31, 2019, $170,000 was drawn to fund the redemption of 3.749% Series L unsecured debentures (see Note 11(b)(i)) and for general Trust purposes.

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

In August 2018, the Trust entered into an unsecured non-revolving credit facility totalling $80,000, bearing interest at a variable interest rate based on either bank prime rate plus 20 basis points or the banker's acceptance rate plus 120 basis points, that matures on August 29, 2023. As at December 31, 2019, $80,000 was drawn (December 31, 2018 – $80,000) and subsequent to year-end, the interest rate on this facility was fixed for a seven-year term at 2.98%.

As at December 31, 2019, the total unsecured credit facilities are presented net of deferred financing costs totalling $898 (2018 – $nil).

iii) Other unsecured debt

Other unsecured debt net of fair value adjustments totalling $83,296 (December 31, 2018 – $3,766) at the Trust's share pertains to loans received from 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. The balances of the loans are expected to be paid at the end of their respective terms.

c) Revolving operating facility

As at December 31, 2019, the Trust has a $500,000 unsecured revolving operating facility bearing interest at a variable interest rate based on either bank prime rate plus 20 basis points or the banker's acceptance rate plus 120 basis points, which matures on September 30, 2024. The facility includes an accordion feature of $250,000 whereby the Trust has an option to increase its facility amount with the lenders to sustain future operations as required.

The following table summarizes components of the Trust's revolving operating facility as at December 31, 2019 and December 31, 2018:

	2019	2018
Revolving operating facility	**500,000**	500,000
Lines of credit – outstanding	**—**	(121,000)
Letters of credit – outstanding	**(8,844)**	(9,940)
Remaining unused operating facility	**491,156**	369,060

d) Interest expense

Interest expense for the years ended December 31, 2019 and December 31, 2018 is included in the following table:

	2019	2018
Interest at stated rates	**149,215**	156,723
Amortization of acquisition date fair value adjustments on assumed debt	**(2,002)**	(2,348)
Amortization of deferred financing costs	**3,811**	3,406
	151,024	157,781
Less:		
Interest capitalized to properties under development	**(18,956)**	(20,858)
Interest capitalized to residential development inventory	**(928)**	(817)
	131,140	136,106
Yield maintenance on redemption of debt and related write-off of unamortized financing costs (Note 11(b))	**20,513**	—
	151,653	136,106
Distributions on vested deferred units and Units classified as liabilities	**5,385**	5,117
	157,038	141,223

Non-cash interest expense for the years ended December 31, 2019 and December 31, 2018 is included in the following table:

	2019	2018
Interest expense	**157,038**	141,223
Amortization of acquisition date fair value adjustments on assumed debt	**2,002**	2,348
Amortization of deferred financing costs	**(3,811)**	(3,406)
Distributions on vested deferred units and Units classified as liabilities	**(5,385)**	(5,117)
Change in accrued interest payable	**5,010**	1,299
Cash interest paid	**154,854**	136,347

e) Other letters of credit

In addition to the letters of credit outstanding on the Trust's revolving operating facility (see Note 11(c) above), the Trust also has $26,545 of letters of credit outstanding with other financial institutions as at December 31, 2019 (December 31, 2018 – $28,888).

12. Accounts and other payables

Accounts payable and the current portion of other payables that are classified as current liabilities are included in the following table as at December 31, 2019 and December 31, 2018:

	Note	**2019**	2018
Accounts payable		**77,295**	79,992
Accounts payable with Penguin	21	**8,893**	13,834
Tenant prepaid rent, deposits, and other payables		**69,836**	65,553
Accrued interest payable		**16,929**	21,939
Distributions payable		**26,406**	24,258
Realty taxes payable		**3,443**	4,508
Current portion of other payables		**14,801**	6,533
		217,603	216,617

Other payables that are classified as non-current liabilities are included in the following table as at December 31, 2019 and December 31, 2018:

	Note	**2019**	2018
Future land development obligations with Penguin	12(a)	**27,074**	26,567
Lease liability – investment properties[(1)]		**8,065**	7,941
Lease liability – other		**461**	—
Long Term Incentive Plan liability	12(b)	**645**	1,241
Total other payables		**36,245**	35,749
Less: Current portion of other payables		**(14,801)**	(6,533)
Total non-current portion of other payables		**21,444**	29,216

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

a) Future land development obligations

The future land development obligations represent payments required to be made to Penguin (see also Note 21, "Related party transactions") for certain undeveloped lands acquired from 2006 to 2015, either on completion and rental of additional space on the undeveloped lands or, if no additional space is completed on the undeveloped lands, at the expiry of the 10-year development management agreement periods ending in 2019 to 2025. The accrued future land development obligations are measured at their amortized values using imputed interest rates ranging from 4.50% to 5.50%. For the year ended December 31, 2019, imputed interest of $1,166 (year ended December 31, 2018 – $1,181) was capitalized to properties under development.

b) Long Term Incentive Plan liability

The following table summarizes the activity in the LTIP for the years ended December 31, 2019 and December 31, 2018:

	2019	2018
Balance – beginning of year	**1,241**	2,927
Accrual adjustment	**(596)**	327
LTIP vested and paid out	**—**	(2,013)
Balance – end of year	**645**	1,241

13. Other financial liabilities

The components of other financial liabilities are included in the table as at December 31, 2019 and December 31, 2018:

	2019	2018
Units classified as liabilities (a)	**65,436**	64,420
Earnout options (b)	**52**	881
Deferred unit plan ("DUP") (c)	**30,247**	29,683
	95,735	94,984

a) Units classified as liabilities

Total number of Units classified as liabilities

The following table represents the number of Units classified as liabilities that are issued and outstanding:

	Class D Series 1 Smart LP Units	**Class F Series 3 Smart LP Units**	**Class D Series 1 Smart Oshawa South LP Units**	**Class B ONR LP Units**	**Class B Series 1 ONR LP I Units**	**Class B Series 2 ONR LP I Units**	**Total**
Balance – January 1, 2018	311,022	—	251,649	1,254,114	132,881	137,109	2,086,775
Options exercised	—	—	8,768	—	—	—	8,768
Units exchanged for Trust Units	—	—	—	(5,974)	—	—	(5,974)
Balance – December 31, 2018	311,022	—	260,417	1,248,140	132,881	137,109	2,089,569
Balance – January 1, 2019	**311,022**	**—**	**260,417**	**1,248,140**	**132,881**	**137,109**	**2,089,569**
Options exercised	**—**	**4,886**	**—**	**—**	**—**	**2,193**	**7,079**
Balance – December 31, 2019	**311,022**	**4,886**	**260,417**	**1,248,140**	**132,881**	**139,302**	**2,096,648**

Carrying value of Units classified as liabilities

The following table represents the carrying value of Units classified as liabilities. The fair value measurement of the Units classified as liabilities is described in Note 14, "Fair value of financial instruments".

	Class D Series 1 Smart LP Units	**Class F Series 3 Smart LP Units**	**Class D Series 1 Smart Oshawa South LP Units**	**Class B ONR LP Units**	**Class B Series 1 ONR LP I Units**	**Class B Series 2 ONR LP I Units**	**Total**
Balance – January 1, 2018	9,614	—	7,778	38,764	4,107	4,238	64,501
Options exercised	—	—	273	—	—	—	273
Change in carrying value	(25)	—	(23)	(93)	(11)	(11)	(163)
Units exchanged for Trust Units	—	—	—	(191)	—	—	(191)
Balance – December 31, 2018	9,589	—	8,028	38,480	4,096	4,227	64,420
Balance – January 1, 2019	**9,589**	**—**	**8,028**	**38,480**	**4,096**	**4,227**	**64,420**
Options exercised	**—**	**98**	**—**	**—**	**—**	**74**	**172**
Change in carrying value	**118**	**54**	**100**	**475**	**51**	**46**	**844**
Balance – December 31, 2019	**9,707**	**152**	**8,128**	**38,955**	**4,147**	**4,347**	**65,436**

b) Earnout options

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

The following table summarizes the change in Units outstanding and proceeds received for the year ended December 31, 2019:

	Strike Price	Options Outstanding at January 1, 2019	Options Cancelled	Options Exercised	Options Outstanding at December 31, 2019	Amounts from Options Exercised
	($)	(#)	(#)	(#)	(#)	($)
Options to acquire Trust Units						
July 2005	20.10	**108,606**	—	**(53,002)**	**55,604**	**1,065**
December 2006	29.55 to 33.55	**53,458**	—	—	**53,458**	—
July 2007	29.55 to 33.00	**1,348,223**	—	—	**1,348,223**	—
		1,510,287	—	**(53,002)**	**1,457,285**	**1,065**
Options to acquire Class B Smart LP Units, Class D Smart LP Units and Class F Smart LP Units[1]						
July 2005	20.10	**1,354,153**	—	—	**1,354,153**	—
December 2006	29.55 to 30.55	**2,226,949**	—	—	**2,226,949**	—
July 2007	29.55 to 33.00	**1,600,000**	—	—	**1,600,000**	—
June 2008[2]	20.10	**685,113**	—	**(4,886)**	**680,227**	**98**
		5,866,215	—	**(4,886)**	**5,861,329**	**98**
Options to acquire Class B Smart LP III Units[3]						
September 2010	Market price	**617,932**	**(12,810)**	**(6,209)**	**598,913**	**134**
August 2011	Market price	**596,219**	—	—	**596,219**	—
August 2013	Market price	**560,071**	—	—	**560,071**	—
September 2014	Market price	**286,054**	**(26,350)**	—	**259,704**	—
		2,060,276	**(39,160)**	**(6,209)**	**2,014,907**	**134**
Options to acquire Class B Smart LP IV Units[4]						
May 2015	Market price	**439,149**	—	**(17,090)**	**422,059**	**487**
		439,149	—	**(17,090)**	**422,059**	**487**
Options to acquire Class B Smart Oshawa South LP Units and Class D Smart Oshawa South LP Units[5]						
May 2015	Market price	**26,585**	—	—	**26,585**	—
		26,585	—	—	**26,585**	—
Options to acquire Class B Smart Oshawa Taunton LP Units and Class D Smart Oshawa Taunton LP Units[6]						
May 2015	Market price	**265,422**	—	—	**265,422**	—
		265,422	—	—	**265,422**	—
Options to acquire Class B Smart Boxgrove LP Units[7]						
May 2015	Market price	**170,000**	—	—	**170,000**	—
		170,000	—	—	**170,000**	—
Options to acquire Class B ONR LP I Units[8]						
October 2017	Market price	**540,000**	**(41,705)**	**(16,209)**	**482,086**	**74**
		540,000	**(41,705)**	**(16,209)**	**482,086**	**74**
Total Earnout options		**10,877,934**	**(80,865)**	**(97,396)**	**10,699,673**	**1,858**

(1) Each option is represented by a corresponding Class C Smart LP Unit or Class E Smart LP Unit.
(2) Each option is convertible into Class F Series 3 Smart LP Units. At the holder's option, the Class F Series 3 Smart LP Units may be redeemed for cash at $20.10 per Unit or, on the completion and rental of additional space on certain development properties, the Class F Series 3 Smart LP Units may be exchanged for Class B Smart LP Units.
(3) Each option is represented by a corresponding Class C Smart LP III Unit.
(4) Each option is represented by a corresponding Class C Smart LP IV Unit.
(5) Each option is represented by a corresponding Class C Smart Oshawa South LP Unit or Class E Smart Oshawa South LP Unit.
(6) Each option is represented by a corresponding Class C Smart Oshawa Taunton LP Unit or Class E Smart Oshawa Taunton LP Unit.
(7) Each option is represented by a corresponding Class C Smart Boxgrove LP Unit.
(8) Each option is represented by a corresponding Class C ONR LP I Unit. During the year ended December 31, 2019, 16,209 Class C Series 2 ONR LP I Units were exercised for 2,193 Class B Series 2 ONR LP I Units.

The following table summarizes the change in Units outstanding and proceeds received for the year ended December 31, 2018:

	Strike Price	Options Outstanding at January 1, 2018	Options Cancelled	Options Exercised	Options Outstanding at December 31, 2018	Amounts from Options Exercised
	($)	(#)	(#)	(#)	(#)	($)
Options to acquire Trust Units						
July 2005	20.10	108,606	—	—	108,606	—
December 2006	29.55 to 33.55	53,458	—	—	53,458	—
July 2007	29.55 to 33.00	1,348,223	—	—	1,348,223	—
		1,510,287	—	—	1,510,287	—
Options to acquire Class B Smart LP Units and Class D Smart LP Units[1]						
July 2005	20.10	1,354,153	—	—	1,354,153	—
December 2006	29.55 to 30.55	2,290,052	—	(63,103)	2,226,949	1,865
July 2007	29.55 to 33.00	1,600,000	—	—	1,600,000	—
June 2008[2]	20.10	702,667	(17,554)	—	685,113	—
		5,946,872	(17,554)	(63,103)	5,866,215	1,865
Options to acquire Class B Smart LP III Units[3]						
September 2010	Market price	646,669	(5,802)	(22,935)	617,932	496
August 2011	Market price	596,219	—	—	596,219	—
August 2013	Market price	560,071	—	—	560,071	—
September 2014	Market price	286,054	—	—	286,054	—
		2,089,013	(5,802)	(22,935)	2,060,276	496
Options to acquire Class B Smart LP IV Units[4]						
May 2015	Market price	446,061	—	(6,912)	439,149	198
		446,061	—	(6,912)	439,149	198
Options to acquire Class B Smart Oshawa South LP Units and Class D Smart Oshawa South LP Units[5]						
May 2015	Market price	60,000	—	(33,415)	26,585	959
		60,000	—	(33,415)	26,585	959
Options to acquire Class B Smart Oshawa Taunton LP Units and Class D Smart Oshawa Taunton LP Units[6]						
May 2015	Market price	265,422	—	—	265,422	—
		265,422	—	—	265,422	—
Options to acquire Class B Smart Boxgrove LP Units[7]						
May 2015	Market price	170,000	—	—	170,000	—
		170,000	—	—	170,000	—
Options to acquire Class B ONR LP I Units[8]						
October 2017	Market price	540,000	—	—	540,000	—
		540,000	—	—	540,000	—
Total Earnout options		11,027,655	(23,356)	(126,365)	10,877,934	3,518

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

The following table summarizes the change in the fair value of Earnout options for the years ended December 31, 2019 and December 31, 2018:

	2019	2018
Fair value – beginning of year	**881**	751
Trust options exercised	**(566)**	—
Fair value adjustment	**(263)**	130
Fair value – end of year	**52**	881

c) Deferred unit plan ("DUP")

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

The outstanding deferred units for the years ended December 31, 2019 and December 31, 2018 are summarized in the table as follows:

	Outstanding	**Vested**	**Non-vested**
Balance – January 1, 2018	819,680	692,779	126,901
Granted	157,449	74,679	82,770
Reinvested units from distributions	57,279	48,880	8,399
Vested	—	82,473	(82,473)
Redeemed for cash	(21,941)	(21,941)	—
Forfeited	(4,538)	—	(4,538)
Balance – December 31, 2018	1,007,929	876,870	131,059
Balance – January 1, 2019	**1,007,929**	**876,870**	**131,059**
Granted	**192,861**	**125,404**	**67,457**
Reinvested units from distributions	**58,323**	**49,668**	**8,655**
Vested	**—**	**18,662**	**(18,662)**
Exchanged for Trust Units	**(1,893)**	**(1,893)**	**—**
Redeemed for cash	**(200,528)**	**(200,528)**	**—**
Forfeited	**(31,110)**	**—**	**(31,110)**
Balance – December 31, 2019	**1,025,582**	**868,183**	**157,399**

The following table summarizes the change in the carrying value of the deferred unit plan for the years ended December 31, 2019 and December 31, 2018:

	2019	2018
Carrying value – beginning of year	**29,683**	23,351
Deferred units granted for trustee fees and bonuses	**3,034**	2,381
Reinvested distributions on vested deferred units	**1,591**	1,435
Compensation expense – reinvested distributions, amortization and fair value change on unvested deferred units	**2,011**	3,136
Exchanged for Trust Units	**(63)**	—
Redeemed for cash	**(6,748)**	(660)
Fair value adjustment – vested deferred units	**739**	40
Carrying value – end of year	**30,247**	29,683

14. Fair value of financial instruments

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

The fair value of the Trust's financial instruments is summarized in the following table as at December 31, 2019 and December 31, 2018:

	2019			2018		
	Fair Value Through Profit or Loss ("FVTPL")	**Amortized cost**	**Total**	Fair Value Through Profit or Loss ("FVTPL")	Amortized cost	Total
Financial assets						
Mortgages and loans receivable	**—**	**267,815**	**267,815**	—	151,531	151,531
Tenant receivables	**—**	**15,921**	**15,921**	—	17,329	17,329
Financial liabilities						
Secured debt	**—**	**1,476,880**	**1,476,880**	—	2,134,891	2,134,891
Revolving operating facility	**—**	**—**	**—**	—	121,000	121,000
Unsecured debt	**—**	**2,834,406**	**2,834,406**	—	1,858,621	1,858,621
Long Term Incentive Plan	**—**	**645**	**645**	—	1,241	1,241
Units classified as liabilities	**65,436**	**—**	**65,436**	64,420	—	64,420
Earnout options	**52**	**—**	**52**	881	—	881
Deferred unit plan	**30,247**	**—**	**30,247**	29,683	—	29,683

Fair value hierarchy

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

The following table illustrates the level to which the Trust categorizes its measurements of financial liabilities as at December 31, 2019 and December 31, 2018:

	2019			2018		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Recurring measurements:						
Financial liabilities						
Units classified as liabilities	**—**	**65,436**	**—**	—	64,420	—
Earnout options	**—**	**—**	**52**	—	—	881
Deferred unit plan	**—**	**30,247**	**—**	—	29,683	—

Refer to Note 13(b), "Other financial liabilities", for a reconciliation of Earnout option fair value measurements.

15. Unit equity

The following table represents the number of Units issued and outstanding, and the related carrying value of Unit equity as at December 31, 2019 and December 31, 2018. The Limited Partnership Units are classified as non-controlling interests in the consolidated balance sheets and the consolidated statements of equity.

		Number of Units Issued and Outstanding			Carrying Value		
	Note	Trust Units (#)	Smart LP Units (#) (Table A)	Total Units (#)	Trust Units ($)	Smart LP Units ($) (Table B)	Total ($)
Balance – January 1, 2018		132,612,320	25,021,031	157,633,351	2,724,472	629,492	3,353,964
Options exercised	4, 13(b)	—	107,846	107,846	—	3,245	3,245
Distribution reinvestment plan	15(b), 16	1,880,103	—	1,880,103	56,656	—	56,656
Unit issuance cost		—	—	—	(250)	—	(250)
Units exchanged for Trust Units		5,974	—	5,974	191	—	191
Balance – December 31, 2018		134,498,397	25,128,877	159,627,274	2,781,069	632,737	3,413,806
Balance – January 1, 2019		**134,498,397**	**25,128,877**	**159,627,274**	**2,781,069**	**632,737**	**3,413,806**
Options exercised[1]	4(d), 13(b)	**53,002**	**19,303**	**72,305**	**1,631**	**621**	**2,252**
Deferred Units exchanged for Trust Units	13(c)	**1,893**	**—**	**1,893**	**63**	**—**	**63**
Distribution reinvestment plan	15(b), 16	**2,125,071**	**—**	**2,125,071**	**69,693**	**—**	**69,693**
Units issued for cash	15(c)	**7,360,000**	**—**	**7,360,000**	**230,000**	**—**	**230,000**
Units issuance cost	15(c)	**—**	**—**	**—**	**(9,635)**	**—**	**(9,635)**
Balance – December 31, 2019		**144,038,363**	**25,148,180**	**169,186,543**	**3,072,821**	**633,358**	**3,706,179**

(1) For the year ended December 31, 2019, the carrying value of Trust Units issued includes the change in fair value of Earnout options on exercise of $566 (year ended December 31, 2018 – $nil).

Table A: Number of LP Units issued and outstanding

The following table represents the number of Units issued and outstanding as at December 31, 2019 and December 31, 2018.

Unit Type	Class and Series	Balance – January 1, 2019	Options Exercised (Note 13(b))	Balance – December 31, 2019
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**	**4,214**	**668,428**
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**	**15,089**	**3,067,593**
Smart Oshawa South Limited Partnership	**Class B Series 1**	**710,416**	**—**	**710,416**
Smart Oshawa Taunton Limited Partnership	**Class B Series 1**	**374,223**	**—**	**374,223**
		25,128,877	**19,303**	**25,148,180**

Unit Type	Class and Series	Balance – January 1, 2018	Options Exercised (Note 13(b))	Balance – December 31, 2018
Smart Limited Partnership	Class B Series 1	14,746,176	—	14,746,176
Smart Limited Partnership	Class B Series 2	886,956	63,103	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	647,934	16,280	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	3,046,121	6,383	3,052,504
Smart Oshawa South Limited Partnership	Class B Series 1	688,336	22,080	710,416
Smart Oshawa Taunton Limited Partnership	Class B Series 1	374,223	—	374,223
		25,021,031	107,846	25,128,877

Table B: Carrying value of LP Units

The following table represents the carrying values of Units issued and outstanding as at December 31, 2019 and December 31, 2018.

Unit Type	**Class and Series**	**Balance – January 1, 2019**	**Value From Options Exercised** (Note 13(b))	**Balance – December 31, 2019**
Smart Limited Partnership	**Class B Series 1**	**347,675**	**—**	**347,675**
Smart Limited Partnership	**Class B Series 2**	**27,587**	**—**	**27,587**
Smart Limited Partnership	**Class B Series 3**	**16,836**	**—**	**16,836**
Smart Limited Partnership II	**Class B**	**17,680**	**—**	**17,680**
Smart Limited Partnership III	**Class B Series 4**	**16,334**	**134**	**16,468**
Smart Limited Partnership III	**Class B Series 5**	**15,356**	**—**	**15,356**
Smart Limited Partnership III	**Class B Series 6**	**11,720**	**—**	**11,720**
Smart Limited Partnership III	**Class B Series 7**	**11,668**	**—**	**11,668**
Smart Limited Partnership III	**Class B Series 8**	**48,732**	**—**	**48,732**
Smart Limited Partnership IV	**Class B Series 1**	**87,675**	**487**	**88,162**
Smart Oshawa South Limited Partnership	**Class B Series 1**	**20,441**	**—**	**20,441**
Smart Oshawa Taunton Limited Partnership	**Class B Series 1**	**11,033**	**—**	**11,033**
		632,737	**621**	**633,358**

Unit Type	Class and Series	Balance – January 1, 2018	Value From Options Exercised (Note 13(b))	Balance – December 31, 2018
Smart Limited Partnership	Class B Series 1	347,675	—	347,675
Smart Limited Partnership	Class B Series 2	25,722	1,865	27,587
Smart Limited Partnership	Class B Series 3	16,836	—	16,836
Smart Limited Partnership II	Class B	17,680	—	17,680
Smart Limited Partnership III	Class B Series 4	15,838	496	16,334
Smart Limited Partnership III	Class B Series 5	15,356	—	15,356
Smart Limited Partnership III	Class B Series 6	11,720	—	11,720
Smart Limited Partnership III	Class B Series 7	11,668	—	11,668
Smart Limited Partnership III	Class B Series 8	48,732	—	48,732
Smart Limited Partnership IV	Class B Series 1	87,477	198	87,675
Smart Oshawa South Limited Partnership	Class B Series 1	19,755	686	20,441
Smart Oshawa Taunton Limited Partnership	Class B Series 1	11,033	—	11,033
		629,492	3,245	632,737

a) Authorized Units

i) Trust Units

The Trust is authorized to issue an unlimited number of voting trust units ("Trust Units"), each of which represents an equal undivided interest in the Trust. All Trust Units outstanding from time to time are entitled to participate pro rata in any distributions by the Trust and, in the event of termination or windup of the Trust, in the net assets of the Trust. All Trust Units rank among themselves equally and rateably without discrimination, preference or priority. Unitholders are entitled to require the Trust to redeem all or any part of their Trust Units at prices determined and payable in accordance with the conditions provided for in the Declaration of Trust. A maximum amount of $50 may be redeemed in total in any one month unless otherwise waived by the Board of Trustees.

In accordance with the Declaration of Trust, distributions to Unitholders are declared at the discretion of the Trustees. The Trust endeavours to declare distributions in each taxation year in such an amount as is necessary to ensure that the Trust will not be subject to tax on its net income and net capital gains under Part I of the Income Tax Act (Canada) (the "Tax Act").

The Trust is authorized to issue an unlimited number of Special Voting Units that will be used to provide voting rights to holders of securities exchangeable, including all series of Class B Smart LP Units, Class D Smart LP Units, Class B Smart LP II Units, Class B Smart LP III Units, Class B Smart LP IV Units, Class B Smart Oshawa South LP Units, Class D Smart Oshawa South LP Units, Class B Smart Oshawa Taunton Units, Class D Oshawa Taunton Units, Class B Smart Boxgrove LP Units, Class B ONR LP and Class B ONR LP I Units, into Trust Units. Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust. Each Special Voting Unit entitles the holder to the number of votes at any meeting of Unitholders of the Trust that is equal to the number of Trust Units into which the exchangeable security is exchangeable or convertible. Special Voting Units are cancelled on the issuance of Trust Units on exercise, conversion or cancellation of the corresponding exchangeable securities.

As at December 31, 2019, there were 27,239,942 (December 31, 2018 – 27,218,446) Special Voting Units outstanding. There is no value assigned to the Special Voting Units. A July 2005 agreement preserved Penguin's voting rights at a minimum of 25.0% for a period of 10 years commencing on July 1, 2005, on the condition that Penguin's owner, Mitchell Goldhar, remains a Trustee of the Trust and owns at least 15,000,000 Trust Units, Class B Smart LP and Smart LP III Units, collectively. On May 26, 2015, the Trust extended the voting rights agreement for an additional five years. These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust; nor are they convertible into any Trust securities. The total number of Special Voting Units is adjusted for each annual meeting of the Unitholders based on changes in Penguin's ownership interest.

ii) Smart Limited Partnership Units

Smart Limited Partnership ("Smart LP"), formerly known as Calloway Limited Partnership, was formed on June 15, 2005, and commenced activity on July 8, 2005.

An unlimited number of any series of Class A Smart LP Units, Class B Smart LP Units, Class C Smart LP Units, Class D Smart LP Units, Class E Smart LP Units and Class F Smart LP Units may be issued by the LP. Class A Smart LP partners have 20 votes for each Class A Smart LP Unit held, Class B Smart LP and Class D Smart LP partners have one vote for each Class B Smart LP Unit or Class D Smart LP Unit held, and Class C Smart LP, Class E Smart LP and Class F Smart LP partners have no votes at meetings of the Smart LP. The Smart LP is under the control of the Trust.

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

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

The Class C Smart LP Units and Class E Smart LP Units are entitled to receive 0.01% of any distributions of the Smart LP and have nominal value assigned in the consolidated financial statements. At the holder's option, and on

the completion and rental of additional space on specific properties and payment of a specific predetermined amount per Unit, the Class C Series 1 and Series 2 Smart LP Units, the Class C Series 3 Smart LP Units and the Class E Series 1 Smart LP Units are exchangeable into Class B Smart LP Units, Class F Series 3 Smart LP Units and Class D Series 1 Smart LP Units, respectively, and the Class E Series 2 Smart LP Units are exchangeable into Class D Series 2 Smart LP Units (the Class C Smart LP Units and Class E Smart LP Units are effectively included in the Earnout options – see Note 13(b), "Other Financial Liabilities"). On exercise of the Earnout options relating to the LP, the corresponding Class C Smart LP Units and Class E Smart LP Units are cancelled.

Number of Class C and E Units Outstanding	**2019**	2018
Class C Series 1 Smart LP Units	**3,445,341**	3,445,341
Class C Series 2 Smart LP Units	**3,026,949**	3,026,949
Class C Series 3 Smart LP Units	**680,227**	685,113
Class E Series 1 Smart LP Units	**16,704**	16,704
Class E Series 2 Smart LP Units	**800,000**	800,000

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

The Class F Series 3 Smart LP Units are entitled to receive distributions equivalent to 65.5% of the distributions on Trust Units. At the holder's option, the Class F Series 3 Smart LP Units are exchangeable for $20.10 in cash per Unit or, on the completion and rental of additional space on specific properties, the Class F Series 3 Smart LP Units are exchangeable into Class B Smart LP Units. As at December 31, 2019, there were 4,886 Class F Series 3 Smart LP Units outstanding (December 31, 2018 – nil). On issuance, the Class F Series 3 Smart LP Units are recorded as a liability in the consolidated financial statements.

The Class D Smart LP Units (owned by third parties) are considered to be a financial liability under IFRS. The Class B Series 1, Class B Series 2 and Class B Series 3 Smart LP Units are classified as equity. Refer to Note 2.10 for additional details on classification of Units as liabilities and equity.

iii) Smart Limited Partnership II Units

Smart Limited Partnership II ("Smart LP II"), formerly known as Calloway Limited Partnership II, was formed on February 6, 2006, and commenced activity on May 29, 2006.

An unlimited number of Class A Smart LP II Units and Class B Smart LP II Units may be issued by Smart LP II. Class A Smart LP II partners have five votes for each Class A Smart LP II Unit held, and Class B Smart LP II partners have one vote for each Class B Smart LP II Unit held. Smart LP II is under the control of the Trust.

The Class A Smart LP II Units are entitled to all distributable cash of Smart LP II after the required distributions on the Class B Smart LP II Units have been paid. As at December 31, 2019, there were 263,303 (December 31, 2018 – 263,303) Class A Smart LP II Units outstanding. The Class A Smart LP II Units are owned directly by the Trust and have been eliminated on consolidation.

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

iv) Smart Limited Partnership III Units

Smart Limited Partnership III ("Smart LP III"), formerly known as Calloway Limited Partnership III, was formed on September 2, 2010 and commenced activity on September 13, 2010.

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

The Class A Smart LP III Units are entitled to all distributable cash of Smart LP III after the required distributions on the Class B Smart LP III Units have been paid. As at December 31, 2019, there were 12,556,688 (December 31,

2018 – 12,556,688) Class A Smart LP III Units outstanding. The Class A Smart LP III Units are owned directly by the Trust and have been eliminated on consolidation.

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

The Class C Smart LP III Units are entitled to receive 0.01% of any distributions of Smart LP III and have a nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 4 Smart LP III Units, Class C Series 5 Smart LP III Units, Class C Series 6 Smart LP III Units and Class C Series 7 Smart LP III Units are exchangeable into Class B Smart LP III Units (the Class C Smart LP III Units are effectively included in the Earnout options – see Note 13(b), "Other Financial Liabilities"). On exercise of the Earnout options relating to Smart LP III, the corresponding Class C Smart LP III Units are cancelled. As at December 31, 2019, there were 2,014,907 (December 31, 2018 – 2,060,276) Class C Smart LP III Units outstanding.

v) Smart Limited Partnership IV Units

Smart Limited Partnership IV ("Smart LP IV") was formed on May 28, 2015.

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

The Class A Smart LP IV Units are entitled to all distributable cash of Smart LP IV after the required distributions on the Class B Smart LP IV Units have been paid. As at December 31, 2019, there were 3,402,569 (December 31, 2018 – 2,402,569) Class A Smart LP IV Units outstanding. The Class A Smart LP IV Units are owned directly by the Trust and have been eliminated on consolidation.

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

The Class C Smart LP IV Units are entitled to receive 0.01% of any distributions of Smart LP IV and have a nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 Smart LP IV Units are exchangeable into Class B Smart LP IV Units (the Class C Smart LP IV Units are effectively included in the Earnout options – see Note 13(b), "Other Financial Liabilities"). On exercise of the Earnout options relating to Smart LP IV, the corresponding Class C Smart LP IV Units are cancelled. As at December 31, 2019, there were 422,059 (December 31, 2018 – 439,149) Class C Smart LP IV Units outstanding.

vi) Smart Oshawa South Limited Partnership Units

Smart Oshawa South Limited Partnership ("Smart Oshawa South LP") was formed on May 28, 2015.

An unlimited number of any series of Class A Smart Oshawa South LP Units, Class B Smart Oshawa South LP Units, Class C Smart Oshawa South LP Units, Class D Smart Oshawa South LP Units and Class E Smart Oshawa South LP Units may be issued by the LP. Class A Smart Oshawa South LP partners have 20 votes for each Class A Smart Oshawa South LP Unit held, Class B Smart Oshawa South LP and Class D Smart Oshawa South LP partners have one vote for each Class B Smart Oshawa South LP Unit or Class D Smart Oshawa South LP Unit held, and Class C Smart Oshawa South LP and Class E Smart Oshawa South LP partners have no votes at meetings of the Smart Oshawa South LP. The Smart Oshawa South LP is under the control of the Trust.

The Class A Smart Oshawa South LP Units are entitled to all distributable cash of Smart Oshawa South LP after the required distributions on the other classes of Units have been paid. As at December 31, 2019, there were 668,190

(December 31, 2018 – 418,190) Class A Smart Oshawa South LP Units outstanding. The Class A Smart Oshawa South LP Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B Smart Oshawa South LP Units and Class D Smart Oshawa South LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B Smart Oshawa South LP Units and Class D Smart Oshawa South LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B Smart Oshawa South LP Unit and Class D Smart Oshawa South LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B Smart Oshawa South LP Units and Class D Smart Oshawa South LP Units are considered to be economically equivalent to Trust Units. All Class B Smart Oshawa South LP Units and Class D Smart Oshawa South LP Units (owned by third parties) have been presented as non-controlling interests and liabilities, respectively. Refer to Note 2.10 for additional details on classification of Units as liabilities and equity.

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

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

The Class D Series 1 Smart Oshawa South LP Units (owned by third parties) are considered to be a financial liability under IFRS, whereas the Class B Series 1 Smart Oshawa South LP Units are classified as equity. Refer to Note 2.10 for additional details on classification of Units as liabilities and equity.

vii) Smart Oshawa Taunton Limited Partnership Units

Smart Oshawa Taunton Limited Partnership ("Smart Oshawa Taunton LP") was formed on May 28, 2015.

An unlimited number of any series of Class A Smart Oshawa Taunton LP Units, Class B Smart Oshawa Taunton LP Units, Class C Smart Oshawa Taunton LP Units, Class D Smart Oshawa Taunton LP Units and Class E Smart Oshawa Taunton LP Units may be issued by the LP. Class A Smart Oshawa Taunton LP partners have 20 votes for each Class A Smart Oshawa Taunton LP Unit held, Class B Smart Oshawa Taunton LP and Class D Smart Oshawa Taunton LP partners have one vote for each Class B Smart Oshawa Taunton LP Unit or Class D Smart Oshawa Taunton LP Unit held, and Class C Smart Oshawa Taunton LP and Class E Smart Oshawa Taunton LP partners have no votes at meetings of the Smart Oshawa Taunton LP. The Smart Oshawa Taunton LP is under the control of the Trust.

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

The Class B Smart Oshawa Taunton LP Units and Class D Smart Oshawa Taunton LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B Smart Oshawa Taunton LP Units and Class D Smart Oshawa Taunton LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B Smart Oshawa Taunton LP Unit and Class D Smart Oshawa Taunton LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B Smart Oshawa Taunton LP Units and Class D Smart Oshawa Taunton LP Units are considered to be economically equivalent to Trust Units. All Class B Smart Oshawa Taunton LP Units and Class D Smart Oshawa Taunton LP Units (owned by third parties) have been presented as non-controlling interests and liabilities, respectively. Refer to Note 2.10 for additional details on classification of Units as liabilities and equity.

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

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

The Class D Series 1 Smart Oshawa Taunton LP Units (owned by third parties) are considered to be a financial liability under IFRS, whereas the Class B Series 1 Smart Oshawa Taunton LP Units are classified as equity. Refer to Note 2.10 for additional details on classification of Units as liabilities and equity.

viii) Smart Boxgrove Limited Partnership Units

Smart Boxgrove Limited Partnership ("Boxgrove LP") was formed on May 28, 2015.

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

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

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

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

ix) ONR Limited Partnership Units

ONR Limited Partnership ("ONR LP") was formed on October 4, 2017 pursuant to the Arrangement.

An unlimited number of Class A ONR LP Units may be issued by ONR LP. Class A ONR LP partners have 20 votes for each Class A ONR LP Unit held, Class B ONR LP partners have one vote for each Class B ONR LP Unit held. ONR LP is under the control of the Trust.

The Class A ONR LP Units are entitled to all distributable cash of ONR LP after the required distributions on the Class B ONR LP Units have been paid. As at December 31, 2019, there were 3,912,943,532 (December 31, 2018 –

3,912,943,532) Class A ONR LP Units outstanding. The Class A ONR LP Units are owned directly by the Trust and have been eliminated on consolidation.

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

The Class B ONR LP Units are considered to be a financial liability under IFRS. Refer to Note 2.10 for additional details on classification of Units as liabilities and equity.

x) ONR Limited Partnership I Units

ONR Limited Partnership I ("ONR LP I") was formed on October 4, 2017 pursuant to the Arrangement.

An unlimited number of Class A ONR LP I Units may be issued by ONR LP I. Class A ONR LP I partners have 20 votes for each Class A ONR LP I Unit held, Class B ONR LP I partners have one vote for each Class B ONR LP I Unit held. ONR LP I is under the control of the ONR LP.

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

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

The Class B ONR LP I Units are considered to be a financial liability under IFRS. Refer to Note 2.10 for additional details on classification of Units as liabilities and equity.

The Class C ONR LP I Units are entitled to receive 0.01% of any distributions of ONR LP I and have a nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C ONR LP I Units are exchangeable into Class B ONR LP I Units (the Class C ONR LP I Units are effectively included in the Earnout options – see Note 13(b), "Other Financial Liabilities"). On exercise of the Earnout options relating to ONR LP I, the corresponding Class C ONR LP I Units are cancelled. As at December 31, 2019, there were 482,086 (December 31, 2018 – 540,000) Class C ONR LP I Units outstanding.

b) Distribution reinvestment plan ("DRIP")

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

c) Trust Units issued for cash

In January 2019, the Trust issued 7,360,000 Trust Units for cash at an issue price of $31.25, totalling $230,000, before issuance costs of $9,635 (year ended December 31, 2018 – no Trust Units issued).

16. Unit distributions

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

Unit Type Subject to Distributions	Class and Series	2019	2018
Distributions on Units classified as equity:			
Trust Units	N/A	**261,301**	237,204
Distributions on Limited Partnership Units			
Smart Limited Partnership	Class B Series 1	**26,728**	25,989
Smart Limited Partnership	Class B Series 2	**1,722**	1,632
Smart Limited Partnership	Class B Series 3	**1,306**	1,270
Smart Limited Partnership II	Class B	**1,371**	1,333
Smart Limited Partnership III	Class B Series 4	**1,205**	1,156
Smart Limited Partnership III	Class B Series 5	**1,037**	1,009
Smart Limited Partnership III	Class B Series 6	**814**	792
Smart Limited Partnership III	Class B Series 7	**788**	766
Smart Limited Partnership III	Class B Series 8	**3,078**	2,993
Smart Limited Partnership IV	Class B Series 1	**5,541**	5,370
Smart Oshawa South Limited Partnership	Class B Series 1	**1,288**	1,226
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**678**	660
Total distributions on Limited Partnership Units		**45,556**	44,196
Distributions on other non-controlling interest	N/A	**298**	515
Total distributions on Units classified as equity		**307,155**	281,915
Distributions on Units classified as liabilities:			
Smart Limited Partnership	Class D Series 1	**564**	548
Smart Limited Partnership	Class F Series 3	**4**	—
Smart Oshawa South Limited Partnership	Class D Series 1	**472**	449
ONR Limited Partnership	Class B	**2,262**	2,209
ONR Limited Partnership I	Class B Series 1	**241**	234
ONR Limited Partnership I	Class B Series 2	**251**	242
Total distributions on Units classified as liabilities		**3,794**	3,682
Distributions paid through DRIP	N/A	**69,693**	56,656

On January 17, 2020, the Trust declared a distribution for the month of January 2020 of $0.15417 per Unit, representing $1.85 per Unit on an annualized basis, to Unitholders of record on January 31, 2020.

17. Rentals from investment properties and other

Rentals from investment properties and other are presented in the following table:

	2019	2018
Gross base rent	**512,597**	505,254
Less: Amortization of tenant incentives	**(7,139)**	(6,978)
Net base rent	**505,458**	498,276
Property tax and insurance recoveries	**187,520**	184,893
Property operating cost recoveries	**84,860**	78,630
Total recoveries	**272,380**	263,523
Miscellaneous revenue	**18,345**	16,261
Rentals from investment properties	**796,183**	778,060
Service and other revenues[(1)]	**10,229**	12,118
Rentals from investment properties and other	**806,412**	790,178

(1) For the year ended December 31, 2019, service and other revenues included $8,600 relating to the fees associated with the Development and Services Agreement with Penguin (year ended December 31, 2018 – $10,019). See also Note 21, “Related party transactions”.

Property operating cost recoveries, miscellaneous revenue, service and other revenue in the table above represent revenue from contracts with customers accounted for in accordance with IFRS 15. Base rent, property tax and insurance recoveries are lease components of the contracts and are accounted for under IFRS 16 as described in Note 2.14, "Summary of significant accounting policies".

Investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include Consumer Price Index increases, but there are no other variable lease payments that depend on an index or rate.

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

	2019	2018
2019	**—**	494,620
2020	**495,817**	460,114
2021	**451,887**	406,605
2022	**399,090**	351,864
2023	**322,346**	276,721
2024	**249,586**	207,902
Thereafter	**746,204**	642,249

18. Property operating costs and other

Property operating costs and other are included in the following table:

	2019	2018
Recoverable property operating costs[(1)]	**281,446**	270,736
Property management fees and costs	**4,672**	6,117
Non-recoverable costs	**5,160**	3,955
Property operating costs	**291,278**	280,808
Other expenses[(2)]	**10,235**	12,154
Property operating costs and other	**301,513**	292,962

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

19. General and administrative expense, net

The general and administrative expense, net, is included in the following table:

	Note	**2019**	2018
Salaries and benefits		**50,240**	48,201
Master planning services fee – by Penguin	21	**9,100**	3,500
Professional fees		**3,251**	4,219
Public company costs		**2,530**	2,636
Rent and occupancy		**2,405**	2,518
Amortization of intangible assets	8	**1,331**	1,331
Other costs including information technology, marketing, communications, and other employee expenses		**6,570**	6,878
Total general and administrative expense before allocation		**75,427**	69,283
Less:			
Capitalized to properties under development, and other assets		**(29,821)**	(18,025)
Allocated to property operating costs		**(14,988)**	(14,710)
Amounts charged to Penguin and third parties		**(10,162)**	(12,118)
Total amounts capitalized, allocated, and charged		**(54,971)**	(44,853)
General and administrative expense, net		**20,456**	24,430

20. Supplemental cash flow information

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

	Note	**2019**	2018
Amounts receivable	10	**20,941**	(18,155)
Prepaid expenses and other	10	**(2,441)**	(419)
Accounts payable	12	**(7,638)**	5,973
Realty taxes payable	12	**(1,065)**	(1,958)
Tenant prepaid rent, deposits, and other payables	12	**4,283**	10,571
Other working capital changes		**(758)**	(2,949)
		13,322	(6,937)

21. Related party transactions

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

At December 31, 2019, Penguin (the Trust's largest Unitholder) owned the Units presented in the following table, which in total represent approximately 20.7% of the issued and outstanding Units (December 31, 2018 – 21.8%):

Type	Class and Series	2019	2018
Trust Units	N/A	**13,892,863**	13,782,861
Smart Limited Partnership	Class B Series 1	**12,488,816**	12,488,816
Smart Limited Partnership	Class B Series 2	**367,550**	367,550
Smart Limited Partnership	Class B Series 3	**720,432**	720,432
Smart Limited Partnership	Class F Series 3	**4,886**	—
Smart Limited Partnership III	Class B Series 4	**668,428**	664,214
Smart Limited Partnership III	Class B Series 5	**572,337**	572,337
Smart Limited Partnership III	Class B Series 6	**449,375**	449,375
Smart Limited Partnership III	Class B Series 7	**434,598**	434,598
Smart Limited Partnership III	Class B Series 8	**1,698,018**	1,698,018
Smart Limited Partnership IV	Class B Series 1	**2,838,954**	2,825,794
Smart Oshawa South Limited Partnership	Class B Series 1	**630,880**	630,880
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**374,223**	374,223
ONR Limited Partnership I	Class B Series 1	**132,881**	132,881
ONR Limited Partnership I	Class B Series 2	**139,302**	137,109
		35,413,543	35,279,088

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

The Earnout options that Penguin elected to exercise during the years ended December 31, 2019 and December 31, 2018 resulted in proceeds presented in the table as follows:

Unit Type	Class and Series	2019	2018
Trust Units	N/A	**1,065**	—
Smart Limited Partnership	Class B Series 2	**—**	1,865
Smart Limited Partnership	Class F Series 3	**98**	—
Smart Limited Partnership III	Class B Series 4	**134**	496
Smart Limited Partnership IV	Class B Series 1	**424**	198
Smart Oshawa South Limited Partnership	Class B Series 1	**—**	603
ONR Limited Partnership I	Class B Series 2	**74**	—
Total LP Units		**730**	3,162
		1,795	3,162

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

Type	Class and Series	2019	2018
Trust Units	N/A	**1,286,833**	1,339,835
Smart Limited Partnership	Class B Series 1	**1,337,449**	1,337,449
Smart Limited Partnership	Class B Series 2	**3,026,949**	3,026,949
Smart Limited Partnership	Class B Series 3	**680,227**	685,113
Smart Limited Partnership III	Class B Series 4	**598,913**	617,932
Smart Limited Partnership III	Class B Series 5	**596,219**	596,219
Smart Limited Partnership III	Class B Series 6	**560,071**	560,071
Smart Limited Partnership III	Class B Series 7	**259,704**	286,054
Smart Limited Partnership IV	Class B Series 1	**387,859**	402,636
Smart Oshawa South Limited Partnership	Class B Series 1	**16,082**	16,082
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**132,711**	132,711
Smart Boxgrove Limited Partnership	Class B Series 1	**170,000**	170,000
ONR Limited Partnership I	Class B Series 2	**482,086**	540,000
		9,535,103	9,711,051

At December 31, 2019, Penguin's ownership would increase to 24.7% (December 31, 2018 – 26.1%) if Penguin were to exercise all remaining Earnout options. Pursuant to its rights under the Declaration of Trust, at December 31, 2019, Penguin has appointed two Trustees out of eight.

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

In addition to agreements and contracts with Penguin described elsewhere in these consolidated financial statements, the Trust has the following agreements with Penguin:

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

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

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

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

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

In addition to related party transactions and balances disclosed elsewhere in these 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 table summarizes related party transactions and balances with Penguin and other related parties, including the Trust's share of amounts relating to the Trust's share in equity accounted investments:

	Note	**2019**	2018
Related party transactions with Penguin			
Acquisition through equity accounted investments:			
Trust's share of land acquisition from Penguin	6	**109,218**	—
Revenues:			
Service and other revenues:			
Transition services fee revenue		**2,417**	3,417
Management fee and other services revenue pursuant to the Development and Services Agreement		**4,974**	5,794
Support services		**1,209**	808
	17	**8,600**	10,019
Interest income from mortgages and loans receivable		**8,333**	7,123
Head lease rents and operating cost recoveries included in head lease rentals from income properties		**1,270**	1,067
		18,203	18,209
Expenses and other payments:			
Master planning services:			
Capitalized to properties under development	19	**9,100**	3,500
Development fees and costs (capitalized to investment properties)		**—**	10
Interest expense (capitalized to properties under development)		**11**	31
Opportunity fees (capitalized to properties under development)[1]		**2,835**	2,674
Rent and operating costs (included in general and administrative expense and property operating costs)		**397**	2,274
Time billings and other administrative costs (included in general and administrative expense and property operating costs)		**86**	85
Leasing and consulting service fees (included in general and administrative expense)		**154**	—
Marketing costs (included in property operating costs)		**43**	53
		12,626	8,627
Related party transactions with PCVP			
Revenues:			
Interest income from mortgages and loans receivable		**1,827**	1,768
Expenses and other payments:			
Rent and operating costs (included in general and administrative expense and property operating costs)		**1,953**	—

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

	Note	2019	2018
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable[1]	10	**7,958**	16,741
Mortgages receivable	5(a)	**138,761**	134,221
Loans receivable	5(b)	**24,387**	10,145
Notes receivable	5(c)	**2,979**	2,979
Total receivables		**174,085**	164,086
Payables and other accruals:			
Accounts payable	12	**8,893**	13,834
Future land development obligation	12	**27,074**	26,567
Secured debt		**318**	2,635
Total payables and other accruals		**36,285**	43,036

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

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

	Note	2019	2018
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable[1]		**1,690**	10,967
Loans receivable[2]	5(b)	**92,427**	—
Amounts payable[3]		**2,024**	—
Other unsecured debt	11(b)(iii)	**83,296**	3,766

(1) Amounts receivable includes Penguin's portion, which represents $833 (December 31, 2018 – $5,293) relating to Penguin's 50% investment in the PCVP and 25% investment in Residences LP.
(2) Loans receivable includes Penguin's portion, which represents $46,214 (December 31, 2018 – $nil) relating to Penguin's 50% investment in the PCVP.
(3) Amounts payable includes Penguin's portion, which represents $1,012 (December 31, 2018 – $nil) relating to Penguin's 50% investment in the PCVP.

Mortgages receivable

As at December 31, 2019, the weighted average interest rate associated with mortgages receivable from Penguin was 5.38% (December 31, 2018 – 5.59%) (see also Note 5, "Mortgages, loans and notes receivable").

Future land development obligations

The future land development obligations represent payments required to be made to Penguin for certain undeveloped lands acquired by the Trust from Penguin 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% (see also Note 4, "Investment properties").

Leasehold interest properties

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

Other related party transactions:

The following table summarizes other related party transactions for the years ended December 31, 2019 and December 31, 2018:

	2019	2018
Legal fees paid to a law firm in which a partner is a Trustee:		
Costs associated with the Arrangement	**—**	21
Capitalized to investment properties	**1,624**	869
Included in general and administrative expense	**420**	778
Included in deferred financing costs	**104**	—
	2,148	1,668

The following summarizes other related party balances as at December 31, 2019 and December 31, 2018:

	2019	2018
Accounts payable to a legal firm in which a partner is a Trustee	**521**	158

Acquisition through PCVP pertaining to related parties
In December 2019, the Trust acquired, through PCVP, a 50% interest in a parcel of land with approximately 15.5 acres in Vaughan, Ontario, proximate to SmartVMC, which is a 50/50 joint arrangement with Penguin, for a purchase price of $109,218 paid in cash, adjusted for other working capital amounts.

22. Key management and Trustee compensation

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

The compensation relating to key management is shown in the table below:

	2019	2018
Salaries and other short-term employee benefits	**3,059**	2,391
Deferred unit plan	**2,486**	2,806
Long Term Incentive Plan	**(595)**	327
	4,950	5,524

The compensation relating to Trustees is shown in the table below:

	2019	2018
Trustee fees	**864**	864
Deferred unit plan	**864**	1,130
	1,728	1,994

23. Co-owned property interests

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

	2019		2018	
	Number of Co-owned Properties[1]	**Ownership Interest**	Number of Co-owned Properties[1]	Ownership Interest
Income properties	**17**	**40%–50%**	17	40%–50%
Properties under development	**5**	**25%–60%**	5	25%–60%
Residential development	**2**	**50%**	1	50%
Total	**24**		23	

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

The following amounts presented in the table below, included in these consolidated financial statements, represent the Trust's proportionate share of the assets and liabilities of the 24 co-owned property interests as at December 31, 2019 (23 co-ownership property interests at December 31, 2018).

	2019	2018
Assets[1]	**1,392,229**	1,260,118
Liabilities	**367,359**	403,216

(1) Includes cash and cash equivalents of $19,825 (December 31, 2018 – $21,695).

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

	2019	2018
Revenues	**101,029**	90,210
Expenses	**49,275**	45,814
Net income before fair value adjustment	**51,754**	44,396
Fair value adjustment on revaluation of investment properties	**113,626**	67,922
Net income and comprehensive income	**165,380**	112,318
Cash flows provided by operating activities	**47,297**	45,541
Cash flows (used in) provided by financing activities	**(28,162)**	5,656
Cash flows used in investing activities	**(21,005)**	(44,771)

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

24. Segmented information

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

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

The Trust's major tenant is Walmart, accounting for 25.2% of the Trust's annualized rentals from investment properties for the year ended December 31, 2019 (year ended December 31, 2018 – 25.7%).

25. Adjustments to fair value

The following table summarizes the adjustments to fair value for the years ended December 31, 2019 and December 31, 2018:

	Note	**2019**	2018
Investment properties			
Income properties	4	**34,939**	22,003
Properties under development	4	**(5,468)**	28,762
Fair value adjustment on revaluation of investment properties		**29,471**	50,765
Financial instruments			
Units classified as liabilities	13(a)	**(844)**	163
Earnout options	13(b)	**263**	(130)
Deferred unit plan – vested portion	13(c)	**(739)**	(40)
Fair value adjustment on financial instruments		**(1,320)**	(7)
Total adjustments to fair value		**28,151**	50,758

The above table does not reflect the adjustments to fair value recorded in equity accounted investments (see Note 6, "Equity accounted investments").

26. Risk management

a) *Financial risks*

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

i) Interest rate risk

The majority of the Trust's debt is financed at fixed rates with maturities staggered over a number of years, thereby mitigating its exposure to changes in interest rates and financing risks. At December 31, 2019, approximately 7.22% (December 31, 2018 – 18.06%) of the Trust's debt is financed at variable rates, exposing the Trust to changes in interest rates on such debt.

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

The Trust monitors the historical movement of 10-year Government of Canada bonds and performs a sensitivity analysis to identify the possible impact on net income of an interest rate shift. The simulation is performed on a regular basis to ensure the maximum loss potential is within the limit acceptable to management. Management performs the simulation only for secured debt, unsecured debt, and revolving operating facility. The Trust's policy is to capitalize interest expense incurred relating to properties under development and residential development inventory (year ended December 31, 2019 – 11.24% of total interest costs; year ended December 31, 2018 – 13.31% of total interest costs). The sensitivity analysis in the table below reflects the maximum impact (net of estimated interest capitalized to properties under development) on annual net income of possible changes in interest rates on variable rate debt.

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

The Trust's exposure to interest rate risk is monitored by management on a regular basis. See also Note 11, "Debt".

ii) Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures with respect to mortgages and loans receivable (see also Note 5, "Mortgages, loans, and notes receivable") and tenant receivables (see also Note 10, "Amounts receivable, prepaid expenses and deposits, deferred financing costs, and other"). Tenants may experience financial difficulty and become unable to fulfil their lease commitments. The Trust mitigates this risk of credit loss by reviewing tenants' covenants, by ensuring its tenant mix is diversified and by limiting its exposure to any one tenant except Walmart. Further risks arise in the event that borrowers of mortgages and loans receivable default on the repayment of amounts owing to the Trust. The Trust endeavours to ensure adequate security has been provided in support of mortgages and loans receivable. The Trust limits cash transactions to high-credit-quality financial institutions to minimize its credit risk from cash and cash equivalents.

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

iii) Liquidity risk

Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to lease out vacant units. In the next 12 months, $332,988 of liabilities will mature and will need to be settled by means of renewal or payment.

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

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

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

b) Capital risk management

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

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

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

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

The following table shows the significant financial covenants that the Trust is required, pursuant to the terms of its revolving operating facilities and other credit facilities, to maintain:

Financial covenants	Threshold
Debt as a percentage of total aggregate assets	<65%
Secured debt as a percentage of aggregate assets	<40%
Fixed charge coverage multiple	>1.5X
Unencumbered assets to unsecured debt multiple	>1.3X
Minimum Unitholders' equity	$2,000,000

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

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

27. Commitments and contingencies

The Trust has certain obligations and commitments pursuant to development management agreements to complete the purchase of Earnouts totalling approximately 247,000 square feet (December 31, 2018 – 314,000 square feet) of development space from Penguin and others, based on a pre-negotiated formula, as more fully described in Note 4, "Investment Properties". As at December 31, 2019, the carrying value of these obligations and commitments included in properties under development was $48,363 (December 31, 2018 – $50,636). The timing of completion of the purchase of the Earnouts, and the final prices, cannot be readily determined because they are a function of future tenant leasing.

The Trust has also entered into various other development construction contracts totalling $23,178 (December 31, 2018 – $20,624), and commitments relating to equity accounted investments that total $250,294, of which the Trust's share is $73,257 – see Note 6, "Equity Accounted Investments", that will be incurred in future periods.

The Trust entered into agreements with Penguin in which the Trust will lend funds in the form of mortgages receivable, as disclosed in Note 5(a), "Mortgages, loans, and notes receivable". The maximum amount that may be provided under the agreements totals $279,235 (see also Note 5, "Mortgages, loans, and notes receivable"), of which $138,762 has been provided as at December 31, 2019 (December 31, 2018 – $134,221).

As at December 31, 2019, letters of credit totalling $35,389 (December 31, 2018 – $38,828) – including letters of credit drawn down under the revolving operating facility described in Note 11(c), "Debt" – have been issued on behalf of the Trust by financial institutions as security for debt and for maintenance and development obligations to municipal authorities.

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

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

28. Subsequent events

In January 2020, the Trust converted an existing unsecured non-revolving floating rate credit facility totalling $80,000, to a seven-year unsecured non-revolving 2.98% fixed rate loan with a major Canadian financial institution.