MANAGEMENT'S DISCUSSION AND ANALYSIS AND UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For The Three Months Ended March 31, 2020

FROM SHOPPING CENTRES TO CITY CENTRES

2020 First Quarter Report

SMARTCENTRES®
REAL ESTATE INVESTMENT TRUST

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MESSAGE FROM THE EXECUTIVE CHAIRMAN AND THE PRESIDENT & CEO

MITCHELL GOLDHAR
Executive Chairman

PETER FORDE
President & CEO

Our Q1 2020 MD&A and financial statements confirm that we began 2020 with a very strong retail portfolio of Walmart-anchored shopping centres that continued to:

i) experience industry leading occupancy levels,
ii) generate growth in FFO,
iii) provide retailers with a strong platform to reach Canadians directly or indirectly through omni-channel alternatives,
iv) permit conservative management of capital, and
v) allow our concurrent focus on mixed-use development initiatives including residential condominiums and apartments, seniors' homes, self-storage facilities and office space to continue.

Notwithstanding this strong start to 2020, the balance of the year will undoubtedly be negatively impacted by the effects associated with the COVID-19 pandemic. SmartCentres' priority during this period of fear and uncertainty is to protect our people, the communities we serve, our tenants and their respective customers, and our business.

In addition, on March 23, 2020, SmartCentres officially offered free use of 1.0 million square feet of our built space, as well as our land, parking lots and signage to Canadian government and health care authorities, to help support their COVID-19 relief efforts. To date, Trillium Health Network and Hamilton Health Sciences, which include 13 hospital and medical facilities in Southern Ontario, have accepted our offer to help in their front-line patient care efforts. We are continuing discussions with government and health care leaders across the country to activate the use of additional space in our shopping centres to assist in any way we can and we hope that this collaborative initiative will help to further protect Canadians.

We are also intensely focused on helping our tenants safely serve the communities in which we operate during these challenging times. Approximately 60% of our rental revenues are derived from retail tenants that are 'essential businesses' that, during this pandemic, remain fully or partially open under various emergency orders in the places where SmartCentres shopping centres are located. These retailers are supplying local communities with everyday groceries, pharmaceuticals, general merchandise, medical assistance, banking, telecom and other essential needs. Given the value-focused origins of our portfolio, these 'essential businesses' include strong and stable creditworthy retailers such as Walmart, Loblaws, Shoppers Drug Mart, Canadian Tire, Sobeys, Metro, Dollarama, Rexall, Home Depot, McDonald's, the LCBO, Rogers, Telus, Lowe's, Dollar Tree, BMO, CIBC, RBC, Scotiabank and TD.

Walmart is the anchor in 73% of our properties, representing over 25% of our rental income. The Walmart relationship is testament to our strong belief that a long-term view of tenant relationships is most beneficial. In this regard, we are having indepth conversations with various tenants to advance reconciliation and optimize rent collection efforts. We believe that these rents will be collected over a period of time primarily through these discussions, and in some cases, legal enforcement, if necessary. Approximately 6% of our revenues are from tenants that are small independent retailers that we believe are the most vulnerable to challenges associated with short term business slowdown or temporary closure, and we continue to assist these retailers through proactive offerings including rent deferral and similar programs.

The table below summarizes our portfolio, inclusive of rent collection experience for April 2020, up to and including April 30:

Category	% of April's Expected Rent[1]	Collection of Expected Rent[1]
Unenclosed Retail	92%	72%
Enclosed Malls	2%	51%
Office	2%	97%
Total Excluding Outlet Centres	**96%**	**72%**
Outlet Centres	4%	18%

[1] Expected rent represents contracted rent for the month less rent deferrals offered to and accepted by the Trust's small independent retailers. Excluding the two outlet centres, 69% of all contracted rent for April was collected, and may not be indicative of rent collections in future months.

We have always demonstrated a disciplined approach to operational, administrative and capital expenditures. This approach is even more important right now. In this regard, the following measures have been implemented:

a. scheduled repairs and maintenance will continue because most of our properties have operating Walmart stores and other essential tenants that require this standard as they continue to stay open to assist Canadians;
b. optional upgrades and/or cosmetic expenditures, that are not health and life safety-related, are being postponed;
c. exterior maintenance expenses have been cut back to reflect the level of services required commensurate with the reduction in non-essential tenant customer traffic; and
d. general and administrative expenses have been closely analyzed and are being sensibly curtailed with a short-, medium- and long-term perspective in mind.

Notwithstanding the challenges associated with the current pandemic, we believe that it is in our Unitholders' best interests to continue to advance our major developments/intensification program. Our team is continuing to work with local municipalities and provinces to advance approvals and we are leveraging our deep in-house expertise to plan and prepare now, poised to emerge from this period stronger than ever. Where project-specific construction financing is not in place, development activities will be limited to the municipal land-use approval process; which is where much of the value is created. In each case, commencement of significant construction has been or will be contingent upon satisfactory project-specific construction financing. The following include those projects that continue to be very active:

a. residential construction at SmartVMC in Vaughan, Ontario is progressing as permitted under the current emergency orders, with the five sold-out Transit City condominium towers represented by approximately 2,600 units being at various stages of completion (the first two 55-storey condominium phases are on schedule for unit closings to begin later this year);
b. construction has been substantially completed on the first 166-unit rental apartment building in our 50/50 joint venture in Laval, Quebec with lease-up approaching 50% and occupancy recently commencing and currently at approximately 20%;
c. detailed planning for municipal approvals is continuing for six seniors' residences/apartment buildings in the Greater Toronto Area ("GTA") in the Trust's JV with Revera and additionally for two seniors' residences/apartment buildings in Ottawa in partnership with Selection Group, with continued belief in the sector despite current challenges; and
d. detailed planning for municipal approvals is continuing on five self-storage buildings in the GTA and construction of an additional four buildings has paused at various stages of completion as such construction is temporarily deemed nonessential, all in the Trust's JV with SmartStop.

From a liquidity perspective, we continue to be committed to strengthening our balance sheet and, in this regard, we have always taken a disciplined and measured approach, deliberately taking steps in buoyant times to prepare for unforeseen financial challenges in trying ones. At March 31, 2020, the following financial ratios were in place, confirming our ability to withstand 'heavy weather':

a. low debt to aggregate assets level of approximately 43.3%;
b. unsecured debt represented 64% of our total debt;
c. unencumbered assets, free of mortgage debt and available as security to raise capital, totalled approximately $5.6 billion; and
d. in addition to the project-specific financing available for developments that are underway, cash on hand totalled $439.5 million representing the availability of funds from our operating line of credit, in addition to the $250 million undrawn accordion feature.

While COVID-19 has altered our short-term priorities, our long-term strategy remains unchanged. The economic uncertainty that has resulted from this pandemic will undoubtedly have some adverse effects and will result in temporary increases and decreases in various metrics. Notwithstanding short-term data points, our locations have not changed, the highways and transit to them have not changed, the visibility of our properties has not changed, the populations around them and their needs have not changed…in sum, our greatest asset remains unchanged: our real estate. And as past financial downturns have substantiated time and time again, real estate is resilient and prime real estate recovers from economic downturns.

To all of our stakeholders, we thank you for your continued support and confidence in SmartCentres, and we hope that you and your families continue to stay safe and healthy, and, with you, we will continue to support those in need of our assistance!

Sincerely,

Mitchell Goldhar
Executive Chairman
SmartCentres

Peter Forde
President & CEO
SmartCentres

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2020

About this Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") sets out SmartCentres Real Estate Investment Trust's ("SmartCentres" or the "Trust") business overview and strategic direction, and provides an analysis of the financial performance and financial condition for the three months ended March 31, 2020, management's outlook and the risks facing the business.

This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2019 and December 31, 2018, and the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020, and the notes contained therein. Such interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of condensed consolidated financial statements, and International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). The Canadian dollar is the functional and reporting currency for purposes of preparing the unaudited interim condensed consolidated financial statements.

This MD&A is dated May 6, 2020, which is the date of the press release announcing the Trust's results for the three months ended March 31, 2020. Disclosure contained in this MD&A is current to that date, unless otherwise noted.

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

Presentation of certain terms including non-GAAP Measures

Readers are cautioned that certain terms used in this MD&A such as "COVID-19", Funds From Operations ("FFO"), "FFO per Unit growth", "Transactional FFO", Net Asset Value ("NAV"), Adjusted Cashflow From Operations ("ACFO"), Net Operating Income ("NOI"), "Annual Run-Rate NOI", "Same Property NOI", "Interest Coverage", "Aggregate Assets", "Gross Book Value", Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), "Payout Ratio", "secured debt", "unsecured debt", and any related measure per Variable Voting Unit of the Trust (a "Trust Unit") and per unit of the Trust's subsidiary limited partnerships (an "LP Unit") (where management discloses the combination of Trust Units and LP Units, combined units are referred to as "a Unit" or "Units") are terms used by management to measure, compare and explain the operating results and financial performance of the Trust and do not have any standardized meaning prescribed under IFRS and, therefore, should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. These terms are defined in this MD&A and reconciled to the closest IFRS measure in the unaudited interim condensed consolidated financial statements of the Trust for the three months ended March 31, 2020. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities. See "Other Measures of Performance", "Net Operating Income", "Debt" and "Financial Covenants" sections.

Proportionate Share of Equity Accounted Investments
Certain disclosures in the MD&A are presented on a GAAP basis and on a total proportionate share basis (non-GAAP). References made to a "total proportionate share" or "the Trust's proportionate share of equity accounted investments" ("EAI") refer to non-GAAP financial measures which represent the Trust's proportionate interest in the financial position and operating activities of its entire portfolio, which reflect the difference in accounting treatment between joint ventures using proportionate consolidation and equity accounting. Management believes this presentation to be more meaningful to users of the MD&A because it represents the way in which the Trust and its partners manage the net assets and operating performance for each of the Trust's co-owned properties. The Trust accounts for its investments in both associates and joint ventures using the equity method of accounting.

Forward-Looking Statements

Certain statements in this MD&A are "forward-looking statements" that reflect management's expectations regarding the Trust's future growth, results of operations, performance and business prospects and opportunities, including those statements outlined under the headings "Business Overview and Strategic Direction", "Outlook", "Mixed-Use Development Initiatives", "Status of Current Development Initiatives", "Capital Resources and Liquidity" and "Subsequent Events". More specifically, certain statements contained in this MD&A, including statements related to the impact of the COVID-19 pandemic including the Trust's plans, expectations and intentions with respect to the collection of rent from tenants, the operation, maintenance and development of its properties and its expectations with respect to liquidity; the Trust's maintenance of productive capacity, estimated future development plans and joint venture projects, including the described type, scope, costs and other financial metrics related thereto; the Trust's expectation that Walmart will continue to be the dominant anchor tenant in the Trust's property portfolio and that its presence will continue to attract other retailers and consumers; the Trust's expectations regarding future potential mixed-use development opportunities, the timing of construction and costs thereof and returns therefrom; ability to pay future distributions to Unitholders, view of term mortgage renewals including rates and upfinancing amounts, timing of future payments of obligations, intentions to obtain additional secured and unsecured financing and potential financing sources; the Trust's potential future pipeline and uncommitted pipeline forecasted annualized NOI and run-rate NOI; vacancy and leasing assumptions, and statements that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "plan", "schedule", "estimate", "intend", "project", "will", "may", "might", and similar expressions and statements relating to matters that are not historical facts, constitute "forward-looking statements". These forward-looking statements are presented for the purpose of assisting Unitholders and financial analysts to understand the Trust's operating environment, and may not be appropriate for other purposes. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

However, such forward-looking statements involve significant risks and uncertainties.

Public health crises, including the ongoing and evolving coronavirus disease ("COVID-19") pandemic, or relating to any other broad-reaching disease, virus, flu, epidemic, pandemic or other similar disease or illness (each, a "Public Health Crisis") have and could further adversely impact the Trust's and its tenants' businesses, and thereby the ability of tenants to meet their payment obligations under leases. A Public Health Crisis could result in a general or acute decline in economic activity, increased unemployment, staff shortages, reduced tenant traffic, mobility restrictions and other quarantine measures, supply shortages, increased government regulations, and the quarantine or contamination of one or more of the Trust's properties.

A Public Health Crisis could impact the following material aspects of the Trust's business, among others: (i) the value of the Trust's properties and developments; (ii) the Trust's ability to make distributions to Unitholders; (iii) the availability or the terms of financing that the Trust currently has access to or may anticipate utilizing; (iv) the Trust's ability to make principal and interest payments on, or refinance any outstanding debt when due; (v) the occupancy rates in the Trust's properties; (vi) the ability of the Trust to pursue its development plans or obtain construction financing on previously announced and anticipated timelines or within budgeted terms; and (vii) the ability of the Trust's tenants to enter into new leasing transactions or to satisfy rental payments under existing leases.

On March 11, 2020, the World Health Organization declared the outbreak and subsequent spread of COVID-19 a global pandemic. The duration and intensity of resulting business disruption and related financial and social impacts are unprecedented and remain uncertain, and such adverse effects may be material.

Efforts by governmental agencies, health agencies, and private sector participants to contain COVID-19 or address its impacts have adversely affected the Trust's business and the operation of its properties and developments. A number of provincial and municipal governments have declared states of emergency and governments have implemented restrictive measures such as travel bans, quarantine and self-isolation. As a result, some tenants have been seeking rent relief and/or have not complied with their rent obligations. Landlords, including SmartCentres, are considering rent deferral arrangements with certain tenants that are typically small independent retailers, whose businesses are required to close or otherwise suspend operations. Otherwise, SmartCentres will require tenants to honour the terms of their respective leases, including the payment of rent, and if they do not, SmartCentres may pursue enforcement and related alternatives. There can be no assurance that if the Trust enters into any such arrangements, deferred rents will be collected in accordance with the terms of those arrangements, or at all. Inability of tenants to meet their payment obligations, deferred or otherwise, and any inability of the Trust to collect rents in a timely manner or at all could adversely affect the Trust's business and financial condition. In addition, many jurisdictions in which the Trust operates have enacted mandatory business closures affecting certain of its tenants. While many of the Trust's tenants are affected by these measures, approximately 60% of the Trust's retail tenants (by rental revenue) are large, well-capitalized and well-known national and regional retail anchors providing grocery, pharmacy and household necessities, and although affected, are deemed 'essential services' in their respective provincial jurisdictions and therefore continue to remain open to retail consumers.

The Trust is continuously monitoring the situation, but is unable to accurately predict the impact that the COVID-19 pandemic will have on its results of operations due to uncertainties including the ultimate geographic spread of the virus, the severity of the disease, the duration or recurrence of the outbreak, and any further actions that may be taken by governmental agencies, health agencies, and private sector participants to contain COVID-19 or to address its impacts. The worldwide spread of COVID-19 has adversely affected global economies and financial markets resulting in a severe economic downturn and significant impacts on tenant businesses and their ability to meet payment obligations, including rent. The duration of this downturn is currently unknown.

While governmental agencies, health agencies, and private sector participants are seeking to mitigate the adverse effects of COVID-19, and the medical community is seeking to develop vaccines and other treatment options, the efficacy and timing of such measures remain uncertain. If the outbreak of COVID-19 and related developments lead to a prolonged or significant impact on global, national or local markets or economic growth, the Trust's cash flows, unit price, financial condition or results of operations and ability to make distributions to Unitholders may be materially and adversely affected.

Any Public Health Crisis may also exacerbate other risk factors described below and in further detail in the "Risks and Uncertainties" section of the Trust's Management's Discussion and Analysis ("MD&A") as well as under the heading "Risk Factors" in the Trust's most recent annual information form.

Additionally, a number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. These risks include risks associated with public health crises such as the COVID-19 pandemic including, but not limited to, potential impacts on occupancy rates in the Trust's properties, the ability of tenants to enter into new leasing transactions or to satisfy rental payments under existing leases, the availability of the terms of financing the Trust has access to or may anticipate utilizing, the Trust's ability to make principal and interest payments on or refinance outstanding debt when due and the ability to make distributions to Unitholders; real property ownership risk; development and construction risks; joint ventures; debt financing; interest and financing; liquidity risks; capital requirements; credit risk; general uninsured losses; future property acquisitions; competition for real property investments; environmental and climate change risks; land leases risk; cyber security risk; potential conflicts of interest; reliance on key personnel; significant Unitholder risks, tax-related matters and litigation and regulatory risks. These risks and others are more fully discussed under the heading "Risks and Uncertainties" and elsewhere in this MD&A, as well as under the heading "Risk Factors" in the Trust's most recent annual information form. The Trust has attempted to identify important factors that could cause actual results, performance or achievements to be other than as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. These factors are not intended to represent a complete list of the factors that could affect the Trust. Although the forward-looking statements contained in this MD&A are based on what management believes to be reasonable assumptions, including those discussed under the heading "Outlook" and elsewhere in this MD&A, the Trust cannot assure investors that actual results will be consistent with these forward-looking statements.

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

All amounts in the MD&A are expressed in millions of Canadian dollars, except where otherwise stated. Per Unit amounts are expressed on a diluted basis, except where otherwise stated. Additional information relating to the Trust, including the Trust's annual information form for the year ended December 31, 2019, can be found at www.sedar.com.

Business Overview and Strategic Direction

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

Throughout this unprecedented time, the Trust continues to maintain focus on its long-term strategic initiatives, while supporting its current operations, tenants, and the communities in which the Trust operates throughout Canada.

Strategic Overview

The Trust's vision is to create exceptional places to shop, work and live in Canada. Together with 'best-in-class' partners, the Trust's purpose is to develop, lease, construct, own and manage interests in shopping centres, residential rental buildings, retirement homes, office buildings, and self-storage facilities. In addition, together with 'best-in-class' partners, the Trust has commenced a program to develop, pre-sell, construct and deliver high-rise condominium and townhome projects. These initiatives are intended to be developed primarily on many of the Trust's current portfolio of convenient locations. The Trust expects these projects to provide intelligent designs, a desirable mix of retail and office tenants, high-quality residential space for residential owners, tenants and seniors, and industry-leading self-storage facility designs. The Trust is continuing to work on opportunities to provide these additional alternative sources of FFO and NAV growth, and to date has identified 256 mixed-use development initiatives expected to be developed on 94 of its existing properties that are expected to add approximately 27.9 million square feet of mixed-use rental space and condominium and townhome developments to the Trust's existing portfolio of approximately 33.9 million square feet of retail space. This robust development pipeline is expected to be further increased over time as the Trust continues to identify additional opportunities for intensification and further development within its existing portfolio of shopping centre properties across Canada.

From the Trust's inception in 2001 and prior to 2015, the Trust's growth was principally a result of the acquisition of completed and fully leased retail shopping centres, predominately with the anchor or shadow-anchor tenant being Walmart. This portfolio of shopping centres continues to focus on value-oriented retailers and includes large, well-capitalized and well-known national and regional retailers as well as strong neighbourhood merchants, resulting in the Trust continuing to experience an industry-leading in-place occupancy level of 97.8% as at March 31, 2020 (December 31, 2019 – 98.1%). The Trust's centres are typically located close to major highways and other major arterial roadways, which, along with the anchor stores, provide significant draws to the Trust's portfolio, attracting both value-oriented retailers and consumers. It is expected that Walmart will continue to be the dominant anchor tenant in the Trust's retail portfolio and that its presence will continue to, over the long-term, generate high traffic levels and therefore provide a strong basis for the Trust to both retain existing retail tenants and have the ability to attract new retailers.

As at March 31, 2020, the Trust's portfolio includes an ownership interest in 150 shopping centres with total income-producing gross leasable area of approximately 33.9 million square feet, one office property, six mixed-use properties (which includes both the KPMG tower and the PwC-YMCA mixed-used facility at SmartVMC), and nine development properties located in communities across Canada. Many of the Trust's retail properties are shadow-anchored (i.e., space not owned by SmartCentres) by approximately 9.7 million square feet of large retailers including Walmart, Canadian Tire, Home Depot, Costco, Rona and Loblaws and its related banners, this shadow-anchor space is in addition to the area these same retailers lease in the Trust's shopping centres.

In 2015, the Trust acquired the SmartCentres platform and the "SmartCentres" brand from Penguin. This brand has historically represented a family and value-oriented shopping experience. Among other things, this strategic acquisition of the SmartCentres platform resulted in the Trust absorbing a team of more than 200 professionals working in the areas of land acquisition, planning, development, leasing, construction and other complementary services. This team of professionals that was responsible for the successful development, leasing and construction of more than 60 million square feet of retail space, and on average, over a period of 14 consecutive years, completed and opened a new Walmart-anchored shopping centre every three weeks, is now focused on the development and construction of the 256 mixed-use development initiatives noted above.

Mixed-Use Development Initiatives

The Trust has announced numerous mixed-use initiatives either with various joint venture partners or on its own to develop parcels primarily within its existing portfolio with residential, seniors' housing, office, and self-storage uses where such uses make sense to optimize each centre within its local community. This is expected to typically occur on adjacent vacant lands that would have historically been designated for retail development or in surplus parking areas. Included in this development pipeline are 256 identified mixed-use development initiatives, summarized in the following table:

Description	Underway (Construction underway or expected to commence within next 2 years)	Active (Construction expected to commence within next 3–5 years)	Future (Construction expected to commence after 5 years)	Total
Trust's share of number of projects				
Residential Rental	7	23	58	88
Seniors' Housing	4	13	28	45
Self-storage	10	16	22	48
Office Buildings	1	—	9	10
Hotels	1	2	2	5
Subtotal – Recurring income initiatives	23	54	119	196
Condominiums	9	12	25	46
Townhomes	2	5	7	14
Subtotal – Development income initiatives	11	17	32	60
Total	**34**	**71**	**151**	**256**
Trust's share of project area (in thousands of sq. ft.)				
Recurring income initiatives	3,800	4,800	12,400	21,000
Development income initiatives	2,200	1,600	3,100	6,900
Total Trust's share of project area (in thousands of sq. ft.)	**6,000**	**6,400**	**15,500**	**27,900**
Trust's share of estimated costs (in millions of dollars)	**2,500**	**3,000**	**— (1)**	**5,500**

(1) The Trust has not yet fully determined the costs attributable to future projects and as such it is not included in this table.

Retail Developments, Earnouts and Mezzanine Financing

Retail Developments, Earnouts and Mezzanine Financing continue to be components of the Trust's strategic plan. In the table below, "Retail Developments" represent the potential gross leasable area for retail use that the Trust plans to develop for its own account and exclude the Trust's share of SmartVMC and other major mixed-use development initiatives that are discussed separately above. "Earnouts" are defined as the contractual provisions on parcels of land to be developed and leased, which were previously purchased from Penguin and its partners. "Mezzanine Financing" purchase options are exercisable with the borrower of the mezzanine financing once a certain level of development and leasing at a shopping centre is achieved and typically allow the Trust to acquire 50% of the completed shopping centre at agreed-upon formulas, based on a market capitalization rate at the time the option is exercised. If the specified level of development and leasing is not achieved prior to the maturity date of the loan and the loan is repaid, then the option terminates. However, in some circumstances the Trust has permitted certain of those loans to be extended. If an applicable property is to be sold prior to the maturity date of the loan and prior to the applicable option being triggered, then the Trust has a right of first refusal with respect to such sale.

The Trust's potential leasable area subject to Retail Developments, Earnouts and Mezzanine Financing is summarized in the following table:

(in thousands of square feet)	**March 31, 2020**	December 31, 2019
Planned developments not subject to Earnouts	**2,593**	2,346
Planned developments subject to Earnouts	**237**	247
Future estimated retail development area	**2,830**	2,593
Lands under Mezzanine Financing	**660**	615
Potential gross leasable area	**3,490**	3,208

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

Acquisitions

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

Professional Management

Through professional management of the portfolio, the Trust intends to ensure its properties portray an image that will continue to attract consumers and residents, as well as provide preferred locations for its retail, office and residential tenants. Well-managed properties enhance the overall quality of shopping, working and living experiences. The Trust believes its professional management of the portfolio permitted the maintenance of a high in-place occupancy rate of 97.8% at March 31, 2020 (December 31, 2019 – 98.1%) and a committed occupancy rate (that includes executed leases that have not commenced) of 98.0% at March 31, 2020 (December 31, 2019 – 98.2%).

Outlook

We began 2020 by suggesting that it would be a "transformative year" for the Trust. Little did we know that "transformative" would be a term used to describe both our evolving business that continues to strategically diversify in several new directions but also, our ability to manage through the evolving coronavirus disease pandemic.

On March 11, 2020, the World Health Organization declared the outbreak and subsequent spread of COVID-19 a global pandemic. The duration and intensity of resulting business disruption and related financial and social impact are unprecedented and remain uncertain, and such adverse effects may be material. The COVID-19 pandemic has to date already adversely impacted the Trust and many of its tenants' businesses, and potentially the ability of some tenants to meet their payment obligations under leases. More specifically, COVID-19 could also impact the following material aspects of our business, among others: (i) the value of our properties and developments; (ii) our ability to make distributions to Unitholders; (iii) the availability or the terms of financing that we currently have access to or may anticipate utilizing; (iv) our ability to make principal and interest payments on, or refinance, any outstanding debt when due; (v) the occupancy rates of our properties; (vi) our ability to pursue development plans or obtain construction financing on previously announced and anticipated timelines or within budgeted terms; and (vii) the ability of our tenants to enter into new leasing transactions or to satisfy rental payments under existing leases. While governmental agencies and private sector participants are seeking to mitigate the adverse effects of COVID-19, and the medical community is seeking to develop vaccines and other treatment options, the efficacy and timing of such measures remain uncertain. If the outbreak of COVID-19 and related developments lead to a more prolonged or significant impact on global, national or local markets or economic growth, the Trust's cash flows, unit price, financial condition or results of operations and ability to make distributions to our Unitholders may be materially and adversely affected.

COVID-19 has resulted in landlords, including the Trust, entering into rent deferral arrangements with tenants whose businesses are required to close or otherwise suspend operations. There can be no assurance that if we enter into any such arrangements, deferred rents will be collected in accordance with the terms of those arrangements or at all. Inability of tenants to meet their payment obligations, deferred or otherwise, and any inability of the Trust to collect rents in a timely manner or at all could adversely affect our business and financial condition. In addition, many jurisdictions in which we operate have enacted mandatory business closures affecting certain of our tenants. While a portion of our tenants have been affected by these measures, approximately 60% of the Trust's retail tenants (by rental revenue) are large, well-capitalized and well-known national and regional retail anchors providing grocery, pharmacy and household necessities, and although affected, are deemed 'essential services' in their respective provincial jurisdictions and therefore continue to remain open to retail consumers.

Throughout this unprecedented time, the Trust continues to maintain focus on its long-term strategic initiatives, while supporting its current operations, tenants, and the communities in which the Trust operates throughout Canada.

While the adverse effects of COVID-19 continue to envelop our industry, our core shopping centre portfolio continues to demonstrate strength, stability and security. In addition, the first closings of the Transit City Phase 1 & 2 condominiums are still expected to begin later this year and the proceeds from these closings are expected to substantially assist FFO per Unit in 2020 and 2021. Also, in addition to continuing construction on a variety of intensification initiatives that have already begun, we still

expect that during 2020, subject to arranging satisfactory project financing, we will commence development on a variety of new mixed-use development initiatives. We have also extended our willingness to provide over one million square feet of space to be made available to Canadian health organizations to assist with their needs during this period, and we are working with a variety of hospitals and related users to accommodate their needs for space during the COVID-19 pandemic.

These mixed-use development initiatives are often long term in nature. We expect that the COVID-19 temporary impact on potential construction commencement or completion dates, will be short-lived, as Canada appears to be flattening the COVID-19 curve, allowing for construction to resume. Meanwhile, the Trust continues to work on entitlements and similar planning and development-related components associated with these initiatives, all of which are made possible principally because of the strength and stability of our core business of owning and managing approximately 33.9 million square feet of predominately Walmart-anchored shopping centres. This portfolio continued to lead the industry with a committed occupancy level of 98.0% at the end of the first quarter of 2020.

Our diversification strategy requires that while we continue to focus on the management of our core portfolio of retail shopping centres, we also focus on continuing to build a robust pipeline of mixed-use development initiatives primarily on underutilized lands currently owned by the Trust. We will also judiciously purchase additional development lands or income-producing properties when they offer longer term strategic and economic opportunities such as the Balliol Street property in midtown Toronto that was acquired during the first quarter of 2020. These mixed-use development initiatives enable us to leverage our existing portfolio of retail properties as a catalyst to assist future growth in both NAV and FFO. Currently, 256 mixed-use development initiatives have been identified to be built on 94 of the Trust's 166 properties. And notwithstanding COVID-19, we continue to assess each of these existing properties to identify additional opportunities for mixed-use development.

At SmartVMC, our master-planned community in Vaughan, Ontario, PwC opened for business in the fourth quarter of 2019 and the completion of the balance of the PwC-YMCA Tower continues on time and on budget. Scotiabank's ground floor retail branch and their top floor office space are both expected to be completed later this year. The completion of the world-class YMCA space continues in earnest and is also expected to open later this year. We are also now actively designing the next phase of office development at SmartVMC. In 2019 we purchased a 50% interest in a 15-acre parcel of land adjacent to the SmartVMC lands, on which we are constructing a new Walmart store. It was expected to be completed in the third quarter of 2020, however, due to the current restrictions associated with COVID-19, construction on the site has been temporarily suspended. Once complete, Walmart will be moving from their current SmartVMC location to the new Applewood location in Vaughan, Ontario, which will "free-up" 15.5 acres of additional development lands on the SmartVMC site, and subject to market conditions, we expect to announce the first two phases of high-rise development on these lands within the next twelve months.

With respect to the current Transit City residential phases at SmartVMC, because the project is providing much needed residential units to Ontarians and is meeting the emergency order requirements of an essential service, construction on the site continues in earnest, including: i) Transit City's first three 55-storey residential condominium towers; ii) a new 1,100-unit multi-level parking facility; iii) excavation work on Transit City Phases 4 & 5 being 45 and 50 storeys, respectively; and iv) excavation work on the site's first purpose-built residential rental building that is expected to be 35 storeys when complete. Currently, construction activity has reached the 55th, 55th and 35th floors of towers 1, 2 and 3, respectively. The five condominium towers that we are developing with our partners, Penguin and CentreCourt Developments ("CentreCourt"), have been 100% pre-sold. We have previously announced that the Trust's share of the expected earnings from the first three phases of Transit City that are expected to be recognized for accounting purposes beginning in the third quarter of 2020 will be approximately $65 million over the next 18 months, more than $30 million in excess of our original projections.

Phase	# Storeys	# Units Released for Sale/Available for Rent	# Units Sold	% of Units Sold to Date	Estimated Completion Period
Transit City 1	55	551	551	100.0 %	2020/2021
Transit City 2	55	559	559	100.0 %	2020/2021
Transit City 3	55	631	631	100.0 %	2021
Transit City 4	45	498	498	100.0 %	2023
Transit City 5	50	528	528	100.0 %	2023
Subtotal – SmartVMC Condos		2,767	2,767	100.0 %	
Purpose-Built Residential Rental Apartment Tower	35	451	N/A	N/A	2023/2024
Total – SmartVMC Residential		3,218	2,767		

In Laval, Quebec, with our partner, Jadco, construction of the first phase of the two-phase, 338-unit, purpose-built residential rental project is now substantially completed with initial occupancies in the 171-unit, 15-storey first phase, currently taking place. Construction of the second phase is now expected to commence later in 2020 and be completed in 2022. Economic stabilization of the first tower is expected in 2021.

In the second half of 2019, together with our partner, Greenwin Developments Inc. ("Greenwin"), we announced the purchase of a 7.8 acre lakefront site in Barrie, Ontario on which we plan to construct approximately 2,000 rental units in four high-rise phases. The first phase of this project is expected to begin construction within the next 12 months. In addition, during the first quarter of 2020, together with our partner, Greenwin, we announced the purchase of a development site on Balliol Street in the Davisville/ Yonge area of midtown Toronto on which we plan to develop a high-rise purpose-built rental tower.

In 2019, together with Revera Inc. ("Revera"), we announced the execution of an overall agreement to develop and own new retirement living residences across Canada (note these seniors' residences are not the equivalent of long-term care facilities). We have now executed specific site agreements to proceed with the first three initiatives, which will contain 536 units in Vaughan (two initiatives) and Oakville, Ontario. Subject to appropriate approvals and project-specific financing being arranged, construction of these three initiatives is expected to commence within the next 12 months. During the first quarter of 2020, together with Revera, we announced three additional Toronto area retirement living residences to be built in Markham, Oakville, and Barrie, each on properties currently owned by Revera. In addition, together with Selection Group (formerly Réseau Sélection), we announced a two-tower seniors' apartments/retirement residences project on undeveloped lands at our Laurentian Place shopping centre in Ottawa. Subject to appropriate approvals and project-specific financing being arranged, construction of this 410-unit development is also expected to commence within the next 12 months with completion expected in 2022/2023. We are continuing to work with our partners to identify additional opportunities to develop retirement communities within our portfolio of shopping centre locations.

In addition, with our partner SmartStop, construction is now substantially complete on our first self-storage project in Leaside, Ontario. Prior to COVID-19, construction was progressing in Brampton, Vaughan NW and Oshawa, however, as a result of the Province of Ontario's ordinance suspending many construction projects pursuant to COVID-19, we have had to temporarily suspend construction on these sites. Once complete later in 2020 or in early 2021, these 4-storey self-storage facilities will each have approximately 1,000 units ranging in size from 25 to 300 square feet. Five additional self-storage facilities have been approved by our Board including locations at Aurora, Whitby, Scarborough, Markham and an additional location in Brampton. In each case, lands have been or will be transferred to the partnership with SmartStop as soon as we receive municipal approvals.

Prior to COVID-19, our core portfolio of over 33.9 million square feet of predominantly Walmart-anchored shopping centres continued to experience steady demand from both existing and prospective tenants. In Q1 2020, we renewed 56.1% of our expiring lease maturities (2019 – 76.1%) with rental increases, excluding anchor tenants of 3.8% (2019 – 5.2%). At the end of the first quarter of 2020 our overall committed occupancy level remained at an industry leading 98.0% (2019 - 98.0%).

In Q1 2020, FFO increased by $7.7 million (8.7%) to $96.0 million. This growth in FFO was primarily derived from: (i) incremental revenue associated with the expansion of the Toronto Premiums Outlets, (ii) savings in interest and G&A expenses, and (iii) additional net income attributed to the commencement of the PwC lease at the PwC-YMCA Tower and other new leases that have commenced in the KPMG Tower at SmartVMC, and was offset primarily by the impact of 2019 retail bankruptcies. In Q1 2020, FFO per Unit was $0.56, which is $0.04 higher than in the same period of last year, for those reasons noted above.

Prior to COVID-19, FFO per Unit in 2020 was expected to grow substantively, as we expected the start of project completions in our large pipeline of mixed-use developments. Given the uncertainty of the re-opening of 'non-essential businesses' and the related uncertainty in their ability to fund rental obligations, we have withdrawn any 'guidance' on earnings for 2020 that was previously announced.

Liquidity and having the ability to fund obligations during challenging periods, such as the effects currently being experienced that result from COVID-19, is the principal reason that we increased and extended our unsecured revolving operating line of credit to $500 million in 2017, as well as a $250 million undrawn accordion feature. As a result of our continued commitment to our balance sheet, late in 2019, we received a credit rating upgrade to BBB(H) from DBRS. This achievement is significant as it is expected to reduce future borrowing costs and permit a wider group of investors to invest in our bonds, which is of particular importance in periods such as those resulting from COVID-19.

As at March 31, 2020, our credit metrics (net of cash on hand) had the following attributes:

a. Average interest rate of 3.41%
b. Average duration of unsecured debt – 4.7 years
c. Debt/EBITDA of 8.2X
d. Debt/Total assets of 43.3%
e. Interest coverage ratio of 3.5X
f. Maturing secured debt during balance of 2020 – $104 million
g. Maturing unsecured debt in December 2020 of $250 million

COVID-19 has resulted in further reductions in benchmark interest rates (i.e., the current overnight Bank of Canada lending rate is .25%), however, spreads associated with both secured and unsecured borrowings have increased to reflect the volatility in the debt capital markets. COVID-19 is expected to result in a challenged economic environment for at least the next 12–18 months which in turn is expected to result in continued low short- and long-term interest rates (by historical standards). Given this low rate environment, we will continue, when appropriate, to take advantage of these favourable borrowing conditions to enhance FFO, extend debt maturities and further mitigate exposure to interest rate and debt repayment/maturity risk. In addition, we are continuing our strategy to repay most maturing mortgages and then terming out selectively with unsecured debentures or similar unsecured facilities. Our current ratio of unsecured/secured debt is 64%/36% (2019 – 63%/37%), and with the continued application of this strategy, we expect that by the end of 2020, this ratio should be further improved. This strategy permits us to continue to increase our unencumbered asset pool, which is currently valued at approximately $5.6 billion (March 31, 2019 – $4.5 billion).

COVID-19 will continue to challenge global economies and consumer behaviour. However, we expect that our core group of Walmart-anchored shopping centres, which was "built for heavy weather", will continue to demonstrate resilient strength and industry-leading stability in these very challenging times. COVID-19 is expected to continue to challenge rent collections from some tenants in the second quarter of 2020, and we expect to be able to find ways/means to accommodate the needs of our tenants, when appropriate and justified, during this period such that, when we have established a 'way forward' at the conclusion of the COVID-19 pandemic, SmartCentres hopes that our Unitholders identify us as an organization that demonstrated a strong commitment to assist our communities, our tenants and our stakeholders during this unprecedented period. Concurrently, we continue to focus on the long term, beyond the current COVID-19 period and in this regard, we are focused on our various mixed-use development initiatives, 34 of which are either underway or for which construction is expected to commence within the next two years.

Key Business Development, Operational and Financial Highlights for the Three Months Ended March 31, 2020

The Trust's estimates and judgments could be affected by various risks and uncertainties, including but not limited to the effects of the COVID-19 pandemic, which in turn could have a significant effect on the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period and could potentially result in a material adjustment to the unaudited interim condensed consolidated financial statements in a subsequent period.

Key business development highlights for the three months ended March 31, 2020 included the following:

- In February 2020, the Trust and Greenwin entered into a joint venture and acquired 1.15 acres on Balliol Street in Toronto's Yonge and Davisville neighbourhood. This urban infill development site represents a strategic opportunity to jointly develop, construct, own, and manage a newly built rental apartment building in an established urban neighbourhood.

- In February, 2020, the Trust announced that it has executed agreements for three additional self-storage locations in its joint venture arrangement with SmartStop. The three new locations are Wellington Street East and Highway 404 in Aurora, Donald Cousens Parkway and Highway 407 in Markham, and Baldwin Street and Taunton Road in north Whitby. The current number of self-storage facilities that are either operated or presently under contract to be operated under the SmartStop brand pursuant to this joint venture arrangement is now ten, comprising over 9,100 units (approximately 1.2 million square feet).

- In February 2020, the Trust and Revera Inc. announced that they have executed three more conditional site-specific joint venture agreements to develop and own retirement living residences in strategic urban locations. The three new locations are on Revera-owned properties in Barrie (Collier and Owen), Markham (Main and Wilson) and Oakville (Garden Drive and Lakeshore Blvd.) This is in addition to the previously announced three retirement residences' joint venture projects between SmartCentres and Revera in Vaughan (2 projects) and Oakville.

Mixed-use Development and Intensification at SmartVMC

- Construction progress for the three 55-storey Transit City 1, 2 and 3 condo towers, representing 1,741 pre-sold residential units, continues ahead of budget. Construction of each of the first and second towers has now reached the 55th floor and the third tower has now reached the 35th floor.

- Construction is underway on Transit City 4 and 5 condo towers, representing 1,026 residential units, sold out earlier in 2019.

- Commenced construction of a 35-storey, 451-unit purpose-built residential rental building at SmartVMC.

Operational

- Both committed and in-place occupancy rates have maintained industry leading levels of 98.0% and 97.8%, respectively, as at March 31, 2020, which are consistent with the prior comparable quarter.

- Prior to their closure related to the COVID-19 pandemic, both the Toronto and Montreal Premium Outlets, co-owned with Simon Properties, continued to experience high sales levels with industry-leading sales per square foot, which ranks both outlets as top tier retail centres in Canada.

- Same Properties NOI for the three months ended March 31, 2020 increased by $0.3 million or 0.3% as compared to the same period in 2019.(2)

Financial

- Rentals from investment properties and other was $206.7 million, as compared to $206.4 million in the same period in 2019, representing an increase of $0.3 million or 0.1%.(1)

- The Trust's unencumbered pool of high-quality assets of $5.6 billion, which will allow the Trust to maintain the same level of financing potential as compared to December 31, 2019.

- Debt metrics continue to demonstrate the Trust's commitment to its balance sheet, including Debt to Aggregate Assets of 43.3%, Interest Coverage multiple of 3.5X, Interest Coverage net of capitalized interest multiple of 4.1X, and Adjusted Debt to Adjusted EBITDA multiple of 8.2X.

- Net income and comprehensive income was $64.2 million as compared to $80.0 million in the same period in 2019, representing a decrease of $15.8 million or 19.7%. This decrease is primarily due to the fair value measurement loss on revaluation of investment properties of $63.4 million. This fair value measurement loss was partially offset by the fair value adjustment on financial instruments that increased by $50.5 million as compared to the same period in 2019, which was attributed to the significant decline in the Trust's unit price following the market volatility caused by the COVID-19 pandemic during the three months ended March 31, 2020.(1)

- FFO increased by $7.7 million or 8.7% to $96.0 million as compared to the same period in 2019.(2)

- FFO per Unit (diluted) increased $0.04 per Unit or 7.7% to $0.56 as compared to $0.52 in the same period in 2019.(2)

- ACFO increased by $10.7 million or 13.5% to $90.2 million as compared to the same period in 2019.(2)

- ACFO exceeded both distributions declared and distributions paid by $10.3 million and $27.7 million, respectively, as compared to the same period in 2019 of $2.8 million and $19.7 million, respectively. The increase is primarily due to improved cash flow from operating activities during the period.(2)

- The Trust has suspended its Distribution Reinvestment Plan (the "DRIP"), effective April 13, 2020. Beginning with the distribution to recordholders of March 31, 2020, plan participants will receive all distributions in cash.

- As a result of recent unit price levels, the Trust commenced a normal course issuer bid ("NCIB") program. On March 27, 2020, the TSX accepted the notice filed by the Trust to establish a NCIB program. The NCIB program commenced on March 31, 2020 and will terminate on March 30, 2021 or on such earlier date that the Trust completes its purchases pursuant to the notice filed with the TSX.

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

Subsequent to Quarter End:
The duration and intensity of resulting global business disruption and related financial and social impacts resulting from COVID-19 are unprecedented and remain uncertain, and such adverse effects may be material. The COVID-19 pandemic has to date already adversely impacted the Trust and many of its tenants' businesses, and potentially the ability of some tenants to meet their payment obligations under leases. The COVID-19 pandemic has also resulted in a general decline in economic activity, increased unemployment and the depth and duration of these conditions is not known at this time. This pandemic could also cause staff shortages, reduced customer traffic, mobility restrictions and other quarantine measures, supply shortages, increased government regulations, and the quarantine or contamination of one or more of the Trust's properties. In addition, the COVID-19 pandemic could impact the following material aspects of the Trust's business, among others: (i) the value of the Trust's properties and developments; (ii) the Trust's ability to make distributions to Unitholders; (iii) the availability or the terms of financing that the Trust currently has access to or may anticipate utilizing; (iv) the Trust's ability to make principal and interest payments on, or refinance any outstanding debt when due; (v) the occupancy rates in the Trust's properties; (vi) the ability of the Trust to pursue its development plans or obtain construction financing on previously announced and anticipated timelines or within budgeted terms; and (vii) the ability of existing tenants to enter into new leasing transactions or to satisfy rental payments under existing leases.

Efforts by governmental agencies, health agencies, and private sector participants to contain COVID-19 or address its impacts have adversely affected the Trust's business and the operation of its properties and developments. A number of provincial and municipal governments have declared states of emergency and governments have implemented restrictive measures such as travel bans, quarantine and self-isolation. As a result, some tenants have been seeking rent relief and/or have not complied with their rent obligations. Landlords, including SmartCentres, are considering rent deferral arrangements with certain tenants that are typically small independent retailers, whose businesses are required to close or otherwise suspend operations. Otherwise, SmartCentres will require tenants to honour the terms of their respective leases, including the payment of rent, and if they do not, SmartCentres may pursue enforcement and related alternatives. There can be no assurance that if the Trust enters into any such arrangements, deferred rents will be collected in accordance with the terms of those arrangements, or at all. Inability of tenants to meet their payment obligations, deferred or otherwise, and any inability of the Trust to collect rents in a timely manner or at all could adversely affect the Trust's business and financial condition. In addition, many jurisdictions in which the Trust operates have enacted mandatory business closures affecting certain of its tenants. While many of the Trust's tenants are affected by measures, approximately 60% of the Trust's retail tenants (by rental revenue) are large, well-capitalized and well-known national and regional retail anchors providing grocery, pharmacy and household necessities, and although affected, are deemed 'essential services' in their respective provincial jurisdictions and therefore continue to remain open to retail consumers.

The Trust is continuously monitoring the situation, but is unable to accurately predict the impact that the COVID-19 pandemic will have on its results of operations due to uncertainties including the ultimate geographic spread of the virus, the severity of the disease, the duration or recurrence of the outbreak, and any further actions that may be taken by governmental agencies and private sector participants to contain the COVID-19 pandemic or to address its impacts. The worldwide spread of COVID-19 has adversely affected global economies and financial markets resulting in a severe economic downturn and significant impacts on many tenant businesses and their ability to meet payment obligations, including rent. The duration of this downturn is currently unknown.

While governmental agencies and private sector participants are seeking to mitigate the adverse effects of the COVID-19 pandemic, and the medical community is seeking to develop vaccines and other treatment options, the efficacy and timing of such measures remain uncertain. If the outbreak of COVID-19 and related developments lead to a prolonged or significant impact on global, national or local markets or economic growth, the Trust's cash flows, unit price, financial condition or results of operations and ability to make distributions to Unitholders may be materially and adversely affected.

Throughout this unprecedented time, the Trust continues to maintain focus on its long-term strategic initiatives, while supporting its current operations, tenants, and the communities in which the Trust operates throughout Canada.

Selected Consolidated Operational, Development and Financial Information

The consolidated operational, development and financial information shown in the table below includes the Trust's proportionate share of equity accounted investments, and represents key operational and financial information as at March 31, 2020, December 31, 2019 and March 31, 2019.

(in thousands of dollars, except per Unit and other non-financial data)	**March 31, 2020**	December 31, 2019	March 31, 2019
Operational Information			
Total number of properties with an ownership interest	**166**	165	164
Gross leasable area including both retail and office space (in thousands of sq. ft.)	**34,174**	34,337	34,326
Occupied area including both retail and office space (in thousands of sq. ft.)	**33,404**	33,678	33,555
Vacant area including both retail and office space (in thousands of sq. ft.)	**770**	659	771
Retail lands under Mezzanine Financing (in thousands of sq. ft.)	**660**	615	615
Committed occupancy rate	**98.0%**	98.2%	98.0%
In-place occupancy rate	**97.8%**	98.1%	97.8%
Future estimated retail development area (in thousands of sq. ft.)	**2,830**	2,593	3,228
Average lease term to maturity (years)	**5.0**	4.9	5.3
Net retail rental rate (per occupied sq. ft.)	**$15.53**	$15.49	$15.34
Net retail rental rate excluding Anchors (per occupied sq. ft.)	**$22.26**	$22.13	$21.93
Development Information			
Future development area (in thousands of sq. ft.)	**27,900**	27,900	N/A(5)
Total number of future projects currently planned	**256**	256	N/A(5)
Trust's share of estimated costs of future projects	**5,500,000**	5,500,000	N/A(5)
Financial Information			
Investment properties(2)(3)	**9,485,883**	9,466,501	9,196,055
Total assets(1)	**10,430,793**	9,928,467	9,608,647
Total unencumbered assets(2)	**5,647,800**	5,696,100	4,451,600
Debt(2)(3)	**4,841,249**	4,290,826	4,139,682
Debt to Aggregate Assets(2)(3)(4)	**43.3%**	42.3%	42.2%
Debt to Gross Book Value(2)(3)(4)	**49.7%**	49.0%	49.0%
Unsecured to Secured Debt Ratio(2)(3)(4)	**64%/36%**	63%/37%	54%/46%
Unencumbered assets to unsecured debt(2)(3)(4)	**2.0X**	2.1X	2.0X
Weighted average interest rate(2)(3)	**3.41%**	3.55%	3.72%
Weighted average term of debt (years)	**4.8**	5.0	4.8
Interest Coverage Ratio(2)(3)(4)	**3.5X**	3.5X	3.3X
Interest coverage (net of capitalized interest expense)(2)(3)(4)	**4.1X**	4.0X	3.8X
Adjusted Debt to Adjusted EBITDA (net of cash)(2)(3)(4)	**8.2X**	8.0X	8.0X
Equity (book value)(1)	**5,370,335**	5,367,752	5,250,361
Weighted average number of units outstanding – diluted	**172,515,723**	170,581,531	168,448,169

(1) Represents a GAAP measure.
(2) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Non-GAAP Measures" section.
(3) Includes the Trust's proportionate share of equity accounted investments.
(4) As at March 31, 2020, cash-on-hand of $423.1 million was excluded for the purposes of calculating the applicable ratios (December 31, 2019 – $37.0 million).
(5) N/A – information not available.

Quarterly Comparison to Prior Year

The following table represents key financial, per Unit, and payout ratio information for the three months ended March 31, 2020 and March 31, 2019:

(in thousands of dollars, except per Unit information)	**March 31, 2020**	March 31, 2019	Variance
	(A)	(B)	(A–B)
Financial Information			
Rentals from investment properties and other[1]	**206,727**	206,433	294
Net income and comprehensive income[1][3]	**64,201**	79,973	(15,772)
Net income and comprehensive income excluding fair value adjustments[2][3]	**86,669**	83,645	3,024
Cash flows provided by operating activities[1]	**79,162**	55,863	23,299
NOI[2]	**126,397**	125,924	473
FFO[2][3][4][5]	**95,964**	88,296	7,668
ACFO[2][3][4][5]	**90,182**	79,470	10,712
Distributions declared	**79,918**	76,716	3,202
Surplus of ACFO over distributions declared[2]	**10,264**	2,754	7,510
Surplus of ACFO over distributions paid[2]	**27,685**	19,748	7,937
Units outstanding[6]	**171,865,757**	169,609,625	2,256,132
Weighted average – basic	**171,566,750**	167,541,581	4,025,169
Weighted average – diluted[7]	**172,515,723**	168,448,169	4,067,554
Per Unit Information (Basic/Diluted)			
Net income and comprehensive income[1]	**$0.37/$0.37**	$0.48/$0.47	$(0.11)/$(0.10)
Net income and comprehensive income excluding fair value adjustments[2][3]	**$0.51/$0.50**	$0.50/$0.50	$0.01/$0.00
FFO[2][3][4][5]	**$0.56/$0.56**	$0.53/$0.52	$0.03/$0.04
Distributions declared	**$0.463**	$0.450	$0.013
Payout Ratio Information			
Payout ratio to FFO[2][3][4][5]	**83.3 %**	86.9 %	(3.6)%
Payout ratio to ACFO[2][3][4][5]	**88.6 %**	96.5 %	(7.9)%

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

Mixed-Use Development Initiatives

Included in this large development pipeline are 256 identified mixed-use development initiatives, which are summarized in the following table:

Description	Underway (Construction underway or expected to commence within next 2 years)	Active (Construction expected to commence within next 3–5 years)	Future (Construction expected to commence after 5 years)	Total
Trust's share of number of projects				
Residential Rental	7	23	58	88
Seniors' Housing	4	13	28	45
Self-storage	10	16	22	48
Office Buildings	1	—	9	10
Hotels	1	2	2	5
Subtotal – Recurring income initiatives	23	54	119	196
Condominiums	9	12	25	46
Townhomes	2	5	7	14
Subtotal – Development income initiatives	11	17	32	60
Total	**34**	**71**	**151**	**256**
Planning entitlements (#)	**33**	**32**	**74**	**139**
Project area (in thousands of sq. ft.) – at 100%				
Recurring income initiatives	8,200	5,500	23,100	36,800
Development income initiatives	5,100	8,500	8,900	22,500
Total project area (in thousands of sq. ft.) – at 100%	**13,300**	**14,000**	**32,000**	**59,300**
Trust's share of project area (in thousands of sq. ft.)				
Recurring income initiatives	3,800	4,800	12,400	21,000
Development income initiatives	2,200	1,600	3,100	6,900
Total Trust's share of project area (in thousands of sq. ft.)	**6,000**	**6,400**	**15,500**	**27,900**
Total estimated costs (in millions of dollars) – at 100%	**5,500**	**6,600**	**– (1)**	**12,100**
Trust's share of estimated costs (in millions of dollars)	**2,500**	**3,000**	**– (1)**	**5,500**

(1) The Trust has not yet fully determined the costs attributable to future projects and as such it is not included in this table.

Status of Current Development Initiatives

This section contains forward looking statements related to expected milestones and completion dates of various development initiatives. Completion or occupancy dates of each of the projects described below may be delayed or adversely impacted as a result of restrictions or delays related to the COVID-19 pandemic.

The Trust's evolution into mixed-use development initiatives has resulted in the Trust participating in various substantive construction development projects. This includes construction at SmartVMC at the Vaughan Metropolitan Centre, which, once complete, is expected to comprise approximately 11.0 million square feet of mixed-use space; a two-phase high-rise rental residential project in Laval, Quebec; several seniors apartments and retirement home buildings in the Greater Toronto Area and Ottawa; and several self-storage locations throughout Ontario. In addition, the Trust is currently working on development initiatives for many other properties that will primarily consist of residential and retirement home developments located in Ontario and Quebec as well as the expansion to the Toronto StudioCentre.

a) When complete, SmartVMC at the Vaughan Metropolitan Centre ("VMC") in Vaughan, Ontario is expected to comprise approximately 11.0 million square feet, anchored by over $3.0 billion in public transit infrastructure spending including the VMC subway station which opened in 2017. SmartVMC currently includes:
   i) the 360,000 square feet of fully leased and occupied office space in the KPMG tower;
   ii) the 225,000 square foot PwC-YMCA office and community use complex which is fully leased, with PwC now open and the balance of office space and community use space, including a 77,000 square foot world-class YMCA facility, expected to open later in 2020;
   iii) steel framing at 700 Applewood is up on a 140,000 square foot Walmart store which was initially scheduled to open in August this year although completion may be delayed due to the restrictions on construction in Ontario relating to the COVID-19 pandemic;
   iv) the development of Transit City, with details of each previously announced residential phase as follows:

Phase	# Storeys	# Units Released for Sale/ Available for Rent	# Units Sold	% of Units Sold to Date	Estimated Completion Period
Transit City 1	55	551	551	100.0 %	2020/2021
Transit City 2	55	559	559	100.0 %	2020/2021
Transit City 3	55	631	631	100.0 %	2021
Transit City 4	45	498	498	100.0 %	2023
Transit City 5	50	528	528	100.0 %	2023
Subtotal – SmartVMC Condos		2,767	2,767	100.0 %	
Purpose-Built Residential Rental Apartment Tower	35	451	N/A	N/A	2023/2024
Total – SmartVMC Residential		3,218	2,767		

The following table summarizes the associated major mixed-use initiatives:

	Project	Type	Estimated Total Building Area (sq. ft.)/units	Expected Completion Year	Trust Share
PCVP	KPMG (Tower #1)	Office	360,000 sq. ft.	Completed	50 %
	PwC-YMCA (Tower #2)	Office/Community use	225,000 sq. ft.	2019–2020	50 %
	Office (Tower #3)	Office	600,000 sq. ft.	2025	50 %
	Office (Tower #4)	Office	500,000 sq. ft.	2028	50 %
	Residential Rental	Apartments	451 units	2023–2024	50 %
Residences LP	Transit City 1	Condo	551 units	2020–2021	25 %
	Transit City 2	Condo	559 units	2020–2021	25 %
Residences III LP	Transit City 3	Condo	631 units	2021	25 %
East Block Residences LP	Transit City 4 and 5	Condo	1,026 units	2023	25 %

SmartVMC, Residential and Other Development Initiatives

During the three months ended March 31, 2020, the Trust experienced continued success and progress at SmartVMC, including:

i) KPMG Tower:

The KPMG Tower office space is 100% leased and strong tenant interest in the ground floor retail space continues. The building's tenants include KPMG, Green for Life, Harley-Davidson Canada, Bank of Montreal, Miller Thomson LLP, FM Global, Marc Anthony, TD Bank, International News, and Pumpernickel's.

ii) PwC-YMCA Tower:

The PwC-YMCA Tower is a 225,000 square foot mixed-use office tower located in the heart of SmartVMC, adjacent to the VMC subway station and bus terminal. PwC opened its 77,000 square feet of office space at SmartVMC in November 2019. The Trust together with Penguin each own a 50% interest in this new office tower. The Trust and Penguin signed a lease with Scotiabank in

the PwC-YMCA Tower at SmartVMC. Scotiabank will occupy 26,500 square feet, with 23,000 square feet of office space on the 8th floor of the PwC-YMCA Tower, with the balance for a retail branch in the lobby of the tower.

iii) SmartVMC Residential:
Construction of Transit City 1, 2 and 3 condo towers approximating 1,741 units, is progressing on time and ahead of budget, and project costs are substantially covered by committed funds as at March 31, 2020, and closings are expected to commence later this year. Transit City 4 and 5 condo towers, which comprise 45 and 50 storeys, respectively, were sold out as at the second quarter of 2019. Construction has begun on Transit City 4 and 5 condo towers as well as the 35-storey, 451-unit, purpose-built residential rental building.

iv) Residential and Other Development Initiatives
In addition, the Trust is also working on the following development initiatives:

a. a two-phase 338-unit high-rise rental residential project in Laval, Quebec, with the first phase representing 171 units being completed and occupancy to commence in March 2020, and construction of the second 167-unit phase expected to begin later this year;

b. a two-phase 180-unit rental building and 230-unit retirement home at SmartCentres Laurentian Place in Ottawa, Ontario which is expected to commence construction within the next 12 months and be completed in 2022/2023;

c. approximately 100,000 square foot Leaside self-storage facility in Toronto, Ontario which is substantially complete and ready for occupancy;

d. approximately 100,000 square foot self-storage facility at the Trust's Bramport shopping centre in Brampton, Ontario on which, due to COVID-19-related restrictions, construction was recently temporarily suspended and is expected to be completed later in 2020; and

e. approximately 100,000 square foot self-storage facility at the Trust's Vaughan NW shopping centre in Vaughan, Ontario on which, due to COVID-19-related restrictions, construction was recently temporarily suspended and is expected to be completed later in 2020.

Completion or occupancy dates of each of the projects listed above may be delayed or adversely impacted as a consequence of government orders, supply chain issues and changes in construction staffing to include physical distancing measures, among other factors, as a consequence of the COVID-19 pandemic.

In addition, the Trust is currently working on initiatives for the development of many other properties, including the following mixed-use development initiatives:

a) the development of up to 5.3 million square feet of predominately residential space, in various forms, at Highway 400 & Highway 7, in Vaughan, Ontario, with the first of a three-tower mixed-use phase underway;

b) the development of up to 5.0 million square feet of predominately residential space, in various forms over the long term, in Pickering, Ontario, with the first of a two-tower mixed-use phase underway;

c) the development of up to 5.5 million square feet of predominately residential space, in various forms, at Oakville North in Oakville, Ontario, with the first of a two-tower residential phase underway;

d) the development of up to 3.0 million square feet of predominately residential space, in various forms, at Westside Mall in Toronto, Ontario, with the first tower of a mixed-use phase underway;

e) the development of up to 1.7 million square feet of residential space, in various forms including townhomes, with Fieldgate, condominiums, residential rental buildings, and the seniors' residence towers with Revera and condominiums and residential rental buildings at the Vaughan NW shopping centre in Vaughan, Ontario;

f) the development of up to 1.5 million square feet of residential space, in various forms, in Pointe-Claire, Quebec, with the first of a two-tower rental project underway;

g) the development of up to 565,000 square feet of residential space, in various forms, in Bradford, Ontario;

h) the development of up to 430,000 square feet of residential space, in various forms, at Oakville South in Oakville, Ontario;

i) the expansion of the Toronto StudioCentre ("StudioCentre") in Toronto, Ontario (zoning allows for up to 1.2 million square feet);

j) the development of four high-rise purpose-built residential rental buildings comprising approximately 2,000 units with Greenwin, in Barrie, Ontario;

k) the development of a high-rise purpose-built residential rental tower, on Balliol Street in mid-town Toronto, Ontario;

l) the development of up to 1,600 residential units, in various forms, in Mascouche, Quebec; and

m) the development of the first phase, 42-unit rental building, which is part of a potential 10-phase masterplan in Alliston, Ontario.

Results of Operations

The Trust's real estate portfolio has continued to grow, in part from Acquisitions, Developments and Earnouts, resulting in increases in operating results for the three months ended March 31, 2020, as compared to the three months ended March 31, 2019.

Proportionately Consolidated Balance Sheets (including the Trust's interests in equity accounted investments)
The following table represents the proportionately consolidated balance sheets as at March 31, 2020 and December 31, 2019, which includes a reconciliation of the Trust's proportionate share of equity accounted investments.

(in thousands of dollars)	**March 31, 2020**			December 31, 2019		
	Trust (GAAP Basis)	**Proportionate Share Reconciliation**	**Total Proportionate Share (Non-GAAP Basis)**	Trust (GAAP Basis)	Proportionate Share Reconciliation	Total Proportionate Share (Non-GAAP Basis)
Assets						
Non-current assets						
Investment properties	**9,005,536**	**480,347**	**9,485,883**	9,050,066	416,435	9,466,501
Mortgages, loans and notes receivable	**304,320**	**(46,531)**	**257,789**	216,907	(46,214)	170,693
Equity accounted investments	**399,723**	**(399,723)**	**—**	345,376	(345,376)	—
Other assets	**88,301**	**7,529**	**95,830**	89,023	7,567	96,590
Intangible assets	**47,468**	**—**	**47,468**	47,801	—	47,801
	9,845,348	**41,622**	**9,886,970**	9,749,173	32,412	9,781,585
Current assets						
Residential development inventory	**24,901**	**135,569**	**160,470**	24,564	122,254	146,818
Current portion of mortgages, loans and notes receivable	**56,723**	**—**	**56,723**	55,953	—	55,953
Amounts receivable and other	**45,846**	**4,070**	**49,916**	36,679	3,616	40,295
Deferred financing costs	**1,391**	**21**	**1,412**	1,477	25	1,502
Prepaid expenses and deposits	**17,119**	**1,289**	**18,408**	5,247	1,134	6,381
Cash and cash equivalents	**439,465**	**20,820**	**460,285**	55,374	8,873	64,247
	585,445	**161,769**	**747,214**	179,294	135,902	315,196
Total assets	**10,430,793**	**203,391**	**10,634,184**	9,928,467	168,314	10,096,781
Liabilities						
Non-current liabilities						
Debt	**4,133,213**	**82,825**	**4,216,038**	4,110,548	62,678	4,173,226
Other payables	**21,583**	**—**	**21,583**	21,444	—	21,444
Other financial liabilities	**59,650**	**—**	**59,650**	95,735	—	95,735
	4,214,446	**82,825**	**4,297,271**	4,227,727	62,678	4,290,405
Current liabilities						
Current portion of debt	**619,924**	**5,287**	**625,211**	115,385	2,215	117,600
Accounts payable and current portion of other payables	**226,088**	**115,279**	**341,367**	217,603	103,421	321,024
	846,012	**120,566**	**966,578**	332,988	105,636	438,624
Total liabilities	**5,060,458**	**203,391**	**5,263,849**	4,560,715	168,314	4,729,029
Equity						
Trust Unit equity	**4,496,611**	**—**	**4,496,611**	4,492,678	—	4,492,678
Non-controlling interests	**873,724**	**—**	**873,724**	875,074	—	875,074
	5,370,335	**—**	**5,370,335**	5,367,752	—	5,367,752
Total liabilities and equity	**10,430,793**	**203,391**	**10,634,184**	9,928,467	168,314	10,096,781

Proportionately Consolidated Statements of Income and Comprehensive Income (including the Trust's interests in equity accounted investments)

The following table represents the proportionately consolidated statements of income and comprehensive income for the three months ended March 31, 2020 and March 31, 2019, which includes a reconciliation of the Trust's proportionate share of equity accounted investments.

(in thousands of dollars)	**Three Months Ended March 31, 2020**			Three Months Ended March 31, 2019		
	Trust (GAAP Basis)	**Proportionate Share Reconciliation**	**Total Proportionate Share (Non-GAAP Basis)**	Trust (GAAP Basis)	Proportionate Share Reconciliation	Total Proportionate Share (Non-GAAP Basis)
Net rental income and other						
Rentals from investment properties and other	**206,727**	**4,717**	**211,444**	206,433	3,213	209,646
Property operating costs and other	**(82,900)**	**(2,147)**	**(85,047)**	(82,422)	(1,300)	(83,722)
Net rental income and other	**123,827**	**2,570**	**126,397**	124,011	1,913	125,924
Other income and expenses						
General and administrative expense, net	**(5,614)**	**—**	**(5,614)**	(6,362)	—	(6,362)
Earnings from equity accounted investments	**4,698**	**(4,698)**	**—**	729	(729)	—
Fair value adjustment on revaluation of investment properties	**(63,382)**	**2,825**	**(60,557)**	8,897	(154)	8,743
Gain on sale of investment properties	**3**	**—**	**3**	740	1	741
Interest expense	**(34,518)**	**(1,016)**	**(35,534)**	(38,086)	(750)	(38,836)
Interest income	**3,279**	**717**	**3,996**	2,459	7	2,466
Supplemental costs	**—**	**(398)**	**(398)**	—	(288)	(288)
Fair value adjustment on financial instruments	**38,089**	**—**	**38,089**	(12,415)	—	(12,415)
Acquisition related costs	**(2,181)**	**—**	**(2,181)**	—	—	—
Net income and comprehensive income	**64,201**	**—**	**64,201**	**79,973**	**—**	**79,973**

For the three months ended March 31, 2020, net income and comprehensive income decreased by $15.8 million or 19.7% as compared to the same period last year. This decrease was primarily attributed to:

- $69.3 million decrease in fair value adjustment on revaluation of investment properties;
- $2.2 million increase in acquisition related costs; and
- $0.7 million decrease in gain on sale of investment properties;

Partially offset by:

- $50.5 million increase in fair value adjustment on financial instruments. As disclosed in the Trust's audited consolidated financial statements for the year ended December 31, 2019, the Trust's accounting policy is to measure the value of the related financial instruments based on the market value of the Trust Units at each reporting date. As such, the total change in the fair value adjustment on financial instruments was the result of the $12.37 decline in the Trust's Unit price from $31.21 at December 31, 2019, to $18.84 at March 31, 2020;
- $3.3 million net decrease in interest expense which was principally due to a $3.5 million higher yield maintenance cost incurred in the comparable quarter and offset by a $0.2 million higher interest expense in the current quarter;
- $1.5 million increase in interest income which was principally due to the increase in average interest-bearing loan receivable balance and other deposits;
- $0.7 million decrease in general and administrative expense, net; and
- $0.5 million increase in net rental income and other.

The following table summarizes NOI, NOI related ratios, and recovery ratios, for the three months ended March 31, 2020 and March 31, 2019, and to provide additional information, reflects the Trust's proportionate share of equity accounted investments, the sum of which represents a non-GAAP measure:

(in thousands of dollars)	**Three Months Ended March 31, 2020**			Three Months Ended March 31, 2019			
	Trust portion excluding EAI	**Equity Accounted Investments**	**Total Proportionate Share[1]**	Trust portion excluding EAI	Equity Accounted Investments	Total Proportionate Share[1]	Variance[1]
			(A)			(B)	(A-B)
Net base rent	**126,342**	**2,559**	**128,901**	125,549	1,812	127,361	1,540
Property tax and insurance recoveries	**48,609**	**587**	**49,196**	48,457	433	48,890	306
Property operating cost recoveries	**26,222**	**866**	**27,088**	25,886	486	26,372	716
Miscellaneous revenue	**2,845**	**705**	**3,550**	4,122	482	4,604	(1,054)
Rentals from investment properties	**204,018**	**4,717**	**208,735**	204,014	3,213	207,227	1,508
Service and other revenues	**2,709**	**—**	**2,709**	2,419	—	2,419	290
Rentals from investment properties and other[2]	**206,727**	**4,717**	**211,444**	206,433	3,213	209,646	1,798
Recoverable property operating costs[3]	**(78,093)**	**(1,400)**	**(79,493)**	(77,416)	(1,037)	(78,453)	(1,040)
Property management fees and costs	**(848)**	**(134)**	**(982)**	(1,199)	(81)	(1,280)	298
Non recoverable operating costs	**(1,247)**	**(253)**	**(1,500)**	(1,365)	(172)	(1,537)	37
Other property operating costs	**—**	**(115)**	**(115)**	—	—	—	(115)
Property operating costs	**(80,188)**	**(1,902)**	**(82,090)**	(79,980)	(1,290)	(81,270)	(820)
Other expenses	**(2,712)**	**—**	**(2,712)**	(2,442)	—	(2,442)	(270)
Residential marketing and selling costs	**—**	**(245)**	**(245)**	—	(10)	(10)	(235)
Property operating costs and other[2]	**(82,900)**	**(2,147)**	**(85,047)**	(82,422)	(1,300)	(83,722)	(1,325)
NOI[4]	**123,827**	**2,570**	**126,397**	124,011	1,913	125,924	473
NOI as a percentage of net base rent	**98.0%**	**100.4%**	**98.1%**	98.8%	105.6%	98.9%	(0.8)%
NOI as a percentage of rentals from investment properties	**60.7%**	**54.5%**	**60.6%**	60.8%	59.5%	60.8%	(0.2)%
NOI as a percentage of rentals from investment properties and other	**59.9%**	**54.5%**	**59.8%**	60.1%	59.5%	60.1%	(0.3)%
Recovery Ratio (including prior year adjustments)	**95.8%**	**103.8%**	**96.0%**	96.0%	88.6%	95.9%	0.1%
Recovery Ratio (excluding prior year adjustments)	**95.9%**	**103.8%**	**96.1%**	95.5%	88.6%	95.4%	0.7%

(1) This column contains non-GAAP measures because it includes figures that are recorded in equity accounted investments – that are not explicitly disclosed and/or presented in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020 and March 31, 2019.
(2) As reflected under the column 'Trust portion excluding EAI' in the table above, this amount represents a GAAP measure.
(3) Includes recoverable property tax and insurance costs.
(4) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Non-GAAP Measures" section in this MD&A.

NOI for the three months ended March 31, 2020 increased by $0.5 million or 0.4% as compared to the same period last year. This increase was primarily attributed to the following:

- $1.5 million increase in base rent, which was primarily due to the growth of the Trust's portfolio relating to completed Earnouts and Developments;

Partially offset by the following:

- $0.7 million decrease in lease termination fees; and
- $0.3 million decrease in percentage rent and other miscellaneous revenue.

Same Properties NOI

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

(in thousands of dollars)	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019	Variance	Variance (%)
Net rental income	**123,827**	124,034	(207)	(0.2)%
Service and other revenues	**2,709**	2,419	290	12.0 %
Other expenses	**(2,709)**	(2,442)	(267)	10.9 %
NOI[1]	**123,827**	124,011	(184)	(0.1)%
NOI from equity accounted investments[1]	**2,570**	1,913	657	34.3 %
Total portfolio NOI before adjustments[1]	**126,397**	125,924	473	0.4 %
Adjustments:				
Royalties	**220**	209	11	5.3 %
Straight-line rent	**(21)**	(516)	495	(95.9)%
Lease termination and other adjustments	**(324)**	(1,603)	1,279	(79.8)%
Amortization of tenant incentives	**1,717**	1,862	(145)	(7.8)%
Total portfolio NOI after adjustments[1]	**127,989**	125,876	2,113	1.7 %
NOI sourced from:				
Acquisitions	**(145)**	—	(145)	N/R[2]
Earnouts and Developments	**(2,052)**	(418)	(1,634)	N/R[2]
Same Properties NOI[1]	**125,792**	125,458	334	0.3 %

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

"Same Properties" in the table above refer to those income properties that were owned by the Trust from January 1, 2019 to March 31, 2019 and from January 1, 2020 to March 31, 2020. The Same Properties NOI for the three months ended March 31, 2020 increased by $0.3 million or 0.3% as compared to the same period in 2019, which was primarily due to the following:

- $0.3 million increase in rental revenue principally resulting from step up and leasing activities in Toronto Premium Outlets;
- $0.3 million increase in miscellaneous revenue mainly from higher short-term rentals at Toronto StudioCentre; and
- $0.4 million decrease in miscellaneous expense as a result of lower management fees and lower bad debt expense;

Partially offset by the following:

- $0.5 million lower overage rent due to prior year billing adjustments; and
- $0.2 million lower recoveries due to some vacancy challenges in the portfolio, which was partially offset by increased common area maintenance ("CAM") recoveries.

Due to the various uncertainties pertaining to COVID-19, management is currently unable to reliably and accurately predict the impact that COVID-19 will have on certain aspects of results of operations, including Annual Run-Rate NOI and the related sensitivity analysis at this time.

Adjusted EBITDA

The following table represents a reconciliation of net income and comprehensive income to Adjusted EBITDA for the 12 months ended March 31, 2020 and March 31, 2019:

(in thousands of dollars)	**12 Months Ended March 31, 2020**	12 Months Ended March 31, 2019	Variance
Net income and comprehensive income[1]	**358,434**	382,454	(24,020)
Add (deduct) the following items[1]:			
Interest expense	**140,714**	143,385	(2,671)
Interest income	**(12,488)**	(10,326)	(2,162)
Yield maintenance costs	**16,988**	3,525	13,463
Amortization of equipment and intangible assets	**2,094**	2,108	(14)
Amortization of tenant improvements	**7,315**	7,333	(18)
Fair value adjustment on revaluation of investment properties	**35,740**	(54,180)	89,920
Fair value adjustment on financial instruments	**(49,186)**	18,275	(67,461)
Adjustment for supplemental contribution	**3,305**	1,025	2,280
(Gain) loss on sale of investment properties	**114**	(560)	674
Transition costs[2]	**—**	1,154	(1,154)
Gain on sale of land to co-owners	**2,818**	2,474	344
Acquisition related costs	**2,479**	(112)	2,591
Adjusted EBITDA[1]	**508,327**	496,555	11,772

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

(2) Transition costs include the costs of CEO transition and other related costs adjustment of $nil for the 12 months ended March 31, 2020 (12 months ended March 31, 2019 – $1.2 million).

Leasing Activities and Lease Expiries

Leasing Activities

Occupancy

A strong first quarter led by the Trust's dominant retailers and categories: Walmart, Canadian Tire, Loblaws, Winners, Marshalls, Metro, Dollarama, Sobeys, Lowe's, pharmacy, medical, restaurants and services, resulted in continued industry-leading occupancy of 98.0% with executed deals for future occupancy (97.8% without such future occupancies). With Walmart as the Trust's anchor or shadow anchor in 115 locations with full grocery and pharmacy, the SmartCentres' portfolio of value/essential services-oriented centres remain very focused on serving the needs of its communities. The Trust has built strong partnerships with all of its tenants and continues to support their retail operations during the current circumstances.

As a result of these long-standing relationships, tenants are continuing to work with the Trust to plan for their future with store growth plans and renewals continuing well into the future. Notwithstanding, the Trust recognizes the constraints associated with the current environment and is maintaining its long-term approach to all tenancies.

Occupancy

	March 31, 2020	March 31, 2019	Variance
Total Leasable Area (in sq. ft.)	**34,174,010**	34,325,682	(151,672)
In-place Occupancy Rate	**97.8 %**	97.8 %	— %
Committed Occupancy Rate	**98.0 %**	98.0 %	— %

The following table represents a continuity of the Trust's in-place occupancy level for the three months ended March 31, 2020:

(in square feet)	Vacant Area	Occupied Area	Leasable Area	In-place Occupancy Level (%)
Beginning balance – January 1, 2020	**658,964**	**33,678,387**	**34,337,351**	**98.1 %**
New vacancies	**386,187**	**(386,187)**	**—**	
New leases	**(85,049)**	**85,049**	**—**	
Subtotal	**960,102**	**33,377,249**	**34,337,351**	
Transferred from properties under development to income properties	**—**	**25,324**	**25,324**	
Transferred from income properties to properties under development	**(189,704)**	**—**	**(189,704)**	
Other[1]	**(133)**	**1,172**	**1,039**	
Ending balance – March 31, 2020	**770,265**	**33,403,745**	**34,174,010**	**97.8 %**

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

Renewal Activity

For the three months ended March 31, 2020, the Trust achieved a retention rate of 56.1% (March 31, 2019 – 76.1%) for renewing tenants.

Renewal Summary

	March 31, 2020	March 31, 2019	Variance
Expiring (in sq. ft.)	**4,096,297**	3,576,441	519,856
Total renewed (in sq. ft.)	**2,297,411**	2,720,262	(422,851)
Retention rate	**56.1 %**	76.1 %	(20.0)%
Renewed rental rate (in dollars per sq. ft.) – including Anchors	**14.33**	14.26	0.07
Renewed rental rate (in dollars per sq. ft.) – excluding Anchors	**18.98**	21.50	(2.52)
Renewed rent growth (including Anchors)	**3.2 %**	4.2 %	(1.0)%
Renewed rent growth (excluding Anchors)	**3.8 %**	5.2 %	(1.4)%

SmartCentres' portfolio is represented in all major markets across Canada particularly in the Greater-VECTOM markets (Vancouver, Edmonton, Calgary, Toronto, Ottawa and Montreal). While the Greater-VECTOM and primary markets account for nearly 90% of revenue and fair value, properties in the secondary markets reflect higher occupancy levels approaching 99%.

Portfolio Summary by Market Type

Market	Number of Properties	Area ('000 sf)	Gross Revenue	Fair Value	In - place Occupancy
Greater-VECTOM	99	22,989	71.9 %	74.9 %	97.5 %
Primary	32	6,562	16.8 %	14.5 %	98.0 %
Secondary	27	4,624	11.3 %	10.6 %	98.6 %
Total	**158**	**34,175**	**100.0 %**	**100.0 %**	**97.8 %**

Tenant Categories

The portfolio is represented by strong individual centres in every major market, with a diverse mix of tenant and service offerings, reflecting almost every retail category.

Gross Rent by Category as at March 31, 2020

Category	Total	Greater-VECTOM	Primary	Secondary
General merchandise including stores with grocery & pharmacy	28.4 %	23.9 %	34.6 %	47.4 %
Apparel	16.7 %	17.4 %	16.3 %	13.6 %
Home improvement & housewares	9.8 %	10.4 %	9.1 %	7.0 %
Standalone grocery & liquor	8.7 %	9.6 %	6.8 %	5.9 %
Restaurant	8.5 %	8.9 %	7.2 %	7.7 %
Leisure (sporting goods, toys)	7.1 %	7.4 %	7.4 %	4.5 %
Pharmacy & personal services	6.6 %	7.6 %	5.1 %	2.8 %
Specialty (fitness, electronics, pet)	5.5 %	5.4 %	6.4 %	5.0 %
Financial services	4.4 %	4.7 %	4.0 %	2.6 %
Other	4.3 %	4.7 %	3.1 %	3.5 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

Top 25 Tenants

The 25 largest tenants (by annualized gross rental revenue) account for 62.9% of portfolio revenue for the three months ended March 31, 2020 and are presented in the following table:

#	Tenant	Number of Stores	Annualized Gross Rental Revenue ($ millions)	Percentage of Total Annualized Gross Rental Revenue	Leased Area (sq. ft.)	Leased Area as a Percentage of Total Gross Leasable Area
1	Walmart[(1)]	101	202.3	25.3 %	14,097,599	41.3 %
2	Canadian Tire, Mark's and FGL Sports	73	37.5	4.7 %	1,404,529	4.1 %
3	Winners, HomeSense, Marshalls	56	34.3	4.3 %	1,395,098	4.1 %
4	Loblaws, Shoppers Drug Mart	24	21.9	2.7 %	899,056	2.6 %
5	Sobeys	17	17.2	2.2 %	733,421	2.1 %
6	Lowe's, RONA	8	16.1	2.0 %	898,146	2.6 %
7	Reitmans	84	14.9	1.9 %	469,294	1.4 %
8	Dollarama	53	13.7	1.7 %	501,776	1.5 %
9	Best Buy	19	12.4	1.6 %	451,226	1.3 %
10	LCBO	34	12.1	1.5 %	326,970	1.0 %
11	Michaels	24	11.8	1.5 %	467,059	1.4 %
12	Recipe Unlimited	54	11.2	1.4 %	271,343	0.8 %
13	Staples	21	10.1	1.3 %	449,599	1.3 %
14	Gap Inc.	26	9.4	1.2 %	269,742	0.8 %
15	Bonnie Togs	47	8.7	1.1 %	231,883	0.7 %
16	Bulk Barn	52	8.2	1.0 %	242,998	0.7 %
17	Toys R Us	7	7.5	0.9 %	268,880	0.8 %
18	CIBC	27	7.3	0.9 %	147,298	0.4 %
19	The Brick	10	6.9	0.9 %	260,731	0.8 %
20	Dollar Tree, Dollar Giant	27	6.7	0.8 %	225,819	0.7 %
21	Ricki's, Cleo, Urban Barn & Warehouse One	38	6.6	0.8 %	178,159	0.5 %
22	Sleep Country	37	6.6	0.8 %	177,517	0.5 %
23	Metro	8	6.4	0.8 %	306,664	0.9 %
24	GoodLife Fitness Clubs	11	6.4	0.8 %	249,432	0.7 %
25	Sail	3	6.1	0.8 %	214,224	0.6 %
		861	502.3	62.9 %	25,138,463	73.6 %

(1) The Trust has a total of 101 Walmart locations under lease, of which 99 are Supercentres that represent stores that carry all merchandise that Walmart department stores offer including full assortment of food. The Trust has 14 shopping centres with Walmart as shadow anchors, all of which are Supercentres.

Leasing Expiries

Total retail and office lease expiries for the portfolio as at March 31, 2020 are presented in the following table:

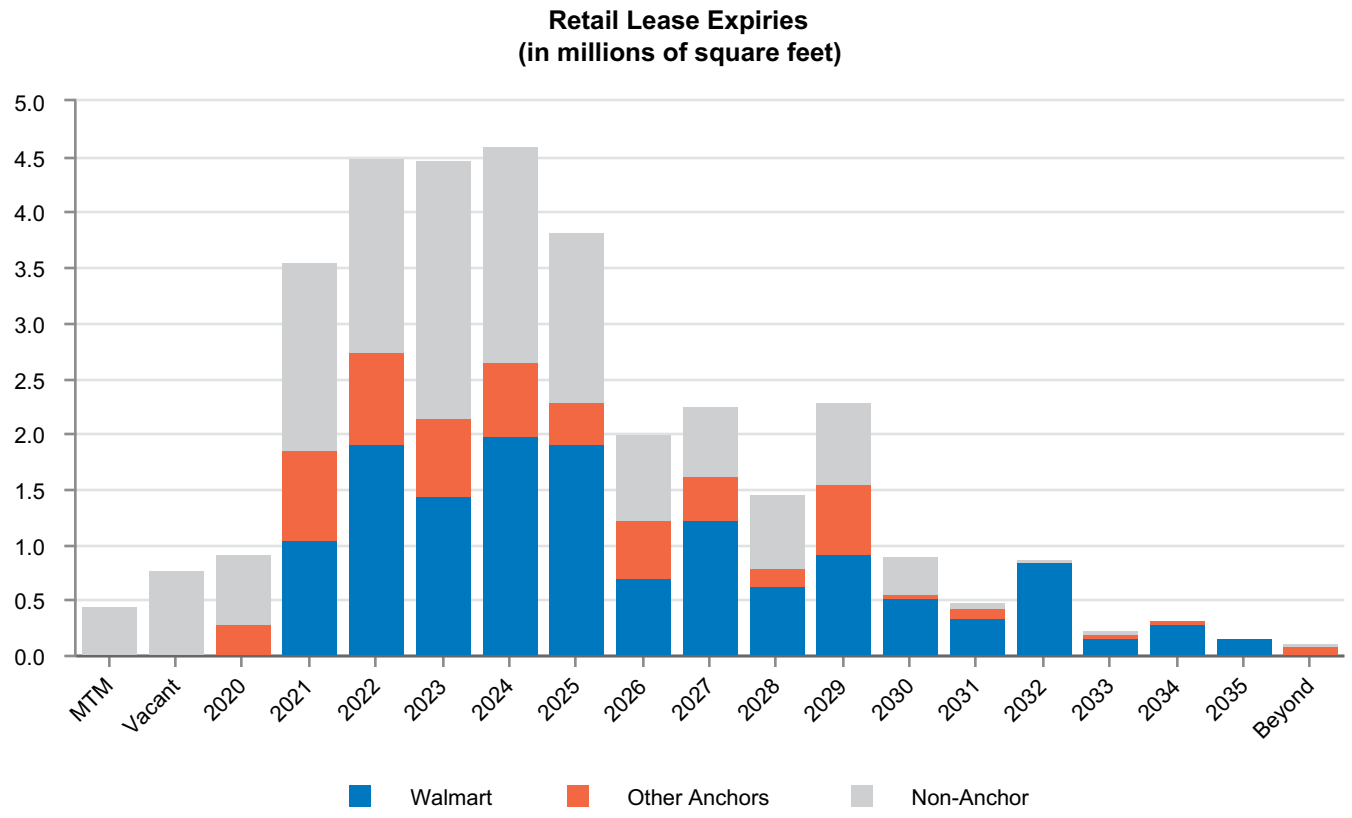
Year of Expiry	Total Area (sq. ft.)	Percentage of Total Area (%)	Annualized Base Rent ($000s)	Average Base Rent psf[1] ($)
Month-to-month and holdovers	443,741	1.3 %	10,279	23.16
2020	926,480	2.7 %	16,220	17.51
2021	3,549,465	10.4 %	51,767	14.58
2022	4,488,056	13.1 %	63,949	14.25
2023	4,433,358	13.0 %	76,679	17.30
2024	4,596,176	13.5 %	72,010	15.67
2025	3,819,206	11.2 %	48,127	12.60
2026	1,997,808	5.8 %	31,834	15.93
2027	2,237,548	6.5 %	32,914	14.71
2028	1,427,521	4.2 %	26,375	18.48
2029	2,270,332	6.6 %	38,136	16.80
2030	893,206	2.6 %	16,408	18.37
Beyond	2,069,490	6.1 %	30,036	14.51
Vacant	770,265	2.2 %	—	—
Total retail	33,922,652	99.2 %	514,734	15.53
Total office	251,358	0.8 %		
Total retail and office	34,174,010	100.0 %		

(1) The total average base rent per square foot excludes vacant space of 770,265 square feet.

Total retail and office lease expiries for the portfolio excluding Anchor tenants as at March 31, 2020 are presented in the following table:

Year of Expiry	Total Area (excluding Anchor tenants) (sq. ft.)	Percentage of Total Area (excluding Anchor tenants) (%)	Proportion of Area (excluding Anchor tenants) (%)	Annualized Base Rent ($000s)	Average Base Rent psf[1] ($)
Month-to-month and holdovers	443,741	1.3%	3.1%	10,279	23.16
2020	646,196	1.9%	4.5%	13,221	20.46
2021	1,697,002	5.0%	11.8%	33,023	19.46
2022	1,736,193	5.1%	12.1%	37,935	21.85
2023	2,321,122	6.8%	16.0%	54,174	23.34
2024	1,951,449	5.7%	13.6%	45,407	23.27
2025	1,519,407	4.4%	10.6%	29,445	19.38
2026	764,146	2.2%	5.3%	17,387	22.75
2027	621,827	1.8%	4.3%	13,910	22.37
2028	660,755	1.9%	4.6%	16,461	24.91
2029	723,125	2.1%	5.0%	19,396	26.82
2030	330,009	1.0%	2.3%	7,829	23.72
Beyond	138,106	0.4%	1.0%	3,247	23.51
Vacant	770,265	2.2%	5.4%	—	—
Total retail	14,323,343	41.8%	99.6%	301,714	22.26
Total office	54,510	0.2%	0.4%		
Total retail and office	14,377,853	42.0%	100.0%		

(1) The total average base rent per square foot excludes vacant space of 770,265 square feet.



Other Measures of Performance

The following measures of performance are sometimes used by Canadian real estate investment trusts ("REITs") as indicators of financial performance. Management uses these measures to analyze operating performance. Because one of the factors that may be considered relevant by prospective investors is the cash distributed by the Trust relative to the price of the Units, management believes these measures are useful supplemental measures that may assist prospective investors in assessing an investment in Units. The Trust analyzes its cash distributions against these measures to assess the stability of the monthly cash distributions to Unitholders. Because these measures are not standardized as prescribed by IFRS, they may not be comparable to similar measures presented by other REITs. These measures are not intended to represent operating profits for the year; nor should they be viewed as an alternative to net income and comprehensive income, cash flows from operating activities or other measures of financial performance calculated in accordance with IFRS. The calculations are derived from the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020 and March 31, 2019, unless otherwise stated, do not include any assumptions, do not include any forward-looking information and are consistent with prior reporting years.

Weighted Average Number of Units

The weighted average number of Trust Units and exchangeable LP Units is used in calculating the Trust's net income and comprehensive income per Unit, net income and comprehensive income excluding loss on disposition and fair value adjustments per Unit, and FFO per Unit. The corresponding diluted per Unit amounts are adjusted for the dilutive effect of the vested portion of deferred units granted under the Trust's deferred unit plan unless they are anti-dilutive. To calculate diluted FFO per Unit for the three months ended March 31, 2020, vested deferred units are added back to the weighted average Units outstanding because they are dilutive.

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

	Three Months Ended March 31		
(number of Units)	**2020**	2019	Variance
Trust Units	**144,319,318**	140,323,135	3,996,183
Class B LP Units	**16,416,667**	16,416,667	—
Class D LP Units	**311,022**	311,022	—
Class F LP Units	**7,490**	—	7,490
Class B LP II Units	**756,525**	756,525	—
Class B LP III Units	**3,822,756**	3,818,542	4,214
Class B LP IV Units	**3,067,593**	3,052,504	15,089
Class B Oshawa South LP Units	**710,416**	710,416	—
Class D Oshawa South LP Units	**260,417**	260,417	—
Class B Oshawa Taunton LP Units	**374,223**	374,223	—
Class B Series ONR LP Units	**1,248,140**	1,248,140	—
Class B Series 1 ONR LP I Units	**132,881**	132,881	—
Class B Series 2 ONR LP I Units	**139,302**	137,109	2,193
Total Exchangeable LP Units	**27,247,432**	27,218,446	28,986
Total Units – Basic	**171,566,750**	167,541,581	4,025,169
Vested deferred units	**948,973**	906,588	42,385
Total Units and vested deferred units – Diluted	**172,515,723**	168,448,169	4,067,554

Funds From Operations

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

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

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

Adjusted Cashflow From Operations

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

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

Determination of Distributions

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

The Board of Trustees determines the Trust's Unit cash distribution rate by, among other considerations, its assessment of cash flow as determined using certain non-GAAP measures. As such, management believes the cash distributions are not an economic return of capital, but a distribution of sustainable cash flow from operations. Given both existing ACFO and distribution levels, and current facts and assumptions, including any potential impact from the COVID-19 pandemic, the Board of Trustees continues to assess the sustainability of future cash distributions.

In any given period, the distributions declared may differ from cash provided by operating activities, primarily due to seasonal fluctuations in non-cash operating items (amounts receivable, prepaid expenses, deposits, accounts payable and accrued liabilities). These seasonal or short-term fluctuations are funded, if necessary, by the Trust's revolving operating facility. In addition, the distributions declared previously included a component funded by the DRIP, which was suspended by the Board of Trustees effective April 13, 2020. The Board of Trustees anticipates that distributions declared will, in the foreseeable future, continue to vary from net income and comprehensive income because net income and comprehensive income include fair value adjustments to investment properties, fair value changes in financial instruments, and other adjustments and also because distributions are determined based on non-GAAP cash flow measures, which include consideration of the maintenance of productive capacity. Accordingly, the Trust does not use IFRS net income and comprehensive income as a proxy for distributions. The Board of Trustees will continue to assess the sustainability of future cash distributions.

Cash Flows from Operating Activities and Distributions Declared

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

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below reconciles cash flows provided by operating activities to adjusted cash flows from operating activities for the three months ended March 31, 2020 and March 31, 2019:

(in thousands of dollars)	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Cash flows provided by operating activities	**79,162**	55,863
Add:		
Normalizing adjustments, actual sustaining expenditures adjustments and other[1]	**11,020**	23,607
Adjusted cash flows from operating activities[2]	**90,182**	79,470
Distributions declared	**79,918**	76,716
Surplus of ACFO over distributions declared	**10,264**	2,754
Distributions for Units classified as equity	**78,949**	75,776
Distributions for Units classified as liabilities	**969**	940
Total Distributions declared	**79,918**	76,716

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

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

Reconciliation of FFO

The table and analysis below illustrate a reconciliation of the Trust's net income and comprehensive income (GAAP measures) to FFO (non-GAAP measures) for the three months ended March 31, 2020 and March 31, 2019.

(in thousands of dollars, except per Unit amounts)	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019	Variance	Variance (%)
Net income and comprehensive income	**64,201**	79,973	(15,772)	(19.7)%
Add (deduct):				
Fair value adjustment on revaluation of investment properties[1]	**63,382**	(8,897)	72,279	N/R[6]
Fair value adjustment on financial instruments[2]	**(38,089)**	12,415	(50,504)	N/R[6]
Gain on sale of investment properties	**(3)**	(906)	903	N/R[6]
Amortization of intangible assets	**333**	333	—	— %
Amortization of tenant improvement allowance and other	**1,634**	1,735	(101)	(5.8)%
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	**1,401**	1,358	43	3.2 %
Salaries and related costs attributed to leasing activities[3]	**1,609**	1,566	43	2.7 %
Acquisition related costs	**2,181**	—	2,181	N/R[6]
Adjustments relating to equity accounted investments:				
Rental revenue adjustment – tenant improvement amortization	**94**	66	28	42.4 %
Indirect interest with respect to the development portion[4]	**1,648**	211	1,437	N/R[6]
Fair value adjustment on revaluation of investment properties	**(2,825)**	154	(2,979)	N/R[6]
Adjustment for supplemental contribution	**398**	288	110	38.2 %
FFO[5]	**95,964**	88,296	7,668	8.7 %

(1) Fair value adjustment on revaluation of investment properties is described in "Investment Properties" section.
(2) Fair value adjustment on financial instruments comprises the following financial instruments: units classified as liabilities, Earnout options and deferred unit plan – vested. The significant assumptions made in determining the fair value and fair value adjustments for these financial instruments are more thoroughly described in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020. The fair value adjustment on financial instruments experienced a significant increase as compared to the same period in 2019. For details please see discussion in the "Results of Operations" section above.
(3) Salaries and related costs attributed to leasing activities of $1.6 million were incurred in the three months ended March 31, 2020 (three months ended March 31, 2019 – $1.6 million) and were eligible to be added back to FFO based on the definition of FFO, in the REALpac White Paper published in February 2019, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between Canadian publicly traded real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.
(4) Indirect interest is not capitalized to properties under development of equity accounted investments under IFRS but is a permitted adjustment under REALpac's definition of FFO. The amount is based on the total cost incurred with respect to the development portion of equity accounted investments multiplied by the Trust's weighted average cost of debt.
(5) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Non-GAAP Measures" section in this MD&A.
(6) N/R – Not representative

For the three months ended March 31, 2020, FFO increased by $7.7 million or 8.7% to $96.0 million. This increase was primarily attributed to:

- $3.3 million net decrease in interest expense, which was primarily due to $3.5 million in higher yield maintenance costs in the comparable quarter and offset by $0.2 million in higher interest expense in the current quarter;
- $1.5 million increase in interest income which was primarily due to the increased amount of interest bearing loan receivables and other deposits;
- $1.4 million increase in indirect interest added back to FFO and incurred in respect of equity accounted development projects which was primarily due to recent development property acquisitions;
- $0.7 million decrease in general and administrative expense;
- $0.5 million increase in NOI; and
- $0.3 million increase in FFO add backs for: a) the supplemental contribution adjustment, b) the amortization of tenant incentives, and c) salaries and related costs attributed to leasing activities.

The table below represents per unit FFO (non-GAAP measures) for the three months ended March 31, 2020 and March 31, 2019.

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Variance	Variance (%)
Per Unit – basic/diluted[2]:				
FFO[1]	**$0.56/$0.56**	$0.53/$0.52	$0.03/$0.04	5.7%/7.7%
Payout Ratio:				
FFO[1]	**83.3 %**	86.9 %	(3.6)%	N/R[3]

(1) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Non-GAAP Measures" section in this MD&A.
(2) Diluted FFO is adjusted for the dilutive effect of vested deferred units, which are not dilutive for net income purposes. To calculate diluted FFO for the three months ended March 31, 2020, 948,973 vested deferred units are added back to the weighted average Units outstanding (three months ended March 31, 2019 – 906,588 vested deferred units).
(3) N/R – Not representative.

Reconciliation of ACFO

The table and analysis below illustrate a reconciliation of the Trust's cash flows provided by operating activities to ACFO for the three months ended March 31, 2020 and March 31, 2019:

(in thousands of dollars)	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019	Variance	Variance %
Cash flows provided by operating activities	**79,162**	55,863	23,299	41.7 %
Adjustments to working capital items that are not indicative of sustainable cash available for distribution[1]	**11,826**	22,258	(10,432)	(46.9)%
Notional interest capitalization[2]	**1,648**	211	1,437	N/R[4]
Expenditures on direct leasing costs and tenant incentives	**855**	1,113	(258)	(23.2)%
Expenditures on tenant incentives for properties under development	**710**	1,503	(793)	(52.8)%
Actual sustaining capital expenditures	**(603)**	(3,235)	2,632	(81.4)%
Actual sustaining leasing commissions	**(451)**	(199)	(252)	N/R[4]
Actual sustaining tenant improvements	**(442)**	(932)	490	(52.6)%
Non-cash interest expense	**(5,210)**	941	(6,151)	N/R[4]
Non-cash interest income	**2,687**	1,947	740	38.0 %
ACFO[3]	**90,182**	79,470	10,712	13.5 %
Distributions declared	**79,918**	76,716	3,202	4.2 %
Surplus of ACFO over distributions declared	**10,264**	2,754	7,510	N/R[4]
Payout Ratio:				
ACFO[3]	**88.6 %**	96.5 %	(7.9)%	(8.2)%

(1) Adjustments to working capital items include, but are not limited to, changes in prepaid expenses and deposits, accounts receivables, accounts payables and other working capital items that are not indicative of sustainable cash available for distribution.
(2) See the "Indirect interest with respect to the development portion" as presented in the "Reconciliation of FFO" subsection above for more information.
(3) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Non-GAAP Measures" section in this MD&A.
(4) N/R – Not representative

For the three months ended March 31, 2020, ACFO increased by $10.7 million or 13.5% to $90.2 million compared to the same period in 2019, which was primarily due to the items previously identified (see "Results of Operations" section).

The Payout Ratio relating to ACFO for the three months ended March 31, 2020 improved by 7.9% to 88.6% as compared to the same period in 2019, primarily as a result of items previously identified.

Distributions and ACFO Highlights

The following table is provided for historical continuity only:

(in thousands of dollars)	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019	Variance
Cash flows provided by operating activities	**79,162**	55,863	23,299
Distributions declared	**79,918**	76,716	3,202
Distributions paid	**62,497**	59,722	2,775
ACFO[(1)]	**90,182**	79,470	10,712
Surplus of ACFO over distributions declared	**10,264**	2,754	7,510
Surplus of ACFO over distributions paid	**27,685**	19,748	7,937
Shortfall of cash flows provided by operating activities over distributions declared	**(756)**	(20,853)	20,097
Surplus (shortfall) of cash flows provided by operating activities over distributions paid	**16,665**	(3,859)	20,524

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

For three months ended March 31, 2020, the $0.8 million shortfall of cash flows provided by operating activities over distributions declared was primarily due to:

- higher operating costs for the first quarter of the year as a result of seasonal anomalies such as snow removal and utility expenses; and
- higher prepaid operating costs including, but not limited to, realty tax instalment payments.

This shortfall was funded by a combination of DRIP and the Trust's operating facility.

Amounts Receivable and Other, Deferred Financing Costs, and Prepaid Expenses and Deposits

The timely collection of amounts receivable is a critical component associated with the Trust's cash and treasury management functions. The components of amounts receivable and other, deferred financing costs, and prepaid expenses and deposits, are included in the following table:

(in thousands of dollars)	**March 31, 2020**	December 31, 2019	Variance
Amounts receivable and other			
Tenant receivables	**16,360**	15,921	439
Unbilled other tenant receivables	**14,057**	7,649	6,408
Receivables from related party – excluding equity accounted investments	**9,918**	7,958	1,960
Receivables from related party – equity accounted investments	**2,196**	1,690	506
Other non-tenant receivables	**105**	1,482	(1,377)
Other	**6,451**	5,040	1,411
Allowance for expected credit loss	**(3,241)**	(3,061)	(180)
	45,846	36,679	9,167
Deferred financing costs	**1,391**	1,477	(86)
Prepaid expenses and deposits	**17,119**	5,247	11,872
	64,356	43,403	20,953

As at March 31, 2020, total amounts receivable and other, deferred financing costs, and prepaid expenses and deposits increased by $21.0 million or 48.3% as compared to December 31, 2019. This increase was primarily attributed to the following:

- $9.7 million increase in prepaid realty tax;
- $6.4 million increase in unbilled other tenant receivables;
- $2.5 million increase in other prepaid expenses and deposits; and
- $2.4 million increase in related party receivables.

The COVID-19 pandemic and related responses of governments and private sector participants has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The duration and impact of the COVID-19 pandemic and the related economic downturn, as well as the effectiveness of government, central bank and private sector responses remain unclear at this time. Therefore, it is not possible to reliably estimate the duration and magnitude of the adverse changes resulting from the pandemic and related responses on the ability of the Trust's tenants to meet their contractual rent obligations. The Trust has intensely focused on assisting its tenants that serve the communities in which it operates during

these unprecedented and challenging times. As part of these efforts, the Trust has reached out to its small independent retailers ("SIRs") that have been determined to be non-essential businesses during the COVID-19 pandemic offering support through a rent deferral program. These SIRs represent approximately 6% of the Trust's contractual rent. Tenants that operate essential businesses and national/regional tenants that have determined to be "non-essential" businesses as a result of COVID-19 represent approximately 94% of the Trust's contractual rent. Given the value-focused origins of the SmartCentres portfolio, the Trust has a strong and stable tenant base, the majority comprised of solid creditworthy essential businesses such as Walmart, Loblaws, Shoppers Drug Mart, Canadian Tire, Sobeys, Dollarama, Rexall, Home Depot, McDonald's, the LCBO, Rogers, Telus, Lowe's, Dollar Tree, BMO, CIBC, RBC, Scotiabank and TD. Walmart is the anchor in 73% of the Trust's properties, representing over 25% of the REIT's rental income. 60% of the Trust's tenant base is comprised of businesses offering essential services, which are expected to be permitted to continue to operate throughout the COVID-19 crisis, supplying local communities with everyday groceries, pharmaceuticals, general merchandise, medical assistance, banking, telecom and other essential needs.

The table below represents a summary of the Trust's portfolio, inclusive of rent collection experience for April 2020 billings as of April 30, 2020:

Category	**% of April's Expected Rent[1]**	**Collection of Expected Rent[1]**
Unenclosed Retail	92 %	72 %
Enclosed Malls	2 %	51 %
Office	2 %	97 %
Total Excluding Two Premium Outlets	**96 %**	**72 %**
Two Premium Outlets	4 %	18 %

(1) Expected rent represents contracted rent for the month less rent deferrals offered to and accepted by the Trust's small independent retailers. Excluding the two outlet centres, 69% of all contracted rent for April was collected, and may not be indicative of rent collections in future months.

The Trust continues to monitor rent collections from its portfolio of tenants and as at March 31, 2020 has reflected appropriate provisions for amounts outstanding as at that date. Because the Trust continues to discuss payment arrangements with those tenants who, as a result of circumstances related to the COVID-19 pandemic, have not paid their April 2020 contractual rents, the quantum of potential provisions for expected credit losses is uncertain at this time, and additional provisions for credit losses may be required once additional information is available in the future.

Mortgages, Loans and Notes Receivable, and Interest Income

The following table summarizes mortgages, loans and notes receivable as at March 31, 2020 and December 31, 2019:

(in thousands of dollars)	**March 31, 2020**	December 31, 2019	Variance
Mortgages, loans and notes receivable			
Mortgages receivable (Mezzanine Financing)	**140,632**	138,762	1,870
Loans receivable[(1)]	**217,432**	131,119	86,313
Notes receivable	**2,979**	2,979	—
	361,043	272,860	88,183

(1) Includes $78.3 million amount due from Penguin, see Loans Receivable.

Mortgages Receivable (Mezzanine Financing)

In addition to direct property acquisitions, the Trust has provided Mezzanine Financing to Penguin (see also, "Related Party Transactions" section) on terms that include an option to acquire an interest in the mortgaged property once a certain level of development and leasing is achieved. As at March 31, 2020, the Trust had total commitments of $279.2 million to fund mortgages receivable under this program. Five mortgages have an option entitling the Trust to acquire an additional interest in the property upon a certain level of development and leasing being achieved, with the acquisition price calculated pursuant to an agreed-upon formula, based on a market capitalization rate at the time the option is exercised. The properties under the Mezzanine Financing have 0.7 million potential square feet available (discussed in "Properties Under Development"). If the specified level of development and leasing is not achieved prior to the maturity date of the loan and the loan is repaid, then the option terminates. However, in some circumstances the Trust has permitted certain of those loans to be extended. If an applicable property is to be sold prior to the maturity date of the loan and prior to the applicable option being triggered, then the Trust has a right of first refusal with respect to such sale.

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

(in thousands of dollars) Property	Amount Outstanding ($)	Committed ($)	Amount Guaranteed by Penguin ($)	Maturity Date	Interest Rate at Period End	Purchase Option % of Property[1]	Potential Area Upon Exercising Purchase Option (sq. ft.)
Salmon Arm, BC[2][3]	15,183	19,719	15,183	October 2020	4.85 %	— %	—
Innisfil, ON[2][4]	21,290	26,257	7,711	December 2020	6.75 %	— %	—
Aurora (South), ON	17,211	30,543	17,211	March 2022	4.68 %	50 %	142,590
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	29,775	68,664	29,775	November 2023	5.09 %	50 %	36,950
Vaughan (7 & 427), ON	18,063	52,277	18,063	December 2023	5.47 %	50 %	151,015
Caledon (Mayfield), ON	10,071	14,033	10,071	April 2024	4.95 %	50 %	101,865
Toronto (StudioCentre), ON[2]	29,039	43,759	29,039	June 2024	4.92 %	25 %	227,831
	140,632	279,235	127,053		5.27%[7]		660,251

(1) The Trust has a purchase option from the borrower in these properties upon a certain level of development and leasing being achieved. As at March 31, 2020, 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) The maturity date for this loan was extended from April 2020 to October 2020. 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) The interest rate on this mortgage is 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%.
(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 $112.1 million (December 31, 2019 – $110.6 million), and (ii) at fixed rates of 6.35% to 7.50% on mortgages receivable of $28.5 million (December 31, 2019 – $28.2 million) which is added to the outstanding principal up to a predetermined maximum accrual after which it is payable in cash monthly or quarterly. Additional interest of $61.7 million (December 31, 2019 – $63.6 million) 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, $127.1 million (December 31, 2019 – $125.5 million) of the outstanding balance is guaranteed by Penguin. The loans are subject to individual loan guarantee agreements that provide additional guarantees for all interest and principal advanced on outstanding amounts. The guarantees decrease on achievement of certain specified value-enhancing events. All mortgages receivable are considered by management to be fully collectible.

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

(in thousands of dollars)	Mortgages (#)	Repayments of outstanding balances ($)
2020	2	36,473
2022	3	17,211
2023	2	47,838
2024	2	39,110
	9	140,632

The following table illustrates the interest accrued and repayments for the three months ended March 31, 2020 and March 31, 2019:

(in thousands of dollars)	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Balance – beginning of period	**138,762**	134,221
Interest accrued	**1,870**	1,850
Balance – end of period	**140,632**	136,071

Loans Receivable

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

(in thousands of dollars)	**Committed**	**Maturity Date**	**Interest Rate**	**March 31, 2020**	December 31, 2019
Issued to:					
Unrelated party[(1)]	**N/A**	November 2020	6.25%	**9,804**	9,804
Penguin[(2)]	**19,148**	November 2020	Variable	**10,446**	10,215
Penguin[(3)]	**26,227**	June 2021	Variable	**14,291**	14,173
PCVP[(4)]	**N/A**	June 2021	2.76%	**93,063**	92,427
Unrelated party[(5)]	**16,500**	September 2024	Variable	**4,590**	4,500
Unrelated party[(6)]	**8,250**	January 2025	Variable	**6,952**	—
Penguin[(7)]	**N/A**	January 2030	Interest-free	**78,286**	—
	70,125			**217,432**	131,119

(1) In 2017, a loan receivable of $9.8 million 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 $19.1 million. Repayment of the pro rata share of the outstanding loan amount is due upon the completion of each Earnout event. The loan bears interest at 10 basis points plus the lower of: (i) the Canadian prime rate plus 45 basis points, and (ii) the Canadian Dealer 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 $13.2 million and a non-revolving construction facility of $13.0 million, which combine for a total loan facility of $26.2 million, bearing interest accruing at a fixed rate of 2.76% 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 $90.6 million, 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 unaudited interim condensed consolidated financial statements three months ended March 31, 2020.

(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 for a non-revolving term acquisition credit facility of $4.5 million, a $2.0 million non-revolving term pre-development credit facility, and a $10.0 million non-revolving term construction credit facility, which combine for a total loan facility of $16.5 million. 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.

(6) In January 2020, the Trust entered into a loan agreement with an unrelated party, Greenwin, whereby the Trust assisted Greenwin to fund its 25% interest in development lands in Toronto, Ontario (see also Note 6, "Equity Accounted Investments") for a non-revolving term acquisition credit facility of $7.0 million, a non-revolving term pre-development credit facility of $1.3 million, and a non-revolving put exercise credit facility in an amount equal to the put purchase price plus any associated closing costs at the time of exercise. The loan security includes a first charge on the development lands and is guaranteed by Greenwin. This loan will mature in January 2025, 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.

(7) This loan receivable relates to the acquisition of a parcel of land in Vaughan, Ontario through PCVP in December 2019 ("700 Applewood purchase"). In March 2020, the Trust assumed this loan receivable from Penguin in regards to the PCVP. The loan has a principal amount outstanding of $108.7 million, is non-interest bearing, and is repayable at the end of 10 years. As at March 31, 2020, the loan balance of $78.3 million is net of a fair value adjustment totalling $30.4 million. See also unaudited interim condensed consolidated financial statements Note.11.b.iii) reflecting the offsetting loan payable amount.

The following table illustrates the activity in loans receivable for the three months ended March 31, 2020 and March 31, 2019:

(in thousands of dollars)	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Balance – beginning of period	**131,119**	19,949
Loans issued[(1)]	**85,238**	13,226
Advances	**259**	134
Interest accrued	**816**	98
Balance – end of period	**217,432**	33,407

(1) Includes $78.3 million amount due from Penguin, see footnote (7) above.

Notes Receivable

Notes receivable of $3.0 million (December 31, 2019 – $3.0 million) have been granted to Penguin (see also, "Related Party Transactions" section). These secured demand notes bear interest at 9.00% per annum.

Interest Income

The following table summarizes the components of interest income for the three months ended March 31, 2020 and March 31, 2019:

(in thousands of dollars)	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019	Variance
Interest income			
Mortgage interest	**1,870**	1,848	22
Loan interest	**1,140**	232	908
Note receivable interest	**66**	66	—
Bank interest	**203**	313	(110)
	3,279	2,459	820

For the three months ended March 31, 2020, interest income increased by $0.8 million as compared to the three months ended March 31, 2018. This increase was primarily due to the $0.9 million increase in loan interest, which was attributed to the increase in the average loan balance outstanding between both periods.

General and Administrative Expense

The following summarizes general and administrative expense before allocation, general and administrative expense, net (as presented in the unaudited interim condensed consolidated statements of income and comprehensive income), general and administrative expense excluding internal leasing expense, and general and administrative expense, net as a percentage of rental from investment properties, for the three months ended March 31, 2020 and March 31, 2019:

(in thousands of dollars)	Note[1]		**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019	Variance
Salaries and benefits			**13,291**	13,579	(288)
Master planning services fee – by Penguin	21		**1,750**	3,850	(2,100)
Professional fees			**1,379**	1,107	272
Public company costs			**698**	623	75
Rent and occupancy			**665**	612	53
Amortization of intangible assets	8		**333**	333	—
Other costs including information technology, marketing, communications and other employee expenses			**1,510**	1,297	213
Total general and administrative expense before allocation		**(A)**	**19,626**	21,401	(1,775)
Less:					
Allocated to property operating costs			**(3,970)**	(3,828)	(142)
Capitalized to properties under development and other assets			**(7,333)**	(8,328)	995
Total amounts allocated and capitalized		**(B)**	**(11,303)**	(12,156)	853
Transition services charged to Penguin	21		**(500)**	(750)	250
Time billings, leasing, management fees, development fees and other fees	21		**(1,999)**	(1,797)	(202)
Shared service costs charged to Penguin	21		**(210)**	(336)	126
Total amounts charged		**(C)**	**(2,709)**	(2,883)	174
Total amounts allocated, capitalized and charged		**(D = B + C)**	**(14,012)**	(15,039)	1,027
General and administrative expense (net)		**(E = A + D)**	**5,614**	6,362	(748)
Less:					
Salaries and related costs attributed to leasing activities[2]		**(F)**	**(1,609)**	(1,566)	(43)
General and administrative expense excluding internal leasing expense		**(G = E + F)**	**4,005**	4,796	(791)
As a percentage of rentals from investment properties					
General and administrative expense (net)		**(E)**	**5,614**	6,362	(748)
Rental revenue from investment properties including rental revenue from equity accounted investments		**(H)**	**208,735**	207,227	1,508
		(I = E / H)	**2.7%**	3.1%	(0.4)%

(1) The Note reference relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020.
(2) Salaries and related costs attributed to leasing activities of $1.6 million were incurred in the three months ended March 31, 2020 (three months ended March 31, 2019 – $1.6 million) and were eligible to be added back to FFO based on the definition of FFO, in the REALpac White Paper published in February 2019, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between Canadian publicly traded real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

Total general and administrative expense before allocation

For the three months ended March 31, 2020, total general and administrative expense before allocation was $19.6 million, representing a decrease of $1.8 million or 8.4% as compared to the same period in 2019. This decrease can be attributed primarily to:

- $2.1 million decrease in Master planning services fee, as a result of additional Master planning services fee being accrued in the three months ended March 31, 2019;

Partially offset by:

- $0.3 million increase in other costs including information technology, marketing, communications and other employee expenses.

Total amounts allocated, capitalized and charged

Total amounts allocated, capitalized and charged to Penguin and third parties of $14.0 million decreased by $1.0 million or 6.7% for the three months ended March 31, 2020 as compared to the same period in 2019. This decrease can be attributed primarily to:

- $0.7 million decrease in amounts capitalized to Properties Under Development ("PUD") and other assets, as a result of development completions; and
- $0.4 million decrease in transition services charged to Penguin.

Earnouts and Developments Completed on Existing Properties

For the three months ended March 31, 2020, $9.3 million of Earnouts and Developments (including Developments relating to equity accounted investments) were completed and transferred to income properties, as compared to $30.7 million in the same period in 2019.

	Three months ended March 31, 2020			Three months ended March 31, 2019		
	Area (sq. ft.)	**Investment ($ millions)**	**Annualized Yield (%)**	Area (sq. ft.)	Investment ($ millions)	Annualized Yield (%)
Earnouts	**1,936**	**0.6**	**7.6 %**	14,980	6.3	6.9 %
Developments	**23,388**	**8.7**	**5.5 %**	71,634	21.4	5.8 %
Developments – equity accounted investments	**—**	**—**	**— %**	5,222	3.0	6.0 %
	25,324	**9.3**	**5.7 %**	91,836	30.7	6.0 %

The annualized yield represents the estimated annualized rate of return on the investments related to the completed Earnouts and Developments on existing properties (including Developments relating to equity accounted investments). It is calculated by dividing the aggregate anticipated NOI from these Earnouts and Developments by the total investment costs incurred to bring these Earnouts and Developments to their intended status. Management believes this annualized yield is a higher return than would otherwise typically be available through acquisitions in the open market.

Maintenance of Productive Capacity

Differentiating between those costs incurred to achieve the Trust's longer term goals to produce increased cash flows and Unit distributions, and those costs incurred to maintain the level and quality of the Trust's existing cash flows is key in the Trust's consideration of capital expenditures. Acquisitions of investment properties and the development of new and existing investment properties (Developments and Earnouts) are the two main areas of capital expenditures that are associated with increasing or enhancing the productive capacity of the Trust. In addition, there are capital expenditures incurred on existing investment properties to maintain the productive capacity of the Trust ("sustaining capital expenditures").

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

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

(in thousands of dollars, except per Unit amounts)	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019	Variance
Adjusted salaries and related costs attributed to leasing	**1,609**	1,566	43
Actual sustaining leasing commissions	**451**	199	252
Actual sustaining tenant improvements	**442**	932	(490)
Total actual sustaining leasing and related costs	**2,502**	2,697	(195)
Actual sustaining capital expenditures (recoverable and non-recoverable)	**603**	3,235	(2,632)
Total actual sustaining leasing costs and capital expenditures	**3,105**	5,932	(2,827)
Per Unit – diluted	**$0.02**	$0.04	-$0.02

For the three months ended March 31, 2020, the total sustaining leasing costs and capital expenditures were $3.1 million, as compared to $5.9 million in the same period in 2019, representing a net decrease of $2.8 million. This net decrease is primarily due to the following:

- $2.6 million decrease in both recoverable and non-recoverable capital expenditures which primarily relate to the costs associated with parking lot resurfacing, roof replacement, paving and HVAC improvements. These capital expenditures were incurred to sustain rental revenue from income properties and may vary widely from period to period and from year to year; and
- $0.2 million net decrease in leasing and related costs.

Investment Properties

The portfolio consists of 34.2 million square feet of gross leasable area and 2.8 million square feet of future potential gross leasable area in 166 properties and the option to acquire a 50.0% interest in four investment properties and 25.0% interest in another investment property (0.7 million square feet) on their completion pursuant to the terms of Mezzanine Financing. The portfolio is located across Canada, with assets in each of the 10 provinces. By selecting well-located centres, the Trust attracts quality tenants at market rental rates.

The following table summarizes the changes in values of investment properties including the Trust's proportionate share of equity accounted investments for the three months ended March 31, 2020 and the year ended December 31, 2019:

	March 31, 2020			December 31, 2019		
(in thousands of dollars)	**Income Properties**	**Properties Under Development**	**Total Investment Properties**	Income Properties	Properties Under Development	Total Investment Properties
Investment properties						
Balance – beginning of period	**8,488,669**	**561,397**	**9,050,066**	8,404,513	500,544	8,905,057
Acquisition, and related adjustments, of investment properties	**—**	**—**	**—**	1,641	16,752	18,393
Transfer to income properties from properties under development	**8,954**	**(8,954)**	**—**	66,306	(66,306)	—
Transfer from income properties to properties under development	**(23,600)**	**23,600**	**—**	(43,400)	43,400	—
Earnout Fees on properties subject to development management agreements	**291**	**—**	**291**	5,311	—	5,311
Capital expenditures	**605**	**—**	**605**	17,665	—	17,665
Leasing costs	**451**	**—**	**451**	1,789	—	1,789
Development expenditures	**—**	**12,972**	**12,972**	—	69,387	69,387
Capitalized interest	**—**	**4,533**	**4,533**	—	18,956	18,956
Dispositions	**—**	**—**	**—**	(95)	(15,868)	(15,963)
Net additions	**(13,299)**	**32,151**	**18,852**	49,217	66,321	115,538
Fair value adjustment on revaluation of investment properties	**(64,158)**	**776**	**(63,382)**	34,939	(5,468)	29,471
Balance – end of period	**8,411,212**	**594,324**	**9,005,536**	8,488,669	561,397	9,050,066
Investment properties classified as equity accounted investments (Non-GAAP)						
Balance – beginning of period	**186,204**	**230,231**	**416,435**	137,328	112,790	250,118
Acquisitions	**—**	**48,003**	**48,003**	17,852	111,399	129,251
Transfer to income properties from properties under development	**24**	**(24)**	**—**	30,844	(30,844)	—
Capital expenditures	**15**	**—**	**15**	835	—	835
Development expenditures	**—**	**12,844**	**12,844**	—	64,949	64,949
Capitalized interest	**—**	**226**	**226**	—	1,073	1,073
Dispositions	**—**	**—**	**—**	—	(29,154)	(29,154)
Net additions	**39**	**61,049**	**61,088**	49,531	117,423	166,954
Fair value adjustment on revaluation of investment properties	**2,570**	**254**	**2,824**	(655)	18	(637)
Balance – end of period	**188,813**	**291,534**	**480,347**	186,204	230,231	416,435
Total balance (including investment properties classified as equity accounted investments) – end of period	**8,600,025**	**885,858**	**9,485,883**	8,674,873	791,628	9,466,501

Valuation Methodology

From April 1, 2017 to March 31, 2020, the Trust has had approximately 63.8% (by value) or 54.7% (by number of properties) of its operating portfolio appraised externally by independent national real estate appraisal firms with representation and expertise across Canada.

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

The remaining portfolio is valued internally by management utilizing valuation methodologies that are consistent with the external appraisals. Management performed these valuations by updating cash flow information reflecting current leases, renewal terms and market rents and applying updated discount rates determined, in part, through consultation with the external appraisers and available market data. The fair value of properties under development reflects the impact of development agreements (see Note 4 in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020 for further discussion).

Fair values were primarily determined through the income approach. For each property, the valuation methodology was conducted and reliance placed upon: (a) a direct capitalization method, which is an estimate of the relationship between value and stabilized income, and (b) a discounted cash flow method, which is an estimate of the present value of future cash flows over a specified horizon, including the potential proceeds from a deemed disposition. For the three months ended March 31, 2020, the Trust changed its valuation technique as it believes that the discounted cash flow valuation technique represents the Trust's estimate of fair values of income properties based on expectations of changes in rental rates, occupancy rates, lease renewal rates, downtime on lease expiries, among others, as a result of the impact of COVID-19.

For the three months ended March 31, 2020, investment properties (including properties under development), as recorded in the Trust's unaudited interim condensed consolidated financial statements, with a total carrying value of $1,738.0 million (December 31, 2019 – $1,737.6 million) were valued using discount rates provided by external national appraisers, and investment properties with a total carrying value of $7,267.5 million (December 31, 2019 – $7,312.5 million) were valued internally by the Trust. Based on these valuations, the weighted average discount rate on the Trust's income properties portfolio as at March 31, 2020 was 6.48% (weighted average stabilized capitalization rate for December 31, 2019 – 5.79%). As a result of the change in valuation technique used, the rates are not directly comparable, and the weighted average stabilized capitalization rate for March 31, 2020 would have been 5.80%, representing virtually no change, absent the change in valuation method.

The following table summarizes the discount/capitalization rates used along with corresponding fair values for the three months ended March 31, 2020 and year ended December 31, 2019:

			March 31, 2020			
			Terminal Capitalization Rate		Discount Rate	
Class	**Valuation Technique**	**Carrying Value**	**Weighted Average**	**Range**	**Weighted Average**	**Range**
Income properties	Discounted cash flow	**8,411,212**	**5.96 %**	**4.25%–7.79%**	**6.48 %**	**4.65%–8.54%**

Class	**Valuation Technique**	**Carrying Value**	**Total Stabilized or Forecasted NOI**	**Range of Capitalization Rates**	**Weighted Average Capitalization Rate**
Properties under development	Direct income capitalization	**508,396**	**33,049**	**5.99%–7.01%**	**6.50%**
	Sales comparison	**85,928**	**N/A**	**N/A**	**N/A**
		594,324			
Balance – end of period		**9,005,536**			

		December 31, 2019			
Class	Valuation Technique	Carrying Value	Total Stabilized or Forecasted NOI	Range of Capitalization 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			

In light of the outbreak of COVID-19, the effect of the virus on the real estate market, both in duration and in scale is uncertain. However, given the dynamic environment and the Trust's income properties portfolio, management has re-assessed the valuation of certain properties based on expectations of COVID-19's impact on the Trust's continued ability to lease and generate net operating income in the foreseeable future. This effort has resulted in a fair value adjustment on revaluation of investment properties (loss) of $63.4 million for the three months ended March 31, 2020, and may result in further losses in the near term depending on the development of the outbreak and length of time it takes for the real estate market to make a full recovery.

Acquisitions of Investment Properties

Acquisition completed through Smart Balliol LP in the period ended March 31, 2020

In January 2020, the Trust, together with its partner Greenwin, acquired a 75% interest in a parcel of land through a joint venture, Balliol/Pailton LP, totalling 1.1 acres in Toronto, Ontario with the intention of developing a 30-storey apartment community, for a purchase price of $48.0 million.

Retail Properties Under Development

As at March 31, 2020, the fair value of properties under development including properties under development recorded in equity accounted investments totalled $885.9 million as compared to $791.6 million at December 31, 2019, resulting in a net increase of $94.2 million (for details on the factors influencing this change, see the "Investment Properties" section), presented in the table as follows:

(in thousands of dollars)	**March 31, 2020**	December 31, 2019	Variance
Developments	**543,704**	513,034	30,670
Earnouts subject to option agreements[1]	**50,620**	48,363	2,257
Total	**594,324**	561,397	32,927
Equity accounted investments	**291,534**	230,231	61,303
Total including equity accounted investments (Non-GAAP)	**885,858**	791,628	94,230

(1) Earnout development costs during the development period are paid by the Trust and funded through interest-bearing secured debt provided by the vendors to the Trust. On completion of the development and the commencement of lease payments by a tenant, the Earnouts will be acquired from the vendors based on predetermined or formula-based capitalization rates ranging from 6.00% to 7.40%, net of land and development costs incurred. Penguin has contractual options to acquire Trust Units and LP Units on completion of Earnouts as shown in Note 13(b) of the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020.

Future Retail Developments, Earnouts and Mezzanine Financing

Total future Retail Developments, Earnouts and Mezzanine Financing could increase the existing Trust portfolio by an additional 3.5 million square feet. With respect to the future pipeline, commitments have been negotiated on 0.3 million square feet.

The following table summarizes the expected potential future retail pipeline in properties under development as at March 31, 2020:

(in thousands of square feet)	**Committed**	**Years 0–2**	**Years 3–5**	**Beyond Year 5**	**Total[1]**
Developments	248	1,259	619	467	**2,593**
Earnouts	32	143	62	—	**237**
	280	1,402	681	467	**2,830**
Mezzanine Financing	—	143	517	—	**660**
	280	1,545	1,198	467	**3,490**

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

During the three months ended March 31, 2020, the future retail properties under development pipeline increased by 0.2 million square feet to a total of 2.8 million square feet. The change is summarized in the following table:

(in thousands of square feet)	**Total Area**
Future retail properties under development pipeline – January 1, 2020	2,593
Add:	
Properties transferred from investment properties to properties under development	190
Less:	
Net adjustment to project densities	72
Completion of Earnouts and Developments	(25)
Net change	237
Future retail properties under development pipeline – March 31, 2020	**2,830**

Committed Retail Pipeline

The following table summarizes the committed investment by the Trust in retail properties under development as at March 31, 2020:

(in thousands of dollars)	**Square Feet (in thousands)**	**Total Cost**	**Costs Incurred**	**Estimated Future Development Costs**
Developments	248	81,000	27,000	**54,000**
Earnouts	32	12,000	5,000	**7,000**
	280	93,000	32,000	**61,000**

The completion of these committed Earnouts and Developments as currently scheduled is expected to have an average estimated yield of 5.0% in 2020 and 6.6% in 2021.

Uncommitted Retail Pipeline

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

(in thousands of dollars)	Years 0–2	Years 3–5	Beyond Year 5	Total Cost	Costs Incurred[1]	Future Development Costs
Developments	377,000	216,000	165,000	758,000	335,000	423,000
Earnouts	46,000	15,000	—	61,000	4,000	57,000
	423,000	231,000	165,000	819,000	339,000	480,000

(1) Properties under development totalled $885.9 million (including equity accounted investments of $174.1 million) which primarily consists of costs of $339.0 million in the uncommitted pipeline, costs of $32.0 million in the committed pipeline, costs of $162.1 million in potential land/parcel sales and costs of $291.5 million of future development land recorded in equity accounted investments plus $60.7 million of non-cash development costs relating to future land development and cumulative fair value loss on revaluation of properties under development.

Approximately 7.8% of the retail properties under development – representing a proportion of gross investment cost (committed and uncommitted) relating to Earnouts ($66.0 million, divided by total potential future development pipeline of $851.0 million) – representing 237,000 square feet are lands that are under contract by vendors to develop and lease to third parties for additional proceeds when developed. In certain events, the developer may sell the portion of undeveloped land to accommodate the construction plan that provides the best use of the property. It is management's intention to finance the costs of construction through interim financing or operating facilities and, once rental revenue is stabilized, long-term financing will be arranged. With respect to the remaining gross leasable area, it is expected that 2.6 million square feet of future space will be developed as the Trust leases space and finances the related construction costs.

Residential Development Inventory

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

The following table summarizes the activity in residential development inventory for the three months ended March 31, 2020 and year ended December 31, 2019:

(in thousands of dollars)	March 31, 2020	December 31, 2019
Balance – beginning of period	**24,564**	23,429
Development costs	**109**	207
Capitalized interest	**228**	928
Balance – end of period	**24,901**	24,564

Equity Accounted Investments

The following table summarizes key components relating to the Trust's equity accounted investments for the three months ended March 31, 2020 and for the year ended December 31, 2019:

	March 31, 2020			December 31, 2019		
	Investment in Associates	**Investment in Joint Ventures**	**Total**	Investment in Associates	Investment in Joint Ventures	Total
Investment – beginning of period	**294,499**	**50,877**	**345,376**	116,284	30,022	146,306
Operating Activities:						
Earnings	**4,284**	**414**	**4,698**	5,981	658	6,639
Distributions from operations	**(500)**	**(144)**	**(644)**	(6,621)	(576)	(7,197)
Financing Activities:						
Fair value adjustment on loan	**1,130**	**—**	**1,130**	(28,356)	—	(28,356)
Loan Repayment	**(500)**	**—**	**(500)**	—	—	—
Investing Activities:						
Cash contribution	**796**	**3,242**	**4,038**	115,581	6,296	121,877
Property contribution	**—**	**—**	**—**	—	5,260	5,260
Acquisition and related costs[1]	**(2,181)**	**48,956**	**46,775**	123,608	9,217	132,825
Distributions from development activities	**—**	**(1,150)**	**(1,150)**	(31,978)	—	(31,978)
Investment – end of period	**297,528**	**102,195**	**399,723**	294,499	50,877	345,376

(1) Represents the contribution of funds to acquire an interest in equity accounted investments.

Investment in associates

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

	Principal Intended Activity	**March 31, 2020**	December 31, 2019	March 31, 2019
PCVP	Own, develop and operate investment properties	**50 %**	50 %	50 %
Residences LP	Own, develop and sell two residential condominium towers (Transit City 1 and 2)	**25 %**	25 %	25 %
Residences III LP	Own, develop and sell a residential condominium tower (Transit City 3)	**25 %**	25 %	25 %
East Block Residences LP	Own, develop and sell two residential condominium towers (Transit City 4 and 5)	**25 %**	25 %	25 %

In 2012, the Trust entered into the PCVP with Penguin (see also Note 21, "Related party transactions", in the Trust's consolidated financial statements) to develop SmartVMC, which is expected to consist of approximately 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 the "VMC Residences".

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 $109.2 million paid in cash, adjusted for other working capital amounts.

Investment in Joint Ventures

The following table summarizes the Trust's ownership interest in investments in joint ventures grouped by their principal intended activities as reflected in the Trust's unaudited interim condensed consolidated financial statements:

		March 31, 2020		December 31, 2019	
Business Focus	Joint Venture Partner	**Number of Investments**	**Ownership Interest**	Number of Investments	Ownership Interest
Retail investment properties	Fieldgate	**1**	**30 %**	1	30 %
Joint Venture: 1500 Dundas East LP					
Self-storage facilities	SmartStop	**6**	**50 %**	5	50 %
Joint Ventures: Leaside SAM LP, Oshawa South Self Storage LP, Bramport SAM LP, Vaughan NW SAM LP, Dupont Self Storage LP and Aurora Self Storage LP					
Seniors' apartments	Revera	**1**	**50 %**	1	50 %
Joint Ventures: Vaughan NW SA Propco LP					
Retirement residences	Revera	**6**	**50 %**	4	50 %
Joint Ventures: Vaughan NW RR Propco LP, Vaughan NW RR Opco LP, Hopedale RR Propco LP, Hopedale RR Opco LP, Ottawa SW Propco LP and Ottawa SW Opco LP					
Residential apartments	Jadco	**1**	**50 %**	1	50 %
Joint Venture: Laval C Apartments LP					
Residential apartments	Greenwin	**1**	**75 %**	—	N/A
Joint Venture: Balliol/Pailton LP					
Total		**16**		12	

Acquisition completed through Smart Balliol LP in the period ended March 31, 2020

In January 2020, the Trust, together with its partner Greenwin, acquired a 75% interest in a parcel of land through a joint venture, Balliol/Pailton LP, totalling 1.1 acres in Toronto, Ontario with the intention of developing a 30-storey apartment community, for a purchase price of $48.0 million.

Related Party Transactions

Pursuant to the Declaration of Trust, provided certain thresholds are met, until July 1, 2020, Penguin is entitled to have a minimum of 25.0% of the votes eligible to be cast at any meeting of Unitholders (the "Voting Top-Up Right"). Pursuant to the Voting Top-Up Right, the Trust has issued additional special voting Units of the Trust ("Special Voting Units") to Penguin each year to increase its voting rights to 25.0% in advance of annual meetings of Unitholders. The total number of Special Voting Units is adjusted for each meeting of the Unitholders based on changes in Penguin's ownership interest. As a result, in connection with the 2019 annual general meeting of Unitholders that occurred on May 31, 2019, the Trust issued 2,940,452 additional Special Voting Units ("Additional Special Voting Units"). These Additional Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust; nor are they convertible into any securities of the Trust. There is no value assigned to the Special Voting Units. The Voting Top-Up Right is more particularly described in the Trust's annual information form for the year ended December 31, 2019, which is filed on SEDAR. As at March 31, 2020, Penguin owned 20.8% of the aggregate issued and outstanding Trust Units in addition to the Special Voting Units noted above. The 20.8% ownership would increase to 24.8% if Penguin exercised all remaining options to purchase Units pursuant to existing development and exchange agreements (Earnouts). In addition, the Trust has entered into property management, leasing, development and exchange, and co-ownership agreements with Penguin. Pursuant to its rights under the Declaration of Trust, as at March 31, 2020, Penguin has appointed two trustees out of eight.

The Trust has entered into contracts and other arrangements with Penguin on a cost-sharing basis for administrative services and on market terms for leasing and development services and premises rent.

The Trust earns interest on funds advanced and opportunity fees related to prepaid land held for development at rates negotiated at the time the Trust acquires retail centres from Penguin.

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

1) Pursuant to the Development and Services Agreement, the Trust and certain subsidiary limited partnerships of the Trust provide the following services to Penguin over a five-year term with automatic five-year renewal periods thereafter:
    a. Construction management services and leasing services are provided, at the discretion of Penguin, with respect to certain of Penguin's properties under development for a market-based fee based on construction costs incurred. Fees for leasing services, requested at the discretion of Penguin, are based on various rates that approximate market rates, depending on the term and nature of the lease. In addition, management fees are provided for a market-based fee based on rental revenue.

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

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

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

In addition to related party transactions and balances disclosed in the Trust's unaudited interim condensed consolidated financial statements (including Note 3 referring to the purchase of Earnouts, Note 4(c) referring to Leasehold property interests, Note 5 referring to Mortgages, loans and notes receivable, Note 6(a)(ii) referring to a Supplemental Development Fee Agreement, and Note 17 referring to Rentals from investment properties and other), the following 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.

(in thousands of dollars)	Note[1]	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Related party transactions with Penguin			
Revenues:			
Service and other revenues:			
Transition services fee revenue		**500**	750
Management fee and other services revenue pursuant to the Development and Services Agreement		**1,674**	1,251
Support services		**210**	201
	17	**2,384**	2,202
Interest income from mortgages and loans receivable		**2,118**	2,014
Head lease rents and operating cost recoveries included in head lease rentals from income properties		**223**	235
		4,725	4,451
Expenses and other payments:			
Master planning services:			
Capitalized to properties under development	19	**1,750**	3,850
Development fees and interest expense (capitalized to investment properties)		**10**	11
Opportunity fees (capitalized to properties under development)[2]		**731**	684
Rent and operating costs (included in general and administrative expense and property operating costs)		**—**	464
Marketing, time billings and other administrative costs (included in general and administrative expense and property operating costs)		**12**	31
		2,503	5,040
Related party transactions with PCVP			
Revenues:			
Interest income from mortgages and loans receivable		**635**	—
Expenses and other payments:			
Rent and operating costs (included in general and administrative expense and property operating costs)		**651**	—

(1) Relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020.
(2) These amounts include prepaid land costs that will offset the purchase price of future Earnouts.

(in thousands of dollars)	Note[1]	**March 31, 2020**	December 31, 2019
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable[2]	10	**9,918**	7,958
Mortgages receivable	5(a)	**140,632**	138,762
Loans receivable	5(b)	**103,023**	24,388
Notes receivable	5(c)	**2,979**	2,979
Total receivables		**256,552**	174,087
Payables and other accruals:			
Accounts payable	12	**10,780**	8,893
Future land development obligation	12	**23,993**	27,074
Secured debt		**—**	318
Total payables and other accruals		**34,773**	36,285

(1) The Note reference relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020.
(2) Excludes amounts receivable presented below as part of balances with equity accounted investments.

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

(in thousands of dollars)	Note[1]	**March 31, 2020**	December 31, 2019
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable[2]		**2,196**	1,690
Loans receivable[3]	5(b)	**93,063**	92,427
Amounts payable[4]		**2,604**	2,024
Other unsecured debt	11(b)(iii)	**161,992**	83,296

(1) The Note reference relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020.
(2) Amounts receivable includes Penguin's portion, which represents $1.1 million (December 31, 2019 – $0.8 million) relating to Penguin's 50% investment in the PCVP and 25% investment in VMC Residences.
(3) Loans receivable includes Penguin's portion, which represents $46.5 million (December 31, 2019 – $46.2 million) relating to Penguin's 50% investment in the PCVP.
(4) Amounts payable includes Penguin's portion, which represents $1.3 million (December 31, 2019 – $1.0 million) relating to Penguin's 50% investment in the PCVP.

Mortgages receivable

As at March 31, 2020, the weighted average interest rate associated with mortgages receivable from Penguin was 5.27% (December 31, 2019 – 5.38%) (see also Note 5, "Mortgages, loans and notes receivable" in the Trust's unaudited interim condensed consolidated financial statements).

Future land development obligations

The future land development obligations represent payments required to be made to Penguin for certain undeveloped lands acquired 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 from 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", in the Trust's unaudited interim condensed consolidated financial statements).

Leasehold interest properties

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

Other related party transactions:

The following table summarizes other related party transactions for the three months ended March 31, 2020 and March 31, 2019:

(in thousands of dollars)	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Legal fees paid to a law firm in which a partner is a Trustee:		
Capitalized to investment properties	**485**	1,317
Included in general and administrative expense	**70**	296
	555	1,613

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 $109.2 million paid in cash, adjusted for other working capital amounts.

Capital Resources and Liquidity

In addition to the items noted below, please see the "Risks and Uncertainties" section in this MD&A pertaining to the potential impact of the COVID-19 pandemic.

As at March 31, 2020 and December 31, 2019, the Trust's capital resources available are presented in the following table:

(in thousands of dollars)	**March 31, 2020**	December 31, 2019	Variance
Cash and cash equivalents	**439,465**	55,374	384,091
Remaining operating facility	**31,291**	491,156	(459,865)
	470,756	546,530	(75,774)

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

As at March 31, 2020, the Trust's cash and cash equivalents increased by $384.1 million as compared to December 31, 2019, which is primarily due to the following:

- $460.0 million relating to the additional draws on the Trust's revolving operating facility to provide liquidity; and
- $79.2 million of cash provided by operating activities;

Partially offset by the following:

- $73.5 million representing net additions to investing activities including investment properties, equity accounted investments (includes Balliol acquisition of $48.0 million), and Earnouts;
- $62.5 million of distributions paid on Trust Units, non-controlling interests and Units classified as liabilities;
- $11.9 million net debt repayment; and
- $7.2 million relating to advances of mortgages and loans receivable.

The Trust manages its cash flow from operating activities by maintaining a target debt level. The debt to gross book value, as defined in the Declaration of Trust, as at March 31, 2020 is 49.7% (December 31, 2019 – 49.0%) Including the Trust's capital resources as at March 31, 2020, the Trust could invest an additional $1,251.1 million (December 31, 2019 – $1,197.7 million) in new investments and remain at the midpoint of the Trust's target debt to gross book value range of 55% to 60%.

The following table represents the Trust's net working capital deficiency as at March 31, 2020 and December 31, 2019:

(in thousands of dollars)	**March 31, 2020**	December 31, 2019
Current assets	**585,445**	179,294
Less: Current liabilities	**(846,012)**	(332,988)
Working capital deficiency	**(260,567)**	(153,694)
Less: Current portion of debt (excludes $460.0 million revolving operating facility)	**(159,924)**	(115,385)
Net working capital deficiency	**(100,643)**	(38,309)

As at March 31, 2020 the Trust experienced a working capital deficiency of $260.6 million (December 31, 2019 – $153.7 million). This deficiency includes mortgages, unsecured debentures and operating lines of credit of $159.9 million (December 31, 2019 – $115.4 million) that have maturity dates within 12 months of the balance sheet date. It is management's intention to either repay or refinance these maturing liabilities with newly issued secured or unsecured debt, equity or, in certain circumstances not expected to occur frequently, the disposition of certain assets.

As noted in the Unitholders' Equity section, in January 2019, the Trust successfully raised $230.0 million in new equity. The Trust used approximately $200.0 million of these proceeds to repay outstanding amounts on its operating lines of credit and the balance was used for other general purposes. It is management's intention to repay approximately $69.6 million of maturing secured debt in 2020. The Trust has an unencumbered asset pool with an approximate fair value totalling $5.6 billion, which can generate gross financing proceeds on income properties of approximately $3.6 billion using a 65% loan to value. The secured debt, unsecured debt, mortgage receivable advances and development obligations will be funded by additional term mortgages, net proceeds on the sale of certain assets, existing cash or operating lines, the issuance of unsecured debentures, and equity Units, as necessary.

Debt

The following table summarizes total debt including debt associated with equity accounted investments, as at March 31, 2020 and December 31, 2019:

	March 31, 2020			December 31, 2019		
(in thousands of dollars)	**Balance**	**Weighted Average Term of Debt (years)**	**Weighted Average Interest Rate of Debt (%)**	Balance	Weighted Average Term of Debt (years)	Weighted Average Interest Rate of Debt (%)
Secured debt	**1,430,258**	**4.3**	**3.80 %**	1,442,278	4.6	3.75 %
Unsecured debt	**2,700,887**	**4.7**	**3.37 %**	2,700,359	4.9	3.42 %
Loan from equity accounted investments[1]	**161,992**	**9.6**	**— %**	83,296	N/A	— %
Revolving operating facility	**460,000**	**—**	**2.87 %**	—	—	— %
Total debt before equity accounted investments	**4,753,137**			4,225,933		
Less: Loan from equity accounted investments[1]	**(83,706)**	**9.5**	**— %**	(83,296)	N/A	— %
Subtotal	**4,669,431**	**4.7**	**3.40 %**	4,142,637	4.8	3.54 %
Share of secured debt (equity accounted investments)	**150,168**	**10.9**	**3.78 %**	136,039	12.2	3.90 %
Share of unsecured debt (equity accounted investments)	**21,650**	**1.1**	**3.18 %**	12,150	1.3	3.38 %
Share of debt classified as equity accounted investments	**171,818**	**9.7**	**3.71 %**	148,189	11.3	3.86 %
Total debt including equity accounted investments	**4,841,249**	**4.8**	**3.41 %**	4,290,826	5.0	3.55 %

(1) This represents the Trust's share of loan from equity accounted investments.

The following table summarizes the activity in debt including debt recorded in equity accounted investments, for the three months ended March 31, 2020:

(in thousands of dollars)	**Secured Debt**	**Unsecured Debt**	**Revolving Operating Facility**	**Loan from Equity Accounted Investments**	**Equity Accounted Investments**	**Total**
Balance – January 1, 2020	**1,442,278**	**2,700,359**	**—**	**—**	**148,189**	**4,290,826**
Borrowings	**—**	**—**	**460,000**	**78,286**	**24,214**	**562,500**
Scheduled amortization	**(11,704)**	**—**	**—**	**—**	**(546)**	**(12,250)**
Repayments	**(318)**	**—**	**—**	**—**	**—**	**(318)**
Amortization of acquisition fair value adjustments, net of additions	**(227)**	**—**	**—**	**—**	**(42)**	**(269)**
Financing costs incurred, net of additions	**229**	**528**	**—**	**—**	**3**	**760**
Balance – March 31, 2020	**1,430,258**	**2,700,887**	**460,000**	**78,286**	**171,818**	**4,841,249**

Secured Debt

The Trust believes it will have continued access to secured debt due to its strong tenant base and high occupancy levels at mortgage loan levels ranging from 60% to 70% of loan to value.

Future principal payments as a percentage of secured debt are included in the table as follows:

(in thousands of dollars)	Payments of Principal Amortization ($)	Debt Maturing During Year ($)	Total ($)	Total (%)	Weighted Average Interest Rate of Maturing Debt (%)
2020	34,481	69,606	104,087	7 %	4.86 %
2021	43,307	133,989	177,296	12 %	4.03 %
2022	41,116	220,306	261,422	18 %	3.35 %
2023	36,725	142,344	179,069	13 %	4.47 %
2024	31,759	118,568	150,327	10 %	3.63 %
Thereafter	54,014	505,866	559,880	40 %	3.64 %
Total	241,402	1,190,679	1,432,081	100 %	3.80 %
Acquisition date fair value adjustment			2,168		
Unamortized financing costs			(3,991)		
			1,430,258		3.80 %

Unsecured Debt

The following table summarizes the components of unsecured debt:

(in thousands of dollars)	March 31, 2020	December 31, 2019
Unsecured debentures (a)	**2,301,750**	2,301,257
Credit facilities (b)	**399,137**	399,102
Other unsecured debt (c)	**161,992**	83,296
	2,862,879	2,783,655

a) Unsecured debentures

The following table summarizes unsecured debentures issued and outstanding as at March 31, 2020 and December 31, 2019:

(in thousands of dollars)

Series	Maturity Date	Annual Interest Rate	March 31, 2020	December 31, 2019
Series I	May 30, 2023	3.985%	**200,000**	200,000
Series M	July 22, 2022	3.730%	**150,000**	150,000
Series N	February 6, 2025	3.556%	**160,000**	160,000
Series O	August 28, 2024	2.987%	**100,000**	100,000
Series P	August 28, 2026	3.444%	**250,000**	250,000
Series Q	March 21, 2022	2.876%	**150,000**	150,000
Series R	December 21, 2020	Variable[1]	**250,000**	250,000
Series S	December 21, 2027	3.834%	**250,000**	250,000
Series T	June 23, 2021	2.757%	**350,000**	350,000
Series U	December 20, 2029	3.526%	**450,000**	450,000
		3.278%[2]	**2,310,000**	2,310,000
		Unamortized financing costs	**(8,250)**	(8,743)
			2,301,750	2,301,257

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

Unsecured debenture activities for the three months ended March 31, 2020

There was no activity during the three months ended March 31, 2020.

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

Issuance

In March 2019, the Trust issued $350.0 million of 2.757% Series T senior unsecured debentures (net proceeds including issuance costs – $349.3 million), which are due on June 23, 2021 with semi-annual payments due on June 23 and December 23 of each year. The proceeds were used to repay existing indebtedness and for general Trust purposes.

Redemptions

In March 2019, the Trust redeemed $150.0 million aggregate principal of 4.05% Series H senior unsecured debentures. In addition to paying accrued interest of $0.7 million, the Trust paid a yield maintenance fee of $3.3 million in connection with the redemption. The redemption was funded by advances from the non-revolving credit facility.

Credit Rating of Unsecured Debentures

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 March 31, 2020.

b) Credit facilities

The following table summarizes the activity for unsecured non-revolving credit facilities as at March 31, 2020 and December 31, 2019:

(in thousands of dollars)

Issued In	Maturity Date	Annual Interest Rate	Original Amount	March 31, 2020	December 31, 2019
August 2018[1]	January 31, 2025	2.98%	80,000	**80,000**	80,000
March 2019[2]	March 7, 2024	3.59%	150,000	**150,000**	150,000
May 2019[3]	June 24, 2024	3.26%	170,000	**170,000**	170,000
				400,000	400,000
			Less: Unamortized financing costs	**(863)**	(898)
				399,137	399,102

(1) This credit facility was due to mature on August 29, 2023, bearing interest at a variable interest rate. In January 2020, the maturity date was extended to January 31, 2025, with the interest fixed at 2.98%.
(2) $150.0 million was drawn to fund the redemption of 4.050% Series H senior unsecured debentures in March 2019.
(3) $170.0 million was drawn to fund the redemption of 3.749% Series L unsecured debentures and for general Trust purposes in June 2019.

c) Other unsecured debt

Other unsecured debt totalling $162.0 million (December 31, 2019 – $83.3 million) pertains to loans received from equity accounted investments (see also, "Equity accounted investments" section) 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 (see also, "Related Party Transactions" section). The balances of the loans are expected to be paid at the end of their respective terms. The following table summarizes components of the Trust's other unsecured debt as at March 31, 2020 and December 31, 2019:

(in thousands of dollars)	March 31, 2020	December 31, 2019
PCVP[1] (5.00% discount rate)	**81,492**	80,862
PCVP[2] (5.75% discount rate)	**78,286**	—
Laval C Apartment LP	**2,214**	2,214
Vaughan NW SAM LP	**—**	220
	161,992	83,296

(1) In connection with the 700 Applewood purchase, in December 2019, the Trust has a principal amount outstanding of $108.7 million (December 31 - $109.2 million), is non-interest bearing, and is repayable at the end of 10 years. As at March 31, 2020, the loan balance of $81.5 million is net of a fair value adjustment totalling $27.2 million.
(2) In connection with the 700 Applewood purchase, in March 2020, the Trust assumed a loan payable to PCVP from Penguin. The loan has a principal amount outstanding of $108.7 million, is non-interest bearing, and is repayable at the end of 10 years. As at March 31, 2020, the loan balance of $78.3 million is net of a fair value adjustment totalling $30.4 million. See also unaudited interim condensed consolidated financial statements Note 5.b) reflecting offsetting loan receivable amount.

Revolving Operating Facility

As at March 31, 2020, the Trust had a $500.0 million 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 undrawn accordion feature of $250.0 million whereby the Trust has an option to increase its facility amount with the lenders to sustain future operations as required.

(in thousands of dollars)	**March 31, 2020**	December 31, 2019
Revolving operating facility	**500,000**	500,000
Lines of credit – outstanding	**(460,000)**	—
Letters of credit – outstanding	**(8,709)**	(8,844)
Remaining unused operating facility	**31,291**	491,156

In addition to the letters of credit outstanding on the Trust's revolving operating facility (see above), the Trust also has $23.3 million of letters of credit outstanding with other financial institutions as at March 31, 2020 (December 31, 2019 – $26.5 million).

Unencumbered Assets

As at March 31, 2020, the Trust had $5.6 billion of unencumbered assets (December 31, 2019 – $5.7 billion), which reflects the Trust's share of the value of investment properties. Expressed as a percentage, the Trust earned approximately 64.0% of its NOI from unencumbered assets (December 31, 2019 – 65.8%). In connection with this pool of unencumbered assets, management estimates the total Forecasted Annualized NOI for 2020 to be $317.0 million. Forecasted Annualized NOI is computed by annualizing the current quarter NOI for the Trust's income properties that are not encumbered by secured debt, and is a forward-looking non-GAAP measure. See "Presentation of Non-GAAP Measures" section.

Interest Expense

The following table summarizes the components of interest expense for the three months ended March 31, 2020 and March 31, 2019:

(in thousands of dollars)	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019	Variance
Interest at stated rates	**37,143**	37,544	(401)
Amortization of acquisition date fair value adjustments on assumed debt	**(227)**	(533)	306
Amortization of deferred financing costs	**962**	870	92
	37,878	37,881	(3)
Less:			
Interest capitalized to properties under development	**(4,533)**	(4,448)	(85)
Interest capitalized to residential development inventory	**(228)**	(230)	2
	33,117	33,203	(86)
Yield maintenance costs on early redemption of unsecured debentures	**—**	3,525	(3,525)
	33,117	36,728	(3,611)
Distributions on vested deferred units and Units classified as liabilities	**1,401**	1,358	43
Total interest expense	**34,518**	38,086	(3,568)
Capitalized interest as a percentage of total interest expense	**12.1%**	10.9%	1.2%

For the three months ended March 31, 2020, interest expense totalled $34.5 million, representing a decrease of $3.6 million as compared to the same period in 2019, which was primarily due to the following:

- $3.5 million decrease in yield maintenance costs on early redemption of unsecured debentures incurred during the three months ended March 31, 2019; and
- $0.1 million increase in interest capitalized to properties under development.

Financial Covenants

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

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

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

Ratios	**March 31, 2020**	December 31, 2019
Interest coverage	**3.5X**	3.5X
Interest coverage (net of capitalized interest expense)(1)	**4.1X**	4.0X
Debt to aggregate assets(2)	**43.3 %**	42.3 %
Debt to gross book value (excluding convertible debentures)(2)	**49.7 %**	49.0 %
Debt to gross book value (including convertible debentures)(2)	**49.7 %**	49.0 %
Unsecured to Secured debt ratio(1)(2)	**64%/36%**	63%/37%
Adjusted Debt to Adjusted EBITDA(1)(2)	**8.2X**	8.0X

(1) This ratio is not stipulated by the Declaration of Trust and is disclosed for information purposes.
(2) As at March 31, 2020, cash-on-hand of $423.1 million was excluded for the purposes of calculating the applicable ratios (December 31, 2019 – $37.0 million).

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

Ratios	Threshold	**March 31, 2020**	December 31, 2019
Debt to aggregate assets(1)	65%	**43.3 %**	42.3 %
Secured debt to aggregate assets(1)	40%	**15.5 %**	15.7 %
Fixed charge coverage	1.5X	**2.4X**	2.4X
Unencumbered assets to unsecured debt(1)	1.3X	**2.0X**	2.1X
Unitholders' equity (in thousands)	$2,000,000	**$5,370,335**	$5,367,752

(1) As at March 31, 2020, cash-on-hand of $423.1 million was excluded for the purposes of calculating the applicable ratios (December 31, 2019 – $37.0 million).

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

Ratios	Threshold	**March 31, 2020**	December 31, 2019
Debt to gross book value (excluding convertible debentures)(1)	60%	**49.7 %**	49.0 %
Debt to gross book value (including convertible debentures)(1)	65%	**49.7 %**	49.0 %
Interest coverage, net of cash on hand	1.65X	**3.5X**	3.5X
Unitholders' equity (in thousands)	$500,000	**$5,370,335**	$5,367,752

(1) As at March 31, 2020, cash-on-hand of $423.1 million was excluded for the purposes of calculating the applicable ratios (December 31, 2019 – $37.0 million).

For the three months ended March 31, 2020, the Trust was in compliance with all financial covenants.

Unitholders' Equity

The Unitholders' equity of the Trust is calculated based on the equity attributable to the holders of Trust Units and LP Units ("Exchangeable Securities") that are exchangeable into Trust Units on a one-for-one basis. These LP Units consist of certain Class B Units of the Trust's subsidiary limited partnerships. Certain of the Trust's subsidiary limited partnerships also have Units classified as liabilities that are exchangeable on a one-for-one basis for Units. The following table is a summary of the number of Units outstanding as at March 31, 2020 and December 31, 2019:

Type	**Class and Series**	**March 31, 2020**	December 31, 2019	Variance
Trust Units	N/A	**144,617,107**	144,038,363	578,744
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	**668,428**	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	**3,067,593**	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	—
Total Units classified as equity		**169,765,287**	169,186,543	578,744
Smart Limited Partnership	Class D Series 1	**311,022**	311,022	—
Smart Limited Partnership	Class F Series 3	**8,708**	4,886	3,822
Smart Oshawa South Limited Partnership	Class D Series 1	**260,417**	260,417	—
ONR Limited Partnership	Class B	**1,248,140**	1,248,140	—
ONR Limited Partnership I	Class B Series 1	**132,881**	132,881	—
ONR Limited Partnership I	Class B Series 2	**139,302**	139,302	—
Total Units classified as liabilities		**2,100,470**	2,096,648	3,822
Total Units		**171,865,757**	171,283,191	582,566

The following table is a summary of the activities having an impact on Unitholders' equity for the three months ended March 31, 2020 and March 31, 2019:

(in thousands of dollars)	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Unitholder's Equity – beginning of period	**5,367,752**	5,008,331
Issuance of Trust Units	**17,331**	245,812
Units issuance cost	**—**	(9,634)
Deferred Units exchanged for Trust Units	**—**	24
Trust options exercised for Trust Units	**—**	1,631
Net income and comprehensive income	**64,201**	79,973
Distributions	**(78,949)**	(75,776)
Unitholder's Equity – end of period	**5,370,335**	5,250,361

During the three months ended March 31, 2020, the Trust issued $17.3 million in Units in the table as follows:

	Trust Units (#)	**March 31, 2020 ($ thousands)**
Total change in Unit equity	578,744	**17,331**

The Trust's Board of Trustees is responsible for approving distributions and as a result of the COVID-19 pandemic is continuously reviewing the level of monthly distributions paid to securityholders by the Trust. Please see the "Risks and Uncertainties" section pertaining to the potential impact of the COVID-19 pandemic.

During the three months ended March 31, 2020, distributions declared by the Trust totalled $79.9 million of which $78.9 million relates to distributions on Units classified as equity, and $1.0 million relates to distributions on Units classified as liabilities that is treated as interest expense (during the three months ended March 31, 2019 – $76.7 million, $75.8 million on Units classified as equity, and $0.9 million, relates to distributions on Units classified as liabilities that is treated as interest expense), or $0.4625 per Unit (during the three months ended March 31, 2019 – $0.4500 per Unit).

For the three months ended March 31, 2020, the Trust paid $62.6 million in cash distributions and the balance of $17.3 million by issuing 578,744 Trust Units under the DRIP (for the three months ended March 31, 2019 – $60.9 million in cash distributions and the balance of $15.8 million by issuing 479,060 Trust Units under the DRIP).

Declared distributions and declared distributions net of DRIP for the three months ended March 31, 2020 and March 31, 2019, are included in the table as follows:

(in thousands of dollars)	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Distributions declared on:		
Trust Units	**67,318**	64,468
LP Units	**11,631**	11,308
Distributions on Units classified as equity	**78,949**	75,776
Distributions on Units classified as liabilities	**969**	940
Total distributions declared	**79,918**	76,716
Distributions reinvested through DRIP	**(17,331)**	(15,812)
Total distributions declared, net of DRIP	**62,587**	60,904
DRIP as a percentage of total distributions declared	**21.7%**	20.6%

DRIP Suspension

On March 12, 2020, the Trust announced the suspension of the DRIP, effective April 13, 2020. Beginning with the distribution to recordholders of March 31, 2020, plan participants will receive all distributions in cash.

Normal Course Issuer Bid

On March 27, 2020, the Trust announced that the TSX had accepted the Notice of Intention to establish a NCIB program.

The NCIB program commenced on March 31, 2020 and will terminate on March 30, 2021, or on such earlier date as the Trust may complete its purchases pursuant to the Notice of Intention filed with the TSX. Under the NCIB program, the Trust is authorized to purchase up to 6,500,835 of its Trust Units (out of the 144,407,124 Trust Units outstanding as at March 23, 2020) representing approximately 5% of the public float as at March 23, 2020, by way of normal course purchases effected through the facilities of the TSX and/or alternative Canadian trading systems. The Trust will make purchases under the NCIB in accordance with the requirements of the TSX and the price which the Trust will pay for any such Trust Units will be the market price of any such Trust Units at the time of acquisition, or such other price as may be permitted by the TSX. In connection with the NCIB program, the Trust entered into an automatic repurchase plan with its designated broker to allow for purchases of Trust Units during certain pre-determined black-out periods, subject to certain parameters as to price and number of Trust Units. Outside of these pre-determined black-out periods, Trust Units will be repurchased in accordance with management's discretion, subject to applicable law. For purposes of the TSX rules, a maximum of 83,518 Trust Units may be purchased by the Trust on any one day under the NCIB, except where purchases are made in accordance with the "block purchase exception" of the TSX rules. The average daily trading volume for the six months ended February 2020 was 334,072 Trust Units. All Trust Units purchased by the Trust pursuant to the NCIB will be cancelled.

During the three months ended March 31, 2020, the Trust did not purchase for cancellation any Trust Units under the NCIB (March 31, 2019 - nil).

Quarterly Results and Trends

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

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Net income and comprehensive income[1]	**64,201**	103,584	95,133	95,513	79,973	102,580	96,155	103,748
Per Unit								
Basic	**$0.37**	$0.61	$0.56	$0.56	$0.48	$0.64	$0.60	$0.65
Diluted	**$0.37**	$0.60	$0.56	$0.56	$0.47	$0.63	$0.59	$0.64
Net base rent[1][2]	**128,901**	129,921	128,780	128,261	127,361	126,654	126,333	126,420
Rentals from investment properties[1][2]	**208,735**	209,001	197,545	198,174	207,227	200,545	194,883	197,092
NOI[1][2]	**126,397**	131,418	128,784	128,217	125,924	127,105	128,761	126,708
FFO[2]	**95,964**	88,037	97,330	91,781	88,296	93,139	94,298	91,036
Per Unit								
Basic	**$0.56**	$0.51	$0.57	$0.54	$0.53	$0.58	$0.59	$0.57
Diluted[3]	**$0.56**	$0.51	$0.57	$0.54	$0.52	$0.57	$0.58	$0.56
FFO with one-time adjustment of yield maintenance costs[2]	**95,964**	102,896	97,937	96,121	91,821	92,791	94,298	95,012
Per Unit								
Basic	**$0.56**	$0.60	$0.57	$0.57	$0.55	$0.57	$0.59	$0.59
Diluted[3]	**$0.56**	$0.60	$0.57	$0.56	$0.55	$0.57	$0.58	$0.59
Cash flows provided by operating activities	**79,162**	131,647	80,615	80,767	55,863	131,475	74,052	100,994
Distributions declared	**79,918**	79,682	77,264	76,988	76,716	73,151	70,889	70,634
Units outstanding[4]	**171,865,757**	171,283,191	170,689,152	170,118,375	169,609,625	161,716,843	161,222,910	160,704,177
Weighted average Units outstanding								
Basic	**171,566,750**	170,992,873	170,400,281	169,858,745	167,541,581	161,471,118	160,950,811	160,415,583
Diluted	**172,515,723**	171,858,434	171,255,329	170,718,814	168,448,169	162,341,647	161,810,678	161,220,808
Total assets	**10,430,793**	9,928,467	9,704,677	9,676,090	9,608,647	9,459,632	9,427,341	9,513,881
Total unencumbered assets	**5,647,800**	5,696,100	4,652,700	4,499,700	4,451,600	4,250,800	4,116,100	3,940,600
Total debt[1]	**4,841,249**	4,290,826	4,132,699	4,127,264	4,139,682	4,236,364	4,256,252	4,296,836
In-place occupancy rate[1]	**97.8 %**	98.1 %	98.1 %	97.8 %	97.8 %	98.0 %	98.1 %	98.0 %

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

Results of operations

Net income and comprehensive income, net base rent, rentals from investment properties, NOI, and related financial and operational metrics noted above are typically not materially impacted by seasonal factors. However, macroeconomic and market trends, as described under the "Outlook" section of this MD&A, do have an influence on the demand for space, occupancy levels and, consequently, net base rent, CAM and realty tax recoveries and ultimately operating performance.

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

Net income and comprehensive income decreased in Q1 2020 from Q4 2019 primarily as a result of a significant fair value adjustment on revaluation of investment properties, which was principally resulted from estimates of future cash flows and other inputs to the valuation model, when considering the impact of the COVID-19 pandemic, and partially offset by the fair value adjustment on financial instruments, which was attributed to the significant decline in the Trust's unit price following the market volatility caused by the COVID-19 pandemic during the first quarter of 2020.

Net income and comprehensive income decreased in Q3 2018 from Q2 2018 and in Q1 2019 from Q4 2018 primarily as a result of lower net fair value gain on revaluation of investment properties and financial instruments. Net income and comprehensive income increased in Q4 2019 from Q2/Q3 2019 primarily as a result of increased NOI and higher gain on revaluation of investment properties, partially offset by higher yield maintenance costs incurred for early repayment of debt in Q4 2019.

Net base rent increased in Q4 2019 by $4.1 million or 3.3% as compared to Q1 2018. This increase is primarily due to: i) the Toronto Premium Outlets expansion, ii) the office space in both KPMG and PwC towers are now fully leased, iii) Developments and Earnouts completed over the period, iv) acquisition of an investment property (Valleyfield, Quebec) in the second quarter of 2018, and partially offset by v) the dilutive impact of the previously announced tenant bankruptcies in the Trust's portfolio.

Rentals from investment properties increased in Q1 and Q4 of 2019 as compared to other quarters primarily as a result of higher CAM recoveries, lease termination fees, percentage rent, parking and other miscellaneous revenue.

Other measures of performance
FFO decreased in Q1 2019 from Q4 2018 and in Q4 2019 from Q3 2019 primarily as a result of yield maintenance costs and higher CAM and realty tax recoveries' shortfall due to higher vacancy. Excluding yield maintenance costs, FFO with one-time adjustment and before Transactional FFO increased over the last eight quarters.

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

Total Assets
Total assets increased in Q1 2020 from Q4 2019 primarily as a result of the $460.0 million drawn on the Trust's revolving operating facility.

The quarter-over-quarter change in total assets is primarily attributed to: (i) acquisitions of investment properties, (ii) development and related costs associated with properties under development in the portfolio, (iii) fair value adjustment on revaluation of investment properties, (iv) additional debt and equity issuance, and v) capital expenditures and leasing costs incurred. Total assets increased in Q4 2019 from Q3 2019 primarily as a result of acquisitions completed in the quarter including, a self-storage facility in Toronto (Dupont Street), residential development land in Barrie, and a 50% interest in a parcel of land from Penguin in Vaughan.

Debt and financing activities
Total debt increased in Q1 2020 from Q4 2019 due to the drawing of the revolving operating line of $460.0 million.

Total debt decreased in Q1 2019 from Q4 2018 primarily as a result of the $230.0 million equity offering in January 2019. Total debt increased in Q4 2019 from Q3 2019 primarily as a result of $110.0 million net new debt issued in Q4 2019.

The quarter-over-quarter increase in unencumbered assets over the last two years is primarily attributed to the Trust's practice of repaying mortgages by using its existing credit facilities and unsecured debt, resulting in the related assets remaining unencumbered thereafter. Unencumbered assets increased in Q4 2019 from Q3 2019 primarily as a result of the repayment of approximately $313.0 million aggregate principal amount of secured mortgages which were secured by properties with an aggregate fair value of approximately $1.0 billion.

Leasing
The Trust's in-place occupancy rate has remained relatively stable over the last eight quarters, ranging from a low of 97.8% in the first quarter of 2020 to a high of 98.1% in Q4 2019, Q3 2019 and Q3 2018. The primary reason for the reduction in occupancy rate in the first quarter of 2020 is because of the impact of the previously announced tenant bankruptcies in the Trust's portfolio. Quarterly changes in occupancy rates are primarily caused by: i) the expiration, bankruptcies, closures, and non-renewals of existing tenancies, ii) new leasing, iii) assumed occupancy/vacancy on acquisitions, and iv) movements of space in and out of the Trust's portfolio of properties under development.

Income Taxes and the REIT Exception

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

The Tax Act imposes a special taxation regime (the "SIFT Rules") applicable to certain publicly traded income trusts (each a "SIFT"). A SIFT includes a trust resident in Canada with publicly traded units that holds one or more "non-portfolio properties". "Non-portfolio properties" include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada. Under the SIFT Rules, a SIFT is subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (as defined in the Tax Act; generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties", which does not include certain investments in non-Canadian entities), at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income. The SIFT Rules are not applicable to a SIFT that meets certain specified criteria relating to the nature of its revenues and investments in order to qualify as a real estate investment trust for purposes of the Tax Act (the "REIT Exception"). The Trust qualifies for the REIT Exception as at March 31, 2020.

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

Disclosure Controls and Procedures ("DCP")

The Trust's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have designed or caused to be designed under their direct supervision, the Trust's DCP (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that: (i) material information relating to the Trust, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the interim filings are being prepared, and (ii) material information required to be disclosed in the annual filings is recorded, processed, summarized and reported on a timely basis. The Trust continues to evaluate the effectiveness of DCP, and changes are implemented to adjust to the needs of new processes and enhancements as required. There were no changes in the Trust's internal controls over financial reporting during the three months ended March 31, 2020 that materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

Internal Control Over Financial Reporting ("ICFR")

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

Inherent Limitations

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

Significant Accounting Estimates and Policies

In preparing the Trust's unaudited interim condensed consolidated financial statements and accompanying notes, it is necessary for management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the period. The significant items requiring estimates are discussed in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020, and the notes contained therein.

The Trust's MD&A for the year ended December 31, 2019 also contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the audited consolidated financial statements for the year ended December 31, 2019. Management determined that as at March 31, 2020, there is no change to the assessment of significant accounting policies most affected by estimates and judgments described in the Trust's MD&A for the year ended December 31, 2019, except for the following:

Amendments to IFRS 3, Business Combinations
Effective January 1, 2020, the Trust has adopted the amendments to IFRS 3. The amendments to IFRS 3 relate 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.

In addition, the Trust's estimates and judgments could also be affected by various risks and uncertainties, including but not limited to the effects of the COVID-19 pandemic, which in turn could have a significant risk on the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period and may potentially result in a material adjustment in a subsequent period.

Risks and Uncertainties

In addition to the risks discussed below, further risks are discussed in the Trust's annual information form for the year ended December 31, 2019 under the heading "Risk Factors".

Public Health Crises Risks

Public health crises, including the ongoing and evolving COVID-19 pandemic, or relating to any other broad-reaching disease, virus, flu, epidemic, pandemic or other similar disease or illness (each, a "Public Health Crisis") have and could further adversely impact the Trust's and its tenants' businesses, and thereby the ability of tenants to meet their payment obligations under leases. A Public Health Crisis could result in a general or acute decline in economic activity, increased unemployment, staff shortages, reduced tenant traffic, mobility restrictions and other quarantine measures, supply shortages, increased government regulations, and the quarantine or contamination of one or more of the Trust's properties.

A Public Health Crisis could impact the following material aspects of the Trust's business, among others: (i) the value of the Trust's properties and developments; (ii) the Trust's ability to make distributions to Unitholders; (iii) the availability or the terms of financing that the Trust currently has access to or may anticipate utilizing; (iv) the Trust's ability to make principal and interest payments on, or refinance any outstanding debt when due; (v) the occupancy rates in the Trust's properties; (vi) the ability of the Trust to pursue its development plans or obtain construction financing on previously announced and anticipated timelines or within budgeted terms; and (vii) the ability of our tenants to enter into new leasing transactions or to satisfy rental payments under existing leases.

On March 11, 2020, the World Health Organization declared the outbreak and subsequent spread of COVID-19 a global pandemic. The duration and intensity of resulting business disruption and related financial and social impact are unprecedented and remain uncertain, and such adverse effects may be material.

Efforts by governmental agencies, health agencies, and private sector participants to contain COVID-19 or address its impacts have adversely affected the Trust's business and the operation of its properties and developments. A number of provincial and municipal governments have declared states of emergency and governments have implemented restrictive measures such as travel bans, quarantine and self-isolation. As a result, some tenants have been seeking rent relief and/or have not complied with their rent obligations. Landlords, including SmartCentres, are considering rent deferral arrangements with certain tenants that are typically small independent retailers, whose businesses are required to close or otherwise suspend operations. Otherwise, SmartCentres will require tenants to honour the terms of their respective leases, including the payment of rent, and if they do not, SmartCentres may pursue enforcement and related alternatives. There can be no assurance that if the Trust enters into any such arrangements, deferred rents will be collected in accordance with the terms of those arrangements, or at all. Inability of tenants to meet their payment obligations, deferred or otherwise, and any inability of the Trust to collect rents in a timely manner or at all could adversely affect the Trust's business and financial condition. In addition, many jurisdictions in which the Trust operates have enacted mandatory business closures affecting certain of its tenants. While many of the Trust's tenants are affected by measures, approximately 60% of the Trust's retail tenants (by rental revenue) are large, well-capitalized and well-known national and regional retail anchors providing grocery, pharmacy and household necessities, and although affected, are deemed 'essential services' in their respective provincial jurisdictions and therefore continue to remain open to retail consumers.

The Trust is continuously monitoring the situation, but is unable to accurately predict the impact that the COVID-19 pandemic will have on its results of operations due to uncertainties including the ultimate geographic spread of the virus, the severity of the disease, the duration or recurrence of the outbreak, and any further actions that may be taken by governmental agencies and private sector participants to contain the COVID-19 pandemic or to address its impacts. The worldwide spread of COVID-19 has adversely affected global economies and financial markets resulting in a severe economic downturn and significant impacts on many tenant businesses and their ability to meet payment obligations, including rent. The duration of this downturn is currently unknown.

While governmental agencies and private sector participants are seeking to mitigate the adverse effects of the COVID-19 pandemic, and the medical community is seeking to develop vaccines and other treatment options, the efficacy and timing of such measures remain uncertain. If the outbreak of COVID-19 and related developments lead to a prolonged or significant impact on global, national or local markets or economic growth, the Trust's cash flows, unit price, financial condition or results of operations and ability to make distributions to Unitholders may be materially and adversely affected.

Any Public Health Crisis may also exacerbate other risk factors described in this section.

Real Property Ownership and Leasing/Tenant Risk

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

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

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants and on the vacancy rates of the Trust's portfolio of income-producing properties. On the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the Trust than the existing lease and these risks has been increased in respect of expiries occurring during the COVID-19 pandemic and resulting economic downturn. In the event of default by a tenant, delays or limitations in enforcing rights as lessor, may be experienced and substantial costs in protecting the Trust's investment may be incurred. Furthermore, at any time, a tenant of any of the Trust's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and, thereby, cause a reduction in the cash flow available to the Trust. The ability to rent unleased space in the properties in which the Trust has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to property. The failure to rent vacant space on a timely basis or at all would likely have an adverse effect on the Trust's financial condition.

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

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

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

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

Development and Construction Risk

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

The Trust is becoming increasingly involved in mixed-use development initiatives that include residential condominiums and townhomes, rental apartments, seniors' housing and self-storage. Purchaser/tenant demand for these uses can be cyclical and is affected by changes in general market and economic conditions, such as consumer confidence, employment levels, availability of financing for home buyers, interest rates, demographic trends, and housing and similar commercial demand. Furthermore, the market value of undeveloped land, buildable lots and housing inventories held by the Trust can fluctuate significantly as a result of changing economic and real estate market conditions. An oversupply of alternative housing, such as new homes, resale homes (including homes held for sale by investors and speculators), foreclosed home and rental properties and apartments, accommodation of seniors' housing and self-storage space may: (i) reduce the Trust's ability to sell new condominiums and townhomes, depress prices and reduce margins from the sale of condominiums and townhomes, and (ii) have an adverse effect on the Trust's ability to lease rental apartments, seniors' housing and self-storage units and on the rents charged.
The Trust's construction commitments are subject to those risks usually attributable to construction projects, which include: (i) construction or other unforeseen delays including municipal approvals, (ii) cost overruns, and (iii) the failure of tenants to occupy and pay rent in accordance with existing lease arrangements, some of which are conditional and these risks have been exacerbated by the COVID-19 pandemic and resulting economic downturn.

Joint Venture Risk

The Trust is a co-owner in several properties including but not limited to SmartVMC, Transit City, a residential unit project in Laval, Quebec, a 16-acre parcel of land in Vaughan to build townhomes, and various other retail, self-storage, residential and other mixed-use properties. As part of its growth strategy, the Trust expects to increase its participation in additional joint ventures in the future, which may include additional joint ventures in condominiums, self-storage facilities, retirement homes and other initiatives. The Trust is subject to the risks associated with the conduct of joint ventures. Such risks include disagreements with its partners to develop and operate the properties efficiently and the inability of the partners to meet their obligations to the joint ventures or third parties. Any failure of the Trust or its partners to meet its obligations or any disputes with respect to strategic decision-making or the parties' respective rights and obligations, could have a material adverse effect on the joint ventures, which may have a material adverse effect on the Trust. The Trust attempts to mitigate these risks by continuing to maintain strong relationships with its partners.

Interest and Financing Risk

In the low interest rate environment that the Canadian economy has experienced in recent years, leverage has enabled the Trust to enhance its return to Unitholders. In December 2019, the Trust was upgraded from a BBB (mid) credit rating to a BBB (H) credit rating, which further reinforces its ability to borrow debt at these interest rates. A reversal of this trend, however, could significantly affect the Trust's ability to meet its financial obligations. Circumstances that may impair the Trust's credit rating include an inability for the Trust to maintain its cash flow from operating activities, an inability to meet covenants for both secured and unsecured debentures, an inability to meet expectations of credit rating agencies, and/or a higher interest rate environment in the Canadian economy. In order to minimize this risk, the Trust's policy is to negotiate fixed rate secured debt and unsecured debt with staggered maturities on the portfolio and where appropriate, seek to match average lease maturity to average debt maturity. Derivative financial instruments may be utilized by the Trust in the management of its interest rate exposure. The Trust's policy is not to utilize derivative financial instruments for trading or speculative purposes. In addition, the Declaration of Trust restricts total indebtedness permitted on the portfolio.

Interest rate changes will also affect the Trust's development portfolio. The Trust has entered into development agreements that obligate the Trust to acquire up to approximately 0.2 million square feet of additional income properties at a cost determined by capitalizing the rental income at predetermined rates. Subject to the ability of the Trust to obtain financing on acceptable terms, the Trust anticipates that it will finance these acquisitions by issuing additional debt and equity. Changes in interest rates will have an impact on the return from these acquisitions should the rate exceed the capitalization rate used and could result in a purchase being non-accretive. This risk is mitigated as management has certain rights of approval over the developments and acquisitions.

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

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

Liquidity Risk

The Trust's ability to meet its financial obligations as they become due represents the Trust's exposure to liquidity risk. It is management's intention to either repay or refinance maturing liabilities with newly issued secured or unsecured debt, equity or, in certain circumstances not expected to occur frequently, the disposition of certain assets. Any net working capital deficiencies are funded with the Trust's existing revolving operating facility. Management expects to finance future acquisitions, including committed Earnouts, Developments, Mezzanine Financing commitments and maturing debt from: (i) existing cash balances, (ii) a mix of mortgage debt secured by investment properties, operating facilities, issuance of equity and unsecured debentures, (iii) repayments of mortgages receivable, and (iv) the sale of non-core assets. Cash flow generated from operating activities is the primary source of liquidity to pay Unit distributions, sustaining capital expenditures and leasing costs.

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, $386.0 million of liabilities (including $159.9 million of secured debt and $226.1 million of account and other payable amounts) will mature and will need to be settled by means of renewal or payment. In addition, the balance of $460.0 million, which was drawn on the revolving operating facility, may be repaid prior to September 30, 2024.
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 in forming appropriate assumptions. However, as always, there is a risk that significant changes in market conditions could alter the assumptions used, particularly in light of the current conditions caused by COVID-19.

While it is not possible for management to reasonably estimate the duration, complexity, or severity of the COVID-19 pandemic, which could have a material adverse impact on the Trust's liquidity position, as at March 31, 2020, the Trust had: a) the funds available from drawing on its $500.0 million operating facility (in addition to a $250.0 million undrawn accordion feature); b) project-specific financing arrangements; and c) approximately $5.6 billion in unencumbered assets that could be used to obtain additional secured financing to assist with its liquidity requirements.

Credit Risk

Credit risk arises from cash and cash equivalents, as well as credit exposures with respect to tenant receivables and mortgages and loans receivable. Tenants may experience financial difficulty and become unable to fulfil their lease commitments. The Trust mitigates this risk of credit loss by reviewing tenants' covenants, by ensuring its tenant mix is diversified and by limiting its exposure to any one tenant, except Walmart Canada because of its creditworthiness. Further risks arise in the event that borrowers may default on the repayment of amounts owing to the Trust. The Trust endeavours to ensure adequate security has been provided in support of mortgages and loans receivable. The failure of the Trust's tenants or borrowers to pay the Trust amounts owing on a timely basis or at all would have an adverse effect on the Trust's financial condition. Certain of the Trust's tenants have not paid April 2020 rents primarily relating to the COVID-19 pandemic and the Trust has agreed to deferrals with a small percentage of its tenants who are independent retailers under its SIR program. (See the "Subsequent Events" section.)

Environmental and Climate Change Risk

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

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

Climate change continues to attract the focus of governments and the general public as an important threat, given the emission of greenhouse gases and other activities continue to negatively impact the planet. The Trust faces the risk that its properties will be subject to government initiatives aimed at countering climate change, such as reduction of greenhouse gas emissions, which could impose constraints on its operational flexibility. Furthermore, the Trust's properties may be exposed to the impact of events caused by climate change, such as natural disasters and increasingly frequent and severe weather conditions. Such events could interrupt the Trust's operations and activities, damage its properties, diminish traffic and require the Trust to incur additional expenses including an increase in insurance costs to insure its properties against natural disasters and severe weather.

Capital Requirements and Access to Capital

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

Tax-Related Risks

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

If the Trust fails to qualify for the REIT Exception, the Trust will be subject to the taxation regime under the SIFT Rules. The Trust qualifies for the REIT Exception as at March 31, 2020. In the event that the REIT Exception did not apply to the Trust, the corresponding application of the SIFT Rules to the Trust could affect the level of cash distributions that would otherwise be made by the Trust and the taxation of such distributions to Unitholders. The Trust intends to take all necessary steps to continue to qualify for the REIT Exception. However, there can be no assurance that Canadian federal income tax laws with respect to the REIT Exception will not be changed, or that administrative and assessment practices of the Canada Revenue Agency will not develop in a manner that adversely affects the Trust or its Unitholders. Furthermore, the determination as to whether the Trust qualifies for the REIT Exception in a particular taxation year can only be made at the end of such taxation year. Accordingly, no assurance can be given that the Trust will continue to qualify for the REIT Exception.

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

Cybersecurity Risk

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

Significant Unitholder Risk

According to reports filed under applicable Canadian securities legislation, as at March 31, 2020, Mitchell Goldhar ("Mr. Goldhar") of Vaughan, Ontario beneficially owns or controls a number of the outstanding Units which, together with the securities he beneficially owns or controls that are exchangeable at his option for Trust Units for no additional consideration and the associated Special Voting Units, represent an approximate 20.8% voting interest in the Trust. Further, according to the above-mentioned reports, as at March 31, 2020, Mr. Goldhar beneficially owns or controls additional rights to acquire Trust Units which, if exercised or converted, would result in him increasing his beneficial economic and voting interest in the Trust to as much as approximately 24.8%. In addition, pursuant to the Voting Top-Up Right, Mr. Goldhar may be issued additional Special Voting Units to entitle Penguin to cast 25% of the votes attached to Voting Units at a meeting of the holders of Voting Units.

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

Litigation and Regulatory Risks

The Trust is subject to a wide variety of laws and regulations across all of its operating jurisdictions and faces risks associated with legal and regulatory changes and litigation. If the Trust fails to monitor and become aware of changes in applicable laws and regulations or if the Trust fails to comply with these changes in an appropriate and timely manner, it could result in fines and penalties, litigation or other significant costs, as well as significant time and effort to remediate any violations. The Trust, in the normal course of operations, is subject to a variety of legal and other claims including claims relating to personal injury, property damage, property taxes, land rights and contractual and other commercial disputes. The final outcome with respect to outstanding, pending or future actions cannot be predicted with certainty, and the resolution of such actions may have an adverse effect on the Trust's financial position or results of operations as well as reputational damage both from an operating and an investment perspective. Management evaluates all claims on their apparent merits and accrue management's best estimate of the likely cost to satisfy such claims. Management believes the outcome of current legal and other claims filed against the Trust, after considering insurance coverage, will not have a significant impact on the Trust's unaudited interim condensed consolidated financial statements.

Subsequent Events

Focused on Supporting Canadians

First and foremost, the Trust's priority during the COVID-19 pandemic is to protect its people, the communities it serves, and its business. The Trust's Business Continuity Leadership Team, led by President and CEO, Peter Forde, meets daily to monitor the evolving situation and adapt in the best interest of all its stakeholders.

Government and Health Care

On March 23, 2020, the Trust officially offered free use of 1-million square feet of its built space, as well as its land, parking lots and signage to Canadian government and health care authorities, to help support their COVID-19 relief efforts. Trillium Health Network and Hamilton Health Sciences, which include 13 hospital and medical facilities, accepted the offer to use the Trust's retail units, to help in their front-line patient care efforts. The Trust is continuing discussions with government and health care leaders across the country to activate the use of additional space in our shopping centres.

Independent Retailers

On March 19, 2020, the Trust announced its intention to stand by its Small Independent Retailers ("SIRs"). The following week, the Trust began proactively reaching out to these tenants which represent approximately 6% of its monthly rentals, offering support through a rent deferral program.

Essential Businesses

SmartCentres is also intensely focused on helping its tenants safely serve the communities in which it operates during these challenging times. Many of its tenants are essential businesses that remain fully or partially open under varying emergency orders in the places where the Trust's shopping centres are located. The Trust is methodically securing and maintaining all exterior space, and is working closely with retailers to set up curbside pickup and alternate approaches to safely distribute their goods, and stimulate additional onsite economic activity.

Tenant Update

The Trust's rent relief focus has been on supporting SIRs that have not been designated as essential businesses. A great deal of time has been spent reviewing every lease and contacting its SIRs, to understand their unique situations. The Trust proactively offered rent deferrals to all of its SIRs, as it believes they are most vulnerable to challenges associated with short-term business slowdown or temporary closure. These SIRs represent approximately 6% of the Trust's contracted rent.

Tenants that operate essential businesses and national and regional tenants have been designated as non-essential businesses as a result of COVID-19 represent approximately 94% of the Trust's contracted rent. Given the value-focused origins of the Trust's portfolio, the Trust has a strong stable tenant base, the majority comprised of solid creditworthy essential businesses such as Walmart, Loblaws, Shoppers Drug Mart, Canadian Tire, Sobeys, Dollarama, Rexall, Home Depot, McDonald's, the LCBO, Rogers, Telus, Lowe's, Dollar Tree, BMO, CIBC, RBC, Scotiabank and TD. Walmart is the anchor in 73% of its properties, representing over 25% of the Trust's rental income.

60% of the Trust's retail tenant base is comprised of essential services, which continue to operate throughout the COVID-19 crisis, supplying local communities with everyday groceries, pharmaceuticals, general merchandise, medical assistance, banking, telecom and other essentials needs. As of April 1, 2020, the market cap of the parent companies of the Trust's tenants carrying on essential businesses exceeds $1.5 trillion.

Below is a summary of the Trust's portfolio, inclusive of rent collection experience for April 2020, up to and including April 30, 2020:

Category	% of April's Expected Rent[1]	Collection of Expected Rent[1]
Unenclosed Retail	92 %	72 %
Enclosed Malls	2 %	51 %
Office	2 %	97 %
Total Excluding Outlet Centres	**96 %**	**72 %**
Outlet Centres	4 %	18 %

(1) Expected rent represents contracted rent for the month less rent deferrals offered to and accepted by the Trust's small independent retailers. Excluding the two outlet centres, 69% of all contracted rent for April was collected, and may not be indicative of rent collections in future months.

The Trust collected 70% of all rent for April expected after the deferrals offered to the SIRs and excluding the two outlet centres - managed by Simon Properties - (68% of all contracted rent for April, excluding the two outlet centres).

As the Walmart relationship attests, the Trust believes the long term view is most beneficial when it comes to landlord-tenant relations. The Trust's leadership is having in-depth conversations with various tenants to advance reconciliation. The Trust believes that these rents will be collected over a period of time through these discussions, legal enforcement, if necessary, and/or use of the $14 million in deposits held from certain tenants.

Operational Update

The Trust, with its Walmart relationship and its value orientation, has always had a disciplined approach to operational expenditures. This approach is even more important right now. The Trust is actively committed to more extreme cashflow management until the market stabilizes. For example, scheduled repairs and maintenance will continue because most of the Trust's properties have operating Walmarts and other tenants that require this standard as they continue to stay open to assist Canadians. However, optional upgrades and/or cosmetic expenditures, that are not health and life safety-related are being postponed.

Given its predominantly open-air business model, 96% of the Trust's income is from unenclosed retail properties and outlet centres, with tenants maintaining the upkeep of their own space. Therefore, the Trust does not have exposure to maintenance and other substantial costs associated with enclosed malls' internal common areas in 96% of its portfolio. Further, the Trust is still focused on opportunities to reduce exterior maintenance expenses through cutting back on the level of services commensurate with the reduction in customer traffic and renegotiated contract terms for such services.

As well, general and administrative expenses have been closely analyzed and are being sensibly curtailed with a short, medium and long-term perspective in mind. Expenditures such as conferences, training, travel, meals and entertainment, printing and recruiting are all down as a natural result of the temporary change in business patterns, combined with a proactive cost management program.

Longer-Term Strategy

While COVID-19 has altered the Trust's short-term priorities, its long-term strategy remains unchanged. The economic uncertainty that has resulted from the pandemic will undoubtedly have some adverse effects and will result in temporary increases and decreases in various metrics.

Past financial downturns have substantiated the Trust's belief that real estate is resilient and that good real estate recovers from economic downturns.

Glossary of Terms

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

Glossary of Terms (continued)

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

Glossary of Terms (continued)

Term	Definition
Penguin	Penguin refers to entities controlled by Mitchell Goldhar, a Trustee, executive chairman and significant Unitholder of the Trust.
Proportionate Share Reconciliation	Certain disclosures in the MD&A are presented on a GAAP basis and on a total proportionate share basis (non-GAAP). References made to a "total proportionate share" or "the Trust's proportionate share of equity accounted investments" ("EAI") refer to non-GAAP financial measures which represent the Trust's proportionate interest in the financial position and operating activities of its entire portfolio, which reflect the difference in accounting treatment between joint ventures using proportionate consolidation and equity accounting. Management believes this presentation to be more meaningful to users of the MD&A because it represents the way in which the Trust and its partners manage the net assets and operating performance for each of the Trust's co-owned properties. The Trust accounts for its investments in both associates and joint ventures using the equity method of accounting.
Recovery Ratio	Defined as property operating cost recoveries divided by recoverable costs.
Same Properties NOI	To facilitate a more meaningful comparison of NOI between periods, Same properties NOI (a non-GAAP financial measure) amounts are calculated as the NOI attributable to those income properties that were owned by the Trust during the current period and the same period in the prior year. Any NOI from properties either acquired, Earnouts, developed or disposed of, outside of these periods, are excluded from Same Properties NOI.
Shadow Anchor	A shadow anchor is a store or business that satisfies the criteria for an anchor tenant, but which may be located at an adjoining property or on a portion.
SIFT	The Tax Act imposes a special taxation regime (referred to as the "SIFT Rules") for specified investment flow-through trusts ("SIFT"). A SIFT includes a trust resident in Canada with publicly traded units that holds one or more "non-portfolio properties". "Non-portfolio properties" (as defined in the Tax Act) include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada. Under the SIFT Rules, a SIFT is subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (as defined in the Tax Act; generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties", which does not include certain investments in non-Canadian entities), at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income. The SIFT Rules are not applicable to a SIFT that meets certain specified criteria relating to the nature of its revenues and investments in order to qualify as a real estate investment trust for purposes of the Tax Act.

Glossary of Terms (continued)

Term	Definition
The Transaction	On May 28, 2015, the Trust completed the previously announced acquisition of the SmartCentres' platform from Mitchell Goldhar as part of a $1,171.2 million transaction that transformed the Trust into a fully integrated real estate developer and operator by adding the SmartCentres platform of development, leasing, planning, engineering, architecture, and construction capabilities. The Transaction also included the acquisition of interests in a portfolio of 22 properties located principally in Ontario and Quebec, including 20 open-format Walmart Supercentre anchored or shadow-anchored shopping centres owned by Mitchell Goldhar and joint venture partners, including Walmart, for $1,116.0 million.
Transactional FFO	Transactional FFO is a non-GAAP financial measure that represents the net financial/economic gain (loss) resulting from a partial sale of an investment property to a third party. Transactional FFO is calculated as the difference between the actual selling price and actual costs incurred for the subject investment property. Because the Trust intends to establish numerous joint ventures with partners in which it plans to co-develop mixed-use development initiatives, the Trust expects such gains (losses) to be recurring and therefore represent part of the Trust's overall distributable earnings.
Unsecured to Secured Debt Ratio	Calculated as the ratio of unsecured debt to secured debt. The ratio is used by the Trust to assess the composition of debt and is not considered a measure in accordance with IFRS.
Voting Top-Up Right	Until July 1, 2020, Penguin is entitled to have a minimum of 25.0% of the votes eligible to be cast at any meeting of Unitholders provided certain conditions are met. Pursuant to the Voting Top-Up Right, the Trust will issue additional special voting Units of the Trust to Penguin to increase its voting rights to 25.0% in advance of a meeting of Unitholders. The total number of Special Voting Units is adjusted for each meeting of the Unitholders based on changes in Penguin's ownership interest.

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars)

As at,	Note	**March 31, 2020**	December 31, 2019
Assets			
Non-current assets			
Investment properties	4	**9,005,536**	9,050,066
Mortgages, loans and notes receivable	5	**304,320**	216,907
Equity accounted investments	6	**399,723**	345,376
Other assets	7	**88,301**	89,023
Intangible assets	8	**47,468**	47,801
		9,845,348	9,749,173
Current assets			
Residential development inventory	9	**24,901**	24,564
Current portion of mortgages, loans and notes receivable	5	**56,723**	55,953
Amounts receivable and other	10	**45,846**	36,679
Deferred financing costs	10	**1,391**	1,477
Prepaid expenses and deposits	10	**17,119**	5,247
Cash and cash equivalents		**439,465**	55,374
		585,445	179,294
Total assets		**10,430,793**	9,928,467
Liabilities			
Non-current liabilities			
Debt	11	**4,133,213**	4,110,548
Other payables	12	**21,583**	21,444
Other financial liabilities	13	**59,650**	95,735
		4,214,446	4,227,727
Current liabilities			
Current portion of debt	11	**619,924**	115,385
Accounts payable and current portion of other payables	12	**226,088**	217,603
		846,012	332,988
Total liabilities		**5,060,458**	4,560,715
Equity			
Trust Unit equity		**4,496,611**	4,492,678
Non-controlling interests		**873,724**	875,074
		5,370,335	5,367,752
Total liabilities and equity		**10,430,793**	9,928,467

Commitments and contingencies (Note 26)

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

Approved by the Board of Trustees.

Michael Young
Trustee

Garry Foster
Trustee

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in thousands of Canadian dollars)

For the three months ended March 31,	Note	**2020**	2019
Net rental income and other			
Rentals from investment properties and other	17	**206,727**	206,433
Property operating costs and other	18	**(82,900)**	(82,422)
Net rental income and other		**123,827**	124,011
Other income and expenses			
General and administrative expense, net	19	**(5,614)**	(6,362)
Earnings from equity accounted investments	6	**4,698**	729
Fair value adjustment on revaluation of investment properties	24	**(63,382)**	8,897
Gain on sale of investment properties		**3**	740
Interest expense	11(d)	**(34,518)**	(38,086)
Interest income		**3,279**	2,459
Fair value adjustment on financial instruments	24	**38,089**	(12,415)
Acquisition related costs		**(2,181)**	—
Net income and comprehensive income		**64,201**	79,973
Net income and comprehensive income attributable to:			
Trust Units		**53,920**	66,900
Non-controlling interests		**10,281**	13,073
		64,201	79,973

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

For the three months ended March 31,	Note	**2020**	2019
Cash provided by (used in)			
Operating activities			
Net income and comprehensive income for the period		**64,201**	79,973
Add (deduct):			
Fair value adjustments	24	**25,293**	3,518
Gain on sale of investment properties		**(3)**	(740)
Earnings from equity accounted investments, net of distributions	6	**(4,054)**	(295)
Acquisition related costs		**2,181**	—
Interest expense	11(d)	**34,518**	38,086
Other financing costs		**(120)**	(905)
Interest income		**(3,279)**	(2,459)
Amortization of other assets		**1,941**	1,610
Amortization of intangible assets	8	**333**	333
Lease obligation interest		**137**	133
Deferred unit compensation expense, net of redemptions	13(c)	**(574)**	(4,459)
Long Term Incentive Plan accrual adjustment	12(b)	**—**	531
Cash interest paid	11(d)	**(29,188)**	(39,027)
Interest received		**592**	512
Expenditures on direct leasing costs and tenant incentives		**(855)**	(1,113)
Expenditures on tenant incentives for properties under development		**(710)**	(1,503)
Changes in other non-cash operating items	20	**(11,251)**	(18,332)
Cash flows provided by operating activities		**79,162**	55,863
Financing activities			
Proceeds from debt issuance		**460,000**	499,800
Repayment of debt		**(11,923)**	(603,948)
Proceeds from issuance of Trust Units, net of issuance costs	15	**—**	220,366
Distributions paid on Trust Units		**(49,896)**	(47,474)
Distributions paid on non-controlling interests and Units classified as liabilities		**(12,601)**	(12,248)
Payment of lease liability		**(44)**	(48)
Cash flows provided by financing activities		**385,536**	56,448
Investing activities			
Earnouts of investment properties	3	**(541)**	(4,495)
Additions to investment properties		**(20,908)**	(24,126)
Additions to equity accounted investments		**(51,842)**	(617)
Additions to equipment	7	**(105)**	(153)
Advances of mortgages and loans receivable	5	**(7,211)**	(13,360)
Net proceeds from sale of investment properties		**—**	5,571
Cash flows used in investing activities		**(80,607)**	(37,180)
Increase in cash and cash equivalents during the period		**384,091**	75,131
Cash and cash equivalents – beginning of period		**55,374**	29,444
Cash and cash equivalents – end of period		**439,465**	104,575
Supplemental cash flow information	20		

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

For the three months ended March 31, 2020 and March 31, 2019
(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, 2020		**3,072,821**	**1,419,857**	**4,492,678**	**633,358**	**238,541**	**871,899**	**3,175**	**5,367,752**
Issuance of Units	15	**17,331**	**—**	**17,331**	**—**	**—**	**—**	**—**	**17,331**
Net income and comprehensive income		**—**	**53,920**	**53,920**	**—**	**10,180**	**10,180**	**101**	**64,201**
Distributions	16	**—**	**(67,318)**	**(67,318)**	**—**	**(11,631)**	**(11,631)**	**—**	**(78,949)**
Equity – March 31, 2020		**3,090,152**	**1,406,459**	**4,496,611**	**633,358**	**237,090**	**870,448**	**3,276**	**5,370,335**
Equity – January 1, 2019		2,781,069	1,367,112	4,148,181	632,737	224,302	857,039	3,111	5,008,331
Issuance of Units	15	237,833	—	237,833	—	—	—	—	237,833
Net income and comprehensive income		—	66,900	66,900	—	12,977	12,977	96	79,973
Distributions	16	—	(64,468)	(64,468)	—	(11,308)	(11,308)	—	(75,776)
Equity – March 31, 2019		3,018,902	1,369,544	4,388,446	632,737	225,971	858,708	3,207	5,250,361

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2020 and March 31, 2019
(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 unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Trustees on May 6, 2020. The Board of Trustees has the power to amend the unaudited interim condensed consolidated financial statements after issue.

As at March 31, 2020, the Penguin Group of Companies ("Penguin"), owned by Mitchell Goldhar, owned approximately 20.8% (December 31, 2019 – 20.7%) of the issued and outstanding Units of the Trust and Limited Partnerships (see also Note 21, "Related party transactions").

On March 11, 2020, the World Health Organization declared the outbreak and subsequent spread of the coronavirus disease ("COVID-19"), a global pandemic. The duration and intensity of resulting global business disruption and related financial and social impacts resulting from COVID-19 are unprecedented and remain uncertain, and such adverse effects may be material. The COVID-19 pandemic has to date already adversely impacted the Trust and many of its tenants' businesses, and potentially the ability of some tenants to meet their payment obligations under leases. The COVID-19 pandemic has also resulted in a general decline in economic activity, increased unemployment and the depth and duration of these conditions is not known at this time. This pandemic could also cause staff shortages, reduced customer traffic, mobility restrictions and other quarantine measures, supply shortages, increased government regulations, and the quarantine or contamination of one or more of the Trust's properties. In addition, the COVID-19 pandemic could impact the following material aspects of the Trust's business, among others: (i) the value of the Trust's properties and developments; (ii) the Trust's ability to make distributions to Unitholders; (iii) the availability or the terms of financing that the Trust currently has access to or may anticipate utilizing; (iv) the Trust's ability to make principal and interest payments on, or refinance any outstanding debt when due; (v) the occupancy rates in the Trust's properties; (vi) the ability of the Trust to pursue its development plans or obtain construction financing on previously announced and anticipated timelines or within budgeted terms; and (vii) the ability of existing tenants to enter into new leasing transactions or to satisfy rental payments under existing leases.

Efforts by governmental agencies, health agencies, and private sector participants to contain COVID-19 or address its impacts have adversely affected the Trust's business and the operation of its properties and developments. A number of provincial and municipal governments have declared states of emergency and governments have implemented restrictive measures such as travel bans, quarantine and self-isolation. As a result, some tenants have been seeking rent relief and/or have not complied with their rent obligations. Landlords, including SmartCentres, are considering rent deferral arrangements with certain tenants that are typically small independent retailers, whose businesses are required to close or otherwise suspend operations. Otherwise, SmartCentres will require tenants to honour the terms of their respective leases, including the payment of rent, and if they do not, SmartCentres may pursue enforcement and related alternatives. There can be no assurance that if the Trust enters into any such arrangements, deferred rents will be collected in accordance with the terms of those arrangements, or at all. Inability of tenants to meet their payment obligations, deferred or otherwise, and any inability of the Trust to collect rents in a timely manner or at all could adversely affect the Trust's business and financial condition. In addition, many jurisdictions in which the Trust operates have enacted mandatory business closures affecting certain of its tenants. While many of the Trust's tenants are affected by measures, approximately 60% of the Trust's tenants are deemed 'essential services' in their respective provincial jurisdictions and therefore continue to remain open to retail consumers.

The Trust is continuously monitoring the situation, but is unable to accurately predict the impact that the COVID-19 pandemic will have on its results of operations due to uncertainties including the ultimate geographic spread of the virus, the severity of the

disease, the duration or recurrence of the outbreak, and any further actions that may be taken by governmental agencies and private sector participants to contain the COVID-19 pandemic or to address its impacts. The worldwide spread of COVID-19 has adversely affected global economies and financial markets resulting in a severe economic downturn and significant impacts on many tenant businesses and their ability to meet payment obligations, including rent. The duration of this downturn is currently unknown.

While governmental agencies and private sector participants are seeking to mitigate the adverse effects of the COVID-19 pandemic, and the medical community is seeking to develop vaccines and other treatment options, the efficacy and timing of such measures remain uncertain. If the outbreak of COVID-19 and related developments lead to a prolonged or significant impact on global, national or local markets or economic growth, the Trust's cash flows, unit price, financial condition or results of operations and ability to make distributions to Unitholders may be materially and adversely affected.

2. Summary of significant accounting policies

2.1 Basis of presentation

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

2.2 Critical accounting estimates and judgments

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise judgment in applying the Trust's accounting policies. The critical accounting estimates, assumptions and judgments applied during the three months ended March 31, 2020, are consistent with those set out in Note 2 to the Trust's audited consolidated financial statements for the year ended December 31, 2019 (except where discussed below in section 2.3, "Accounting policies"). Estimates and judgments are continually evaluated. They are based on historical actual results and other factors, including expectations of future events that may have a financial impact and are reasonable. However, the actual results may differ from this estimate.

In addition, the Trust's estimates and judgments could also be affected by various risks and uncertainties, including but not limited to the effects of the COVID-19 pandemic, which in turn could have a significant risk on the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period and may potentially result in a material adjustment in a subsequent period.

2.3 Accounting policies

The accounting policies followed in these unaudited interim condensed consolidated financial statements are consistent with the policies and method of their application used in the preparation of the audited consolidated financial statements as at and for the year ended December 31, 2019, except as noted below.

Amendments to IFRS 3, Business Combinations

Effective January 1, 2020, the Trust has adopted the amendments to IFRS 3. The amendments to IFRS 3 relate 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.

3. Acquisitions and Earnouts

Acquisitions and Earnouts completed during the three months ended March 31, 2020

During the three months ended March 31, 2020, pursuant to development management agreements referred to in Note 4, "Investment Properties" (see also Note 21, "Related party transactions"), the Trust completed the purchase of Earnouts totalling 1,936 square feet of development space with a purchase price of $291, of which $77 was satisfied through the issuance of 3,822 Class F Series 3 Smart LP 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 three months ended March 31, 2020:

	Note	**Total**
Cash		**541**
LP Units issued	4(d)(ii)	**77**
Amounts previously funded and other adjustments		**(327)**
		291

The Earnouts in the above table do not include the cost of previously acquired freehold land of $318.

Acquisitions and Earnouts completed during the three months ended March 31, 2019

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

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

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

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

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

4. Investment properties

The following table summarizes the activity in investment properties for the three months ended March 31, 2020 and year ended December 31, 2019:

		March 31, 2020			December 31, 2019		
	Note	**Income Properties**	**Properties Under Development**	**Total**	Income Properties	Properties Under Development	Total
Balance – beginning of period		**8,488,669**	**561,397**	**9,050,066**	8,404,513	500,544	8,905,057
Additions:							
Acquisitions, and related adjustments, of investment properties		**—**	**—**	**—**	1,641	16,752	18,393
Transfer to income properties from properties under development		**8,954**	**(8,954)**	**—**	66,306	(66,306)	—
Transfer from income properties to properties under development		**(23,600)**	**23,600**	**—**	(43,400)	43,400	—
Earnout Fees on properties subject to development management agreements	4(d)(ii)	**291**	**—**	**291**	5,311		5,311
Capital expenditures		**605**	**—**	**605**	17,665	—	17,665
Leasing costs		**451**	**—**	**451**	1,789	—	1,789
Development expenditures		**—**	**12,972**	**12,972**	—	69,387	69,387
Capitalized interest	11(d)	**—**	**4,533**	**4,533**	—	18,956	18,956
Dispositions		**—**	**—**	**—**	(95)	(15,868)	(15,963)
Fair value adjustments	24	**(64,158)**	**776**	**(63,382)**	34,939	(5,468)	29,471
Balance – end of period		**8,411,212**	**594,324**	**9,005,536**	8,488,669	561,397	9,050,066

The historical costs of both income properties and properties under development as at March 31, 2020 totalled $6,566,361 and $740,815, respectively (December 31, 2019 – $6,584,852 and $703,472, respectively).

Secured debt with a carrying value of $1,430,258 (December 31, 2019 – $1,442,278) is secured by investment properties with a fair value of $3,357,738 (December 31, 2019 – $3,353,966).

Presented separately from investment properties is $85,839 (December 31, 2019 – $86,398) 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

Valuation technique for the three months ended March 31, 2020

For the three months ended March 31, 2020, the Trust has applied a change in accounting estimate in the valuation technique used to estimate the fair value of income properties. The Trust applied the discounted cash flow valuation technique to estimate the value of income properties, which include: freehold properties, properties with leasehold interests with purchase options, and properties with leasehold interests without purchase options. The Trust changed its valuation technique as it believes that the discounted cash flow valuation technique represents the Trust's estimate of fair values of income properties based on expectations of changes in rental rates, occupancy rates, lease renewal rates, downtime on lease expiries, among others, as a result of the impact of COVID-19.

Valuation techniques for the year ended December 31, 2019

For the year ended December 31, 2019, the Trust applied the following valuation techniques to estimate the fair value of income properties:

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

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

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

ii) Properties under development

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

The following table summarizes significant unobservable inputs in Level 3 valuations along with corresponding fair values for the three months ended March 31, 2020 and year ended December 31, 2019:

		March 31, 2020				
			Terminal Capitalization Rate		**Discount Rate**	
Class	**Valuation Technique**	**Carrying Value**	**Weighted Average**	**Range**	**Weighted Average**	**Range**
Income properties	Discounted cash flow	**8,411,212**	**5.96 %**	**4.25%–7.79%**	**6.48 %**	**4.65%–8.54%**
Class	**Valuation Technique**	**Carrying Value**	**Total Stabilized or Forecasted NOI**	**Range of Capitalization Rates**	**Weighted Average Capitalization Rate**	
Properties under development	Direct income capitalization	**508,396**	**33,049**	**5.99%–7.01%**	**6.50%**	
	Sales comparison	**85,928**	**N/A**	**N/A**	**N/A**	
		594,324				
Balance – end of period		**9,005,536**				

		December 31, 2019			
Class	Valuation Technique	Carrying Value	Total Stabilized or Forecasted NOI	Range of Capitalization 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			

The estimates of fair value are most sensitive to changes in the discount/capitalization rates and forecasted future cash flows for each property. The sensitivity analysis in the table below indicates the approximate impact on the fair values of the Trust's investment property portfolio resulting from changes in discount rates (for income properties) and capitalization rates (for properties under development), assuming no changes in other inputs.

Change in discount/capitalization rate of:	**(1.0)%**	**(0.5)%**	**(0.25)%**	**+0.25%**	**+0.50%**	**+1.00%**
Increase (decrease) in fair value						
Income properties	1,758,100	796,700	380,700	(348,400)	(669,300)	(1,240,500)
Properties under development	92,436	42,366	20,336	(18,829)	(36,314)	(67,786)

b) Dispositions

Disposition of investment properties during the three months ended March 31, 2020

There were no dispositions of investment properties during the three months ended March 31, 2020.

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

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

c) Leasehold property interests

At March 31, 2020, 16 (December 31, 2019 – 16) investment properties with a fair value of $8,411,212 (December 31, 2019 – $1,032,084) 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, 2019 – $889,931), including prepaid land rent of $229,846 (December 31, 2019 – $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, 2019 – $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 $8,173 (December 31, 2019 – $8,214), in the amount of $1,827 (December 31, 2019 – $1,786) (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 $450 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 $1,313 (December 31, 2019 – $1,408), in the amount of $6,263 (December 31, 2019 – $6,279) (see also Note 12, “Accounts and other payables”).

d) Properties under development

Properties under development as at March 31, 2020 and December 31, 2019 are included in the following table:

	March 31, 2020	December 31, 2019
Properties under development not subject to development management agreements (i)	**543,704**	513,034
Properties under development subject to development management agreements (ii)	**50,620**	48,363
	594,324	561,397

For the three months ended March 31, 2020, the Trust capitalized a total of $4,533 (three months ended March 31, 2019 – $4,448) of borrowing costs related to properties under development.

i) Properties under development not subject to development management agreements

During the three months ended March 31, 2020, 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 to income properties. For the three months ended March 31, 2020, the Trust incurred land and development costs of $8,636 (three months ended March 31, 2019 – $21,403).

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 $14,787 (December 31, 2019 – $13,237), 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 $35,833 (December 31, 2019 – $35,126), 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 three months ended March 31, 2020 and March 31, 2019 which resulted in proceeds are presented in the table as follows (see also Note 13(b), “Other financial liabilities”):

Unit Type	Class and Series	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Trust Units	N/A	**—**	1,065
Smart Limited Partnership	Class F Series 3	**77**	—
		77	1,065

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, “Earnouts”) that have been reclassified to income properties during the three months ended March 31, 2020 and March 31, 2019 are presented in the table as follows:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Development costs incurred	**—**	3,120
Earnout Fees paid	**291**	3,208
	291	6,328

5. Mortgages, loans and notes receivable

Mortgages, loans and notes receivable as at March 31, 2020 and December 31, 2019 are included in the following table:

	Note	**March 31, 2020**	December 31, 2019
Mortgages receivable (a)	21	**140,632**	138,762
Loans receivable (b)		**217,432**	131,119
Notes receivable (c)	21	**2,979**	2,979
		361,043	272,860
Current		**56,723**	55,953
Non-current		**304,320**	216,907
		361,043	272,860

a) Mortgages receivable of $140,632 (December 31, 2019 – $138,762) 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, 2019 – nine) properties across Ontario, Quebec and British Columbia. The Trust is committed to lend up to $279,235 (December 31, 2019 – $279,235) 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 March 31, 2020 and December 31, 2019:

Property	**Committed**	**Maturity Date**	**Interest Rate at Period End**	**Purchase Option % of Property**[1]	**March 31, 2020**	December 31, 2019
Salmon Arm, BC[2][3]	19,719	October 2020	4.85 %	— %	**15,183**	14,997
Innisfil, ON[2][4]	26,257	December 2020	6.75 %	— %	**21,290**	20,937
Aurora (South), ON	30,543	March 2022	4.68 %	50 %	**17,211**	17,005
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	5.09 %	50 %	**29,775**	29,387
Vaughan (7 & 427), ON	52,277	December 2023	5.47 %	50 %	**18,063**	17,820
Caledon (Mayfield), ON	14,033	April 2024	4.95 %	50 %	**10,071**	9,944
Toronto (StudioCentre), ON[2]	43,759	June 2024	4.92 %	25 %	**29,039**	28,672
	279,235		5.27%[7]		**140,632**	138,762

(1) The Trust has a purchase option from the borrower in these properties upon a certain level of development and leasing being achieved. As at March 31, 2020, 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) The maturity date for this loan was extended from April 2020 to October 2020. 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) The interest rate on this mortgage is 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%.
(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 $112,105 (December 31, 2019 – $110,590); and (ii) at fixed rates of 6.35% to 7.50% on mortgages receivable of $28,527 (December 31, 2019 – $28,172), 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 $61,742 (December 31, 2019 – $63,613) 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, $127,051 (December 31, 2019 – $125,536) 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 activity in mortgages receivable during the three months ended March 31, 2020 and March 31, 2019:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Balance – beginning of period	**138,762**	134,221
Interest accrued	**1,870**	1,850
Balance – end of period	**140,632**	136,071

b) Loans receivable as at March 31, 2020 of $217,432 (December 31, 2019 – $131,119) are included in the following table (by maturity date):

Issued to	**Committed**	**Maturity Date**	**Interest Rate**	**Note**	**March 31, 2020**	December 31, 2019
Unrelated party[(1)]	N/A	November 2020	6.25%		**9,804**	9,804
Penguin[(2)]	19,148	November 2020	Variable	21	**10,446**	10,215
Penguin[(3)]	26,227	June 2021	Variable	21	**14,291**	14,173
PCVP[(4)]	N/A	June 2021	2.76%	21	**93,063**	92,427
Unrelated party[(5)]	16,500	September 2024	Variable		**4,590**	4,500
Unrelated party[(6)]	8,250	January 2025	Variable		**6,952**	—
Penguin[(7)]	N/A	January 2030	Interest-free	21	**78,286**	—
					217,432	131,119

(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 $19,148. 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 $26,227, bearing interest accruing at a fixed rate of 2.76% 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 unaudited interim condensed consolidated financial statements three months ended March 31, 2020.

(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 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.

(6) In January 2020, the Trust entered into a loan agreement with an unrelated party, Greenwin, whereby the Trust assisted Greenwin to fund its 25% interest in development lands in Toronto, Ontario (see also Note 6, "Equity Accounted Investments") for a non-revolving term acquisition credit facility of $7,000, a non-revolving term pre-development credit facility of $1,250, and a non-revolving put exercise credit facility in an amount equal to the put purchase price plus any associated closing costs at the time of exercise. The loan security includes a first charge on the development lands and is guaranteed by Greenwin. This loan will mature in January 2025, 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.

(7) This loan receivable relates to the acquisition of a parcel of land in Vaughan, Ontario through PCVP in December 2019 ("700 Applewood purchase"). In March 2020, the Trust assumed this loan receivable from Penguin in regards to the PCVP. The loan has a principal amount outstanding of $108,718, is non-interest bearing, and is repayable at the end of 10 years. As at March 31, 2020, the loan balance of $78,286 is net of a fair value adjustment totalling $30,432. See also Note 11.b.iii) reflecting the offsetting loan payable amount.

The following table illustrates the activity in loans receivable for the three months ended March 31, 2020 and March 31, 2019:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Balance – beginning of period	**131,119**	19,949
Loans issued[(1)]	**85,238**	13,226
Advances	**259**	134
Interest accrued	**816**	98
Balance – end of period	**217,432**	33,407

(1) Includes $78,286 amount due from Penguin, see footnote (7) above.

c) Notes receivable of $2,979 (December 31, 2019 – $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 key components relating to the Trust's equity accounted investments for the three months ended March 31, 2020 and year ended December 31, 2019:

	March 31, 2020			December 31, 2019		
	Investment in Associates	**Investment in Joint Ventures**	**Total**	Investment in Associates	Investment in Joint Ventures	Total
Investment – beginning of period	**294,499**	**50,877**	**345,376**	116,284	30,022	146,306
Operating Activities:						
Earnings	**4,284**	**414**	**4,698**	5,981	658	6,639
Distributions from operations	**(500)**	**(144)**	**(644)**	(6,621)	(576)	(7,197)
Financing Activities:						
Fair value adjustment on loan	**1,130**	**—**	**1,130**	(28,356)	—	(28,356)
Loan Repayment	**(500)**	**—**	**(500)**	—	—	—
Investing Activities:						
Cash contribution	**796**	**3,242**	**4,038**	115,581	6,296	121,877
Property contribution	**—**	**—**	**—**	—	5,260	5,260
Acquisition and related costs[1]	**(2,181)**	**48,956**	**46,775**	123,608	9,217	132,825
Distributions from development activities	**—**	**(1,150)**	**(1,150)**	(31,978)	—	(31,978)
Investment – end of period	**297,528**	**102,195**	**399,723**	294,499	50,877	345,376

(1) Represents the contribution of funds to acquire an interest in equity accounted investments.

a) Investment in associates

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

	Principal Intended Activity	**March 31, 2020**	December 31, 2019	March 31, 2019
PCVP	Own, develop and operate investment properties	**50 %**	50 %	50 %
Residences LP	Own, develop and sell two residential condominium towers (Transit City 1 and 2)	**25 %**	25 %	25 %
Residences III LP	Own, develop and sell a residential condominium tower (Transit City 3)	**25 %**	25 %	25 %
East Block Residences LP	Own, develop and sell two residential condominium towers (Transit City 4 and 5)	**25 %**	25 %	25 %

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 more 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".

Acquisition completed through PCVP during the three months ended March 31, 2020

No acquisitions in the three months ended March 31, 2020

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.

i) Summary of balance sheets

The following table represents the summary of balance sheets as at March 31, 2020 and December 31, 2019:

	March 31, 2020			December 31, 2019		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Non-current assets	**844,785**	**—**	**844,785**	812,469	—	812,469
Current assets	**22,401**	**597,822**	**620,223**	14,995	505,286	520,281
Total assets	**867,186**	**597,822**	**1,465,008**	827,464	505,286	1,332,750
Non-current liabilities[1]	**253,525**	**196,750**	**450,275**	234,592	143,757	378,349
Current liabilities	**61,647**	**321,402**	**383,049**	50,475	283,693	334,168
Total liabilities	**315,172**	**518,152**	**833,324**	285,067	427,450	712,517
Net assets	**552,014**	**79,670**	**631,684**	542,397	77,836	620,233
Trust's share of net assets before adjustments	**276,007**	**19,918**	**295,925**	271,198	19,459	290,657
Fair value adjustment on loan	**1,603**	**—**	**1,603**	3,842	—	3,842
Trust's share of net assets	**277,610**	**19,918**	**297,528**	275,040	19,459	294,499

(1) Balance as at March 31, 2020 includes loan payable to the Trust of $93,063 (December 31, 2019 - $92,427), see Note 5(b) "Mortgages, loans and notes receivable".

The following table summarizes existing commitments with various development construction contracts as at March 31, 2020:

	Commitments	**Trust's share**
PCVP	**16,334**	**8,167**
Residences LP	**48,778**	**12,194**
Residences LP III	**59,876**	**14,969**
East Block Residences LP	**38,391**	**13,197**
	163,379	**48,527**

ii) Summary of earnings (losses)

The following table represents the summary of earnings (losses) for the three months ended March 31, 2020 and March 31, 2019:

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Revenue[1]	**7,553**	**1,835**	**9,388**	4,870	—	4,870
Operating expense	**(3,044)**	**—**	**(3,044)**	(2,123)	—	(2,123)
Other sales and related costs	**—**	**—**	**—**	—	(40)	(40)
Fair value adjustment on revaluation of investment properties	**5,378**	**—**	**5,378**	76	—	76
Interest expense	**(1,442)**	**—**	**(1,442)**	(1,123)	—	(1,123)
Earnings (losses)	**8,445**	**1,835**	**10,280**	1,700	(40)	1,660
Trust's share of earnings (losses) before supplemental cost	**4,224**	**458**	**4,682**	850	(10)	840
Supplemental cost	**(398)**	**—**	**(398)**	(288)	—	(288)
Trust's share of earnings (losses)	**3,826**	**458**	**4,284**	562	(10)	552

(1) Includes office rental revenue from the Trust in the amount of $651 for the three months ended March 31, 2020 (three months ended March 31, 2019 - nil)

In accordance with the Supplemental Development Fee Agreement, the Trust invoiced PCVP a net amount of $796 related to associated development fees for the three months ended March 31, 2020 (three months ended March 31, 2019 – $576).

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.

	March 31, 2020	December 31, 2019
Development facilities – beginning of period	**768,302**	555,826
Repayments and adjustments	**(17,715)**	(86,800)
Letters of credit released	**—**	(888)
Additional development credit facilities obtained	**—**	300,164
Development facilities – end of period	**750,587**	768,302
Amount drawn on development credit facility	**(240,050)**	(168,057)
Letters of credit – outstanding	**(37,734)**	(37,734)
	472,803	562,511
Trust's share of remaining unused development credit facilities	**124,829**	152,006

PCVP

As at March 31, 2020, 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; and
- a letter of credit facility totalling $35,000 (the Trust's share of which is $17,500).

VMC Residences

As at March 31, 2020, the Residences LP and Residences III LP had the following credit facilities:

- one development credit facility totalling $237,359 net of letters of credit released (the Trust's share of which is $59,340) bearing interest at the banker's acceptance rate plus 175 basis points, which matures in 2021;
- one development credit facility totalling $133,688 (the Trust's share of which is $33,422) 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

The following table summarizes the Trust's ownership interest in investments in joint ventures grouped by their principal intended activities as reflected in the Trust's unaudited interim condensed consolidated financial statements:

		March 31, 2020		December 31, 2019	
Business Focus	Joint Venture Partner	**Number of Investments**	**Ownership Interest**	Number of Investments	Ownership Interest
Retail investment properties	Fieldgate	**1**	**30 %**	1	30 %
Joint Venture: 1500 Dundas East LP					
Self-storage facilities	SmartStop	**6**	**50 %**	5	50 %
Joint Ventures: Leaside SAM LP, Oshawa South Self Storage LP, Bramport SAM LP, Vaughan NW SAM LP, Dupont Self Storage LP and Aurora Self Storage LP					
Seniors' apartments	Revera	**1**	**50 %**	1	50 %
Joint Ventures: Vaughan NW SA Propco LP					
Retirement residences	Revera	**6**	**50 %**	4	50 %
Joint Ventures: Vaughan NW RR Propco LP, Vaughan NW RR Opco LP, Hopedale RR Propco LP, Hopedale RR Opco LP, Ottawa SW Propco LP and Ottawa SW Opco LP					
Residential apartments	Jadco	**1**	**50 %**	1	50 %
Joint Venture: Laval C Apartments LP					
Residential apartments	Greenwin	**1**	**75 %**	—	N/A
Joint Venture: Balliol/Pailton LP					
Total		**16**		12	

Acquisition completed through Smart Balliol LP in the period ended March 31, 2020

In January 2020, the Trust, together with its partner Greenwin, acquired a 75% interest in a parcel of land through a joint venture, Balliol/Pailton LP, totalling 1.1 acres in Toronto, Ontario with the intention of developing a 30-storey apartment community, for a purchase price of $48,000.

i) Summary of balance sheets

The following table represents the summary of balance sheets as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Non-current assets	**313,000**	244,686
Current assets	**3,732**	5,158
Total assets	**316,732**	249,844
Non-current liabilities	**111,295**	109,029
Current liabilities	**9,246**	15,118
Total liabilities	**120,541**	124,147
Net assets	**196,191**	125,697
Trust's share of net assets	**102,195**	50,877

The joint ventures listed above have entered into various development construction contracts with existing commitments totalling $18,476, of which the Trust's share is $9,293.

ii) Summary of earnings

The following table represents the summary of earnings for the three months ended March 31, 2020 and March 31, 2019:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Revenue	**2,794**	2,594
Operating expense	**(959)**	(763)
Fair value adjustments on revaluation of investment properties	**481**	(646)
Interest expense	**(584)**	(603)
Loss on sale of investment properties	**(215)**	—
Earnings	**1,517**	582
Trust's share of earnings	**414**	177

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 three months ended March 31, 2020 and year ended December 31, 2019 presented as follows:

	March 31, 2020	December 31, 2019
Development facility – beginning of period	**35,417**	35,417
Development facility – end of period	**35,417**	35,417
Amount drawn on development facility	**(27,223)**	(24,292)
Remaining unused development facility	**8,194**	11,125
Trust's share of remaining unused development facility	**4,097**	5,563

7. Other assets

The components of other assets are presented in the table as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Straight-line rent receivables	**48,327**	48,380
Tenant incentives	**37,512**	38,018
	85,839	86,398
Equipment	**2,055**	2,173
Right-of-use assets	**407**	452
	88,301	89,023

The following table summarizes the activity in other assets for the three months ended March 31, 2020:

	December 31, 2019	**Additions**	**Amortization**	**March 31, 2020**
Straight-line rent receivables	48,380	**1,863**	**(1,916)**	**48,327**
Tenant incentives	38,018	**1,114**	**(1,620)**	**37,512**
	86,398	**2,977**	**(3,536)**	**85,839**
Equipment	2,173	**105**	**(223)**	**2,055**
Right-of-use assets	452	**—**	**(45)**	**407**
	89,023	**3,082**	**(3,804)**	**88,301**

8. Intangible assets

The components of intangible assets are included in the table as at March 31, 2020 and December 31, 2019:

	March 31, 2020			December 31, 2019		
	Cost	**Accumulated Amortization**	**Net**	Cost	Accumulated Amortization	Net
Intangible assets with finite lives:						
Key joint venture relationships	**36,944**	**5,966**	**30,978**	36,944	5,658	31,286
Trademarks	**2,995**	**484**	**2,511**	2,995	459	2,536
Total intangible assets with finite lives	**39,939**	**6,450**	**33,489**	39,939	6,117	33,822
Goodwill	**13,979**	**—**	**13,979**	13,979	—	13,979
	53,918	**6,450**	**47,468**	53,918	6,117	47,801

The total amortization expense recognized for the three months ended March 31, 2020 amounted to $333 (three months ended March 31, 2019 – $333).

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 townhome units.

The following table summarizes the activity in residential development inventory for the three months ended March 31, 2020 and year ended December 31, 2019:

	March 31, 2020	December 31, 2019
Balance – beginning of period	**24,564**	23,429
Development costs	**109**	207
Capitalized interest	**228**	928
Balance – end of period	**24,901**	24,564

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

The components of amounts receivable, prepaid expenses and deposits, deferred financing costs and other are included in the table as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Amounts receivable and other		
Tenant receivables	**16,360**	15,921
Unbilled other tenant receivables	**14,057**	7,649
Receivables from related party – excluding equity accounted investments	**9,918**	7,958
Receivables from related party – equity accounted investments	**2,196**	1,690
Other non-tenant receivables	**105**	1,482
Other	**6,451**	5,040
Allowance for expected credit loss	**(3,241)**	(3,061)
	45,846	36,679
Deferred financing costs	**1,391**	1,477
Prepaid expenses and deposits	**17,119**	5,247
	64,356	43,403

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 March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Amounts receivable and other	**49,087**	39,740
Allowance for ECL	**(3,241)**	(3,061)
Amounts receivable and other – net of allowance for ECL	**45,846**	36,679

The reconciliation of changes in the allowance for ECL on amounts receivable is included in the table for the three months ended March 31, 2020 and March 31, 2019:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Balance – beginning of period	**3,061**	3,114
Additional allowance recognized as expense	**400**	508
Reversal of previous allowances	**(199)**	(29)
Net	**201**	479
Tenant receivables written off during the period	**(21)**	(57)
Balance – end of period	**3,241**	3,536

11. Debt

Debt balances are included in the following table as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Secured debt (a)	**1,430,258**	1,442,278
Unsecured debt (b)	**2,862,879**	2,783,655
Revolving operating facility (c)	**460,000**	—
	4,753,137	4,225,933
Current	**619,924**	115,385
Non-current	**4,133,213**	4,110,548
	4,753,137	4,225,933

a) Secured debt

Secured debt bears interest at a weighted average interest rate of 3.80% as at March 31, 2020 (December 31, 2019 – 3.81%). Total secured debt of $1,430,258 includes $1,373,258 (December 31, 2019 – $1,385,278) at fixed interest rates and $57,000 (December 31, 2019 – $57,000) 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	34,481	69,606	104,087
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
	241,402	1,190,679	1,432,081
Unamortized acquisition date fair value adjustments			2,168
Unamortized financing costs			(3,991)
			1,430,258

b) Unsecured debt

The following table summarizes the components of unsecured debt as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Unsecured debentures (i)	**2,301,750**	2,301,257
Credit facilities (ii)	**399,137**	399,102
Other unsecured debt (iii)	**161,992**	83,296
	2,862,879	2,783,655

i) Unsecured debentures

The following table summarizes the components of unsecured debentures as at March 31, 2020 and December 31, 2019:

Series	Maturity Date	Annual Interest Rate	Interest Payment Dates	March 31, 2020	December 31, 2019
Series I	May 30, 2023	3.985%	May 30 and November 30	**200,000**	200,000
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**	350,000
Series U	December 20, 2029	3.526%	June 20 and December 20	**450,000**	450,000
		3.278%[2]		**2,310,000**	2,310,000
			Less: Unamortized financing costs	**(8,250)**	(8,743)
				2,301,750	2,301,257

(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 three months ended March 31, 2020

There was no activity during the three months ended March 31, 2020.

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

Issuance

In March 2019, the Trust issued $350,000 of 2.757% Series T senior unsecured debentures (net proceeds 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 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)).

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 March 31, 2020.

ii) Credit facilities

The following table summarizes the activity for unsecured non-revolving credit facilities (by maturity date) as at March 31, 2020 and December 31, 2019:

Issued In	Maturity Date	Annual Interest Rate	Original Amount	March 31, 2020	December 31, 2019
August 2018[1]	January 31, 2025	2.98%	80,000	**80,000**	80,000
March 2019[2]	March 7, 2024	3.59%	150,000	**150,000**	150,000
May 2019[3]	June 24, 2024	3.26%	170,000	**170,000**	170,000
				400,000	400,000
			Less: Unamortized financing costs	**(863)**	(898)
				399,137	399,102

(1) This credit facility was due to mature on August 29, 2023, bearing interest at a variable interest rate. In January 2020, the maturity date was extended to January 31, 2025, with the interest fixed at 2.98%.
(2) $150,000 was drawn to fund the redemption of 4.050% Series H senior unsecured debentures in March 2019.
(3) $170,000 was drawn to fund the redemption of 3.749% Series L unsecured debentures and for general Trust purposes in June 2019.

iii) Other unsecured debt

Other unsecured debt net of fair value adjustments totalling $161,992 (December 31, 2019 – $83,296) 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. The following table summarizes components of the Trust's other unsecured debt as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
PCVP[1] (5.00% discount rate)	**81,492**	80,862
PCVP[2] (5.75% discount rate)	**78,286**	—
Laval C Apartment LP	**2,214**	2,214
Vaughan NW SAM LP	**—**	220
	161,992	83,296

(1) In connection with the 700 Applewood purchase, in December 2019, the Trust has a principal amount outstanding of $108,718 (December 31 - $109,218), is non-interest bearing, and is repayable at the end of 10 years. As at March 31, 2020, the loan balance of $81,492 is net of a fair value adjustment totalling $27,226.

(2) In connection with the 700 Applewood purchase, in March 2020, the Trust assumed a loan payable to PCVP from Penguin. The loan has a principal amount outstanding of $108,718, is non-interest bearing, and is repayable at the end of 10 years. As at March 31, 2020, the loan balance of $78,286 is net of a fair value adjustment totalling $30,432. See also Note 5.b) reflecting offsetting loan receivable amount.

c) Revolving operating facility

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 undrawn 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 March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Revolving operating facility	**500,000**	500,000
Lines of credit – outstanding	**(460,000)**	—
Letters of credit – outstanding	**(8,709)**	(8,844)
Remaining operating facility	**31,291**	491,156

d) Interest expense

Interest expense for the three months ended March 31, 2020 and March 31, 2019 is included in the following table:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Interest at stated rates	**37,143**	37,544
Amortization of acquisition date fair value adjustments on assumed debt	**(227)**	(533)
Amortization of deferred financing costs	**962**	870
	37,878	37,881
Less:		
Interest capitalized to properties under development	**(4,533)**	(4,448)
Interest capitalized to residential development inventory	**(228)**	(230)
	33,117	33,203
Yield maintenance on redemption of debt and related write-off of unamortized financing costs (Note 11(b))	**—**	3,525
	33,117	36,728
Distributions on vested deferred units and Units classified as liabilities	**1,401**	1,358
	34,518	38,086

Non-cash interest expense for the three months ended March 31, 2020 and March 31, 2019 is included in the following table:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Interest expense	**34,518**	38,086
Amortization of acquisition date fair value adjustments on assumed debt	**227**	533
Amortization of deferred financing costs	**(962)**	(870)
Distributions on vested deferred units and Units classified as liabilities	**(1,401)**	(1,358)
Change in interest associated with financing activities	**—**	(3,525)
Change in accrued interest payable	**(3,194)**	6,161
Cash interest paid	**29,188**	39,027

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 $23,328 of letters of credit outstanding with other financial institutions as at March 31, 2020 (December 31, 2019 – $26,545).

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 March 31, 2020 and December 31, 2019:

	Note	**March 31, 2020**	December 31, 2019
Accounts payable		**77,116**	77,295
Accounts payable with Penguin	21	**10,780**	8,893
Tenant prepaid rent, deposits, and other payables		**61,507**	69,836
Accrued interest payable		**20,123**	16,929
Distributions payable		**26,496**	26,406
Realty taxes payable		**18,504**	3,443
Current portion of other payables		**11,562**	14,801
		226,088	217,603

Other payables that are classified as non-current liabilities are included in the following table as at March 31, 2020 and December 31, 2019:

	Note	**March 31, 2020**	December 31, 2019
Future land development obligations with Penguin	12(a)	**23,993**	27,074
Lease liability – investment properties[(1)]		**8,090**	8,065
Lease liability – other		**417**	461
Long Term Incentive Plan liability	12(b)	**645**	645
Total other payables		**33,145**	36,245
Less: Current portion of other payables		**(11,562)**	(14,801)
Total non-current portion of other payables		**21,583**	21,444

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

a) Future land development obligations

The future land development obligations represent payments required to be made to Penguin (see also Note 21, “Related party transactions”) for certain undeveloped lands acquired from 2006 to 2015, either on completion and rental of additional space on the undeveloped lands or, if no additional space is completed on the undeveloped lands, at the expiry of the 10-year development management agreement periods ending in 2019 to 2025. The accrued future land development obligations are measured at their amortized values using imputed interest rates ranging from 4.50% to 5.50%. For the three months ended March 31, 2020, imputed interest of $282 (three months ended March 31, 2019 – $283) was capitalized to properties under development.

b) Long Term Incentive Plan liability

The following table summarizes the activity in the LTIP for the three months ended March 31, 2020 and March 31, 2019:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Balance – beginning of period	**645**	1,241
Accrual adjustment	**—**	531
Balance – end of period	**645**	1,772

13. Other financial liabilities

The components of other financial liabilities are included in the table as at March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
Units classified as liabilities (a)	**39,573**	65,436
Earnout options (b)	**12**	52
Deferred unit plan ("DUP") (c)	**20,065**	30,247
	59,650	95,735

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, 2020	**311,022**	**4,886**	**260,417**	**1,248,140**	**132,881**	**139,302**	**2,096,648**
Options exercised	**—**	**3,822**	**—**	**—**	**—**	**—**	**3,822**
Balance – March 31, 2020	**311,022**	**8,708**	**260,417**	**1,248,140**	**132,881**	**139,302**	**2,100,470**
Balance – January 1, 2019	311,022	—	260,417	1,248,140	132,881	137,109	2,089,569
Balance – March 31, 2019	311,022	—	260,417	1,248,140	132,881	137,109	2,089,569

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, 2020	**9,707**	**152**	**8,128**	**38,955**	**4,147**	**4,347**	**65,436**
Options exercised	**—**	**77**	**—**	**—**	**—**	**—**	**77**
Change in carrying value[(1)]	**(3,847)**	**(65)**	**(3,221)**	**(15,440)**	**(1,644)**	**(1,723)**	**(25,940)**
Balance – March 31, 2020	**5,860**	**164**	**4,907**	**23,515**	**2,503**	**2,624**	**39,573**
Balance – January 1, 2019	9,589	—	8,028	38,480	4,096	4,227	64,420
Change in carrying value	1,300	—	1,089	5,217	556	573	8,735
Balance – March 31, 2019	10,889	—	9,117	43,697	4,652	4,800	73,155

(1) As disclosed in the Trust's audited consolidated financial statements for the year ended December 31, 2019, the Trust's policy is to measure this liability based on the market value of the Trust Units at each reporting date. As such, the total change in carrying value was the result of the $12.37 decline in the Trust's Unit price from $31.21 at December 31, 2019, to $18.84 at March 31, 2020.

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 three months ended March 31, 2020:

	Strike Price	Options Outstanding at January 1, 2020	Options Cancelled	Options Exercised	Options Outstanding at March 31, 2020	Amounts from Options Exercised
	($)	(#)	(#)	(#)	(#)	($)
Options to acquire Trust Units						
July 2005	20.10	**55,604**	—	—	**55,604**	—
December 2006	29.55 to 33.55	**53,458**	—	—	**53,458**	—
July 2007	29.55 to 33.00	**1,348,223**	—	—	**1,348,223**	—
		1,457,285	—	—	**1,457,285**	—
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	**680,227**	**(1,968)**	**(3,822)**	**674,437**	**77**
		5,861,329	**(1,968)**	**(3,822)**	**5,855,539**	**77**
Options to acquire Class B Smart LP III Units[3]						
September 2010	Market price	**598,913**	—	—	**598,913**	
August 2011	Market price	**596,219**	—	—	**596,219**	—
August 2013	Market price	**560,071**	—	—	**560,071**	—
September 2014	Market price	**259,704**	—	—	**259,704**	—
		2,014,907	—	—	**2,014,907**	—
Options to acquire Class B Smart LP IV Units[4]						
May 2015	Market price	**422,059**	—	—	**422,059**	
		422,059	—	—	**422,059**	—
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	**482,086**	—	—	**482,086**	—
		482,086	—	—	**482,086**	—
Total Earnout options		**10,699,673**	**(1,968)**	**(3,822)**	**10,693,883**	**77**

(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 Units outstanding and proceeds received for the three months ended March 31, 2019:

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

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

The following table summarizes the change in the fair value of Earnout options for the three months ended March 31, 2020 and March 31, 2019:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Fair value – beginning of period	**52**	881
Trust options exercised	**—**	(566)
Fair value adjustment	**(40)**	(153)
Fair value – end of period	**12**	162

c) Deferred unit plan ("DUP")

The Trust has a deferred unit plan that entitles: i) Trustees and ii) eligible associates, which include a) senior executive officers (key management personnel); b) senior officers holding the title of vice president, senior vice president or executive vice president; and c) 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 three months ended March 31, 2020 and March 31, 2019 are summarized in the table as follows:

	Outstanding	**Vested**	**Non-vested**
Balance – January 1, 2020	**1,025,582**	**868,183**	**157,399**
Granted			
Trustees	**55,193**	**55,193**	**—**
Eligible associates	**79,986**	**38,562**	**41,424**
Reinvested units from distributions	**19,624**	**14,861**	**4,763**
Vested	**—**	**25,863**	**(25,863)**
Redeemed for cash	**(21,950)**	**(21,950)**	**—**
Balance – March 31, 2020	**1,158,435**	**980,712**	**177,723**
Balance – January 1, 2019	1,007,929	876,870	131,059
Granted			
Trustees	55,424	55,424	—
Eligible associates	58,788	29,394	29,394
Reinvested units from distributions	15,033	13,063	1,970
Vested	—	29,886	(29,886)
Exchanged for Trust Units	(720)	(720)	—
Redeemed for cash	(155,170)	(155,170)	—
Forfeited	(5,007)	—	(5,007)
Balance – March 31, 2019	976,277	848,747	127,530

The following table summarizes the change in the carrying value of the deferred unit plan for the three months ended March 31, 2020 and March 31, 2019:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Carrying value – beginning of period	**30,247**	29,683
Deferred units granted for trustee fees and bonuses	**2,070**	1,778
Reinvested distributions on vested deferred units	**431**	418
Compensation expense – reinvested distributions, amortization and fair value change on unvested deferred units	**78**	773
Exchanged for Trust Units	**—**	(24)
Redeemed for cash	**(652)**	(5,232)
Fair value adjustment – vested deferred units	**(12,109)**	3,833
Carrying value – end of period	**20,065**	31,229

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 March 31, 2020 and December 31, 2019:

	March 31, 2020			December 31, 2019		
	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	**—**	**355,707**	**355,707**	—	267,815	267,815
Tenant receivables	**—**	**16,360**	**16,360**	—	15,921	15,921
Financial liabilities						
Secured debt	**—**	**1,431,115**	**1,431,115**	—	1,476,880	1,476,880
Revolving operating facility	**—**	**460,000**	**460,000**	—	—	—
Unsecured debt	**—**	**2,779,332**	**2,779,332**	—	2,834,406	2,834,406
Long Term Incentive Plan	**—**	**645**	**645**	—	645	645
Units classified as liabilities	**39,573**	**—**	**39,573**	65,436	—	65,436
Earnout options	**12**	**—**	**12**	52	—	52
Deferred unit plan	**20,065**	**—**	**20,065**	30,247	—	30,247

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 March 31, 2020 and December 31, 2019:

	March 31, 2020			December 31, 2019		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Recurring measurements:						
Financial liabilities						
Units classified as liabilities	**—**	**39,573**	**—**	—	65,436	—
Earnout options	**—**	**—**	**12**	—	—	52
Deferred unit plan	**—**	**20,065**	**—**	—	30,247	—

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 March 31, 2020 and March 31, 2019. The Limited Partnership Units are classified as non-controlling interests in the unaudited interim condensed consolidated balance sheets and the unaudited interim condensed consolidated statements of equity.

		Number of Units Issued and Outstanding			Carrying Value		
	Note	Trust Units (#)	Smart LP Units (#) (Table A)	Total Units (#)	Trust Units ($)	Smart LP Units ($) (Table B)	Total ($)
Balance – January 1, 2020		**144,038,363**	**25,148,180**	**169,186,543**	**3,072,821**	**633,358**	**3,706,179**
Distribution reinvestment plan	15(b), 16	**578,744**	**—**	**578,744**	**17,331**	**—**	**17,331**
Balance – March 31, 2020		**144,617,107**	**25,148,180**	**169,765,287**	**3,090,152**	**633,358**	**3,723,510**
Balance – January 1, 2019		134,498,397	25,128,877	159,627,274	2,781,069	632,737	3,413,806
Options exercised[(1)]	4, 13(b)	53,002	—	53,002	1,631	—	1,631
Deferred Units exchanged for Trust Units	13(c)	720	—	720	24	—	24
Distribution reinvestment plan	15(b), 16	479,060	—	479,060	15,812	—	15,812
Unit issuance cost		—	—	—	(9,634)	—	(9,634)
Units exchanged for Trust Units		7,360,000	—	7,360,000	230,000	—	230,000
Balance – March 31, 2019		142,391,179	25,128,877	167,520,056	3,018,902	632,737	3,651,639

(1) For the three months ended March 31, 2020, the carrying value of Trust Units issued includes the change in fair value of Earnout options on exercise of $nil (three months ended March 31, 2019 – $566).

Table A: Number of LP Units issued and outstanding

The following table represents the number of Units issued and outstanding for the three months ended March 31, 2020 and March 31, 2019.

Unit Type	Class and Series	Balance – January 1, 2020	Options Exercised (Note 13(b))	Balance – March 31, 2020
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**	**668,428**	**—**	**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**	**3,067,593**	**—**	**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**
		25,148,180	**—**	**25,148,180**

Unit Type	Class and Series	Balance – January 1, 2019	Options Exercised (Note 13(b))	Balance – March 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	—	664,214
Smart Limited Partnership III	Class B Series 5	572,337	—	572,337
Smart Limited Partnership III	Class B Series 6	449,375	—	449,375
Smart Limited Partnership III	Class B Series 7	434,598	—	434,598
Smart Limited Partnership III	Class B Series 8	1,698,018	—	1,698,018
Smart Limited Partnership IV	Class B Series 1	3,052,504	—	3,052,504
Smart Oshawa South Limited Partnership	Class B Series 1	710,416	—	710,416
Smart Oshawa Taunton Limited Partnership	Class B Series 1	374,223	—	374,223
		25,128,877	—	25,128,877

Table B: Carrying value of LP Units

The following table represents the carrying values of Units issued and outstanding for the three months ended March 31, 2020 and March 31, 2019.

Unit Type	**Class and Series**	**Balance – January 1, 2020**	**Value From Options Exercised** (Note 13(b))	**Balance – March 31, 2020**
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**	**16,468**	**—**	**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**	**88,162**	**—**	**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**
		633,358	**—**	**633,358**

Unit Type	Class and Series	Balance – January 1, 2019	Value From Options Exercised (Note 13(b))	Balance – March 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	—	16,334
Smart Limited Partnership III	Class B Series 5	15,356	—	15,356
Smart Limited Partnership III	Class B Series 6	11,720	—	11,720
Smart Limited Partnership III	Class B Series 7	11,668	—	11,668
Smart Limited Partnership III	Class B Series 8	48,732	—	48,732
Smart Limited Partnership IV	Class B Series 1	87,675	—	87,675
Smart Oshawa South Limited Partnership	Class B Series 1	20,441	—	20,441
Smart Oshawa Taunton Limited Partnership	Class B Series 1	11,033	—	11,033
		632,737	—	632,737

a) Authorized Units

i) Trust Units

As at March 31, 2020, there were 27,239,942 (December 31, 2019 – 27,239,942) 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) Limited Partnership Units

The following table summarizes the Class A and Class B Limited Partnership Units as at March 31, 2020 and December 31, 2019:

Class A[(1)(2)]	**March 31, 2020**	December 31, 2019
Smart Limited Partnership	**75,062,169**	75,062,169
Smart Limited Partnership II	**263,303**	263,303
Smart Limited Partnership III	**12,556,688**	12,556,688
Smart Limited Partnership IV	**3,402,569**	3,402,569
Smart Oshawa South Limited Partnership	**668,190**	668,190
Smart Oshawa Taunton Limited Partnership	**637,895**	637,895
Smart Boxgrove Limited Partnership	**397,438**	397,438
ONR Limited Partnership	**3,912,943,532**	3,912,943,532
ONR Limited Partnership I	**38,000,010**	38,000,010

Class B[(3)(4)]	**March 31, 2020**	December 31, 2019
Classified as Equity		
Limited Partnership Units[(5)]	**25,148,180**	25,148,180
Classified as Liabilities		
ONR Limited Partnership Class B[(6)]	**1,248,140**	1,248,140
ONR Limited Partnership I Class B Series 1[(6)]	**132,881**	132,881
ONR Limited Partnership I Class B Series 2[(6)]	**139,302**	139,302

(1) Entitled to all distributable cash of the LP after the required distributions on the other classes of Units have been paid; owned directly by the Trust, and eliminated on consolidation.
(2) At the meetings of the respective LP, Class A partners have 20 votes for each Class A unit held with exception to Smart LP II, in which a Class A LP II partner has five votes for each Class A unit held.
(3) Non-transferable, except under certain limited circumstances; exchangeable into an equal number of Trust Units at the holder's option; entitled to receive distributions equivalent to the distributions on Trust Units; entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend, and vote at all meetings of the Trust; considered to be economically equivalent to Trust Units.
(4) Class B partners have one vote for each class B unit held at the meetings of the respective LPs.
(5) Units owned by third parties have been presented as non-controlling interest. See further details in Table A above.
(6) Units owned by third parties have been presented as liabilities.

The following table summarizes the Class C Limited Partnership Units as at March 31, 2020 and December 31, 2019:

Class C[1][2]	Series	March 31, 2020	December 31, 2019
Smart Limited Partnership	Series 1[3]	**3,445,341**	3,445,341
Smart Limited Partnership	Series 2[3]	**3,026,949**	3,026,949
Smart Limited Partnership	Series 3[3]	**674,437**	680,227
Smart Limited Partnership III	Series 4[4]	**598,913**	598,913
Smart Limited Partnership III	Series 5[4]	**596,219**	596,219
Smart Limited Partnership III	Series 6[4]	**560,071**	560,071
Smart Limited Partnership III	Series 7[4]	**259,704**	259,704
Smart Limited Partnership IV	Series 1[4]	**422,059**	422,059
Smart Oshawa South Limited Partnership	Series 1[4]	**21,082**	21,082
Smart Oshawa Taunton Limited Partnership	Series 1[4]	**132,711**	132,711
Smart Boxgrove Limited Partnership	Series 1[4]	**170,000**	170,000
ONR Limited Partnership I	Series 2[4]	**482,086**	482,086

(1) Entitled to receive 0.01% of any distributions of the LP, and have nominal value assigned in the unaudited interim condensed consolidated financial statements.
(2) Class C partners have no votes at the meetings of the respective LPs.
(3) 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, Units are exchangeable into Class B Units of the respective LP, except for Class C Series 3 LP Units which are exchangeable into Class F Series 3 LP Units.
(4) 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, and exchangeable into Class B Units of the respective LP.

The following table summarizes the Class D, Class E and Class F Limited Partnership Units as at March 31, 2020 and December 31, 2019:

Unit type	Class and Series	March 31, 2020	December 31, 2019
Smart Limited Partnership	Class D Series 1[1][2][5][6]	**311,022**	311,022
Smart Limited Partnership	Class E Series 1[2][3][7]	**16,704**	16,704
Smart Limited Partnership	Class E Series 2[2][3][7]	**800,000**	800,000
Smart Limited Partnership	Class F Series 3[3][4][5][7]	**8,708**	4,886
Smart Oshawa South Limited Partnership	Class D Series 1[1][2][5][6]	**260,417**	260,417
Smart Oshawa South Limited Partnership	Class E Series 1[2][3][7]	**5,503**	5,503
Smart Oshawa Taunton Limited Partnership	Class E Series 1[2][3][7]	**132,711**	132,711

(1) Non-transferable, except under certain limited circumstances; exchangeable into an equal number of Trust Units at the holder's option; entitled to receive distributions equivalent to the distributions on Trust Units; entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend, and vote at all meetings of the Trust; considered to be economically equivalent to Trust Units; Units owned by outside parties have been presented as liabilities.
(2) 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, and exchangeable into Class B Units of the respective LP.
(3) Entitled to receive 0.01% of any distributions of the LP, and have nominal value assigned in the unaudited interim condensed consolidated financial statements.
(4) Entitled to 65.5% of the distribution on Trust Units, and exchangeable for $20.10 in cash per unit or, on the completion and rental of additional space on specific properties.
(5) Units owned by third parties have been presented as liabilities.
(6) Class D partners have one vote for each class D Unit held at the meetings of the respective LPs.
(7) Class E and F partners have no votes at the meetings of the respective LPs.

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.

On March 20, 2020, the Trust announced the suspension of the Trust's Distribution Reinvestment Plan (the "DRIP"), effective April 13, 2020. Beginning with the April 2020 distribution, plan participants will receive distributions in cash.

c) Trust Units issued for cash

During the three months ended March 31, 2020, nil trust units were issued (three months ended March 31, 2019 – the Trust issued 7,360,000 Trust Units for cash at an issue price of $31.25, totalling $230,000, before issuance costs of $9,634).

d) Normal Course Issuer Bid

On March 27, 2020, the Trust announced that the Toronto Stock Exchange (the "TSX") had accepted the notice filed by the Trust to establish a normal course issuer bid ("NCIB") program.

The NCIB program commenced on March 31, 2020 and will terminate on March 30, 2021, or on such earlier date as the Trust may complete its purchases pursuant to a Notice of Intention filed with the TSX. Under the NCIB program, the Trust is authorized to purchase up to 6,500,835 of its Trust Units (out of the 144,407,124 Trust Units outstanding as at March

23, 2020) representing approximately 5% of the public float as at March 23, 2020, by way of normal course purchases effected through the facilities of the TSX and/or alternative Canadian trading systems. The average daily trading volume for the six months ended February 2020 was 334,072 Trust Units. All Trust Units purchased by the Trust will be cancelled.

During the three months ended March 31, 2020, the Trust did not purchase for cancellation any Trust Units under the NCIB (March 31, 2019 - nil).

16. Unit distributions

Pursuant to the Declaration of Trust, the Trust endeavours to distribute annually such amount as is necessary to ensure the Trust will not be subject to tax on its net income under Part I of the Tax Act. Unit distributions declared during the three months ended March 31, 2020 and March 31, 2019 are included in the table as follows:

Unit Type Subject to Distributions	Class and Series	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Distributions on Units classified as equity:			
Trust Units	N/A	**67,318**	64,468
Distributions on Limited Partnership Units			
Smart Limited Partnership	Class B Series 1	**6,820**	6,635
Smart Limited Partnership	Class B Series 2	**439**	428
Smart Limited Partnership	Class B Series 3	**333**	324
Smart Limited Partnership II	Class B	**350**	340
Smart Limited Partnership III	Class B Series 4	**309**	299
Smart Limited Partnership III	Class B Series 5	**265**	258
Smart Limited Partnership III	Class B Series 6	**208**	202
Smart Limited Partnership III	Class B Series 7	**201**	196
Smart Limited Partnership III	Class B Series 8	**785**	764
Smart Limited Partnership IV	Class B Series 1	**1,419**	1,374
Smart Oshawa South Limited Partnership	Class B Series 1	**329**	320
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**173**	168
Total distributions on Limited Partnership Units		**11,631**	11,308
Distributions on other non-controlling interest	N/A	**—**	—
Total distributions on Units classified as equity		**78,949**	75,776
Distributions on Units classified as liabilities:			
Smart Limited Partnership	Class D Series 1	**144**	140
Smart Limited Partnership	Class F Series 3	**3**	—
Smart Oshawa South Limited Partnership	Class D Series 1	**120**	117
ONR Limited Partnership	Class B	**577**	561
ONR Limited Partnership I	Class B Series 1	**61**	60
ONR Limited Partnership I	Class B Series 2	**64**	62
Total distributions on Units classified as liabilities		**969**	940
Distributions paid through DRIP	N/A	**17,331**	15,812

On April 24, 2020, the Trust declared a distribution for the month of April 2020 of $0.15417 per Unit, representing $1.85 per Unit on an annualized basis, to Unitholders of record on April 30, 2020.

17. Rentals from investment properties and other

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Gross base rent	**127,964**	127,345
Less: Amortization of tenant incentives	**(1,622)**	(1,796)
Net base rent	**126,342**	125,549
Property tax and insurance recoveries	**48,609**	48,457
Property operating cost recoveries	**26,222**	25,886
Total recoveries	**74,831**	74,343
Miscellaneous revenue	**2,845**	4,122
Rentals from investment properties	**204,018**	204,014
Service and other revenues[1]	**2,709**	2,419
Rentals from investment properties and other	**206,727**	206,433

(1) For the three months ended March 31, 2020, service and other revenues included $2,384 relating to the fees associated with the Development and Services Agreement with Penguin (three months ended March 31, 2019 – $2,202). See also Note 21, "Related party transactions".

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

	March 31, 2020	March 31, 2019
2019[1]	**—**	372,726
2020[1]	**375,914**	467,265
2021	**469,979**	414,992
2022	**417,417**	361,167
2023	**341,048**	285,636
2024	**267,878**	214,919
Thereafter	**778,602**	661,151

(1) Amounts related to remainder of year.

18. Property operating costs and other

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Recoverable property operating costs[1]	**78,093**	77,416
Property management fees and costs	**848**	1,199
Non-recoverable costs	**1,247**	1,365
Property operating costs	**80,188**	79,980
Other expenses[2]	**2,712**	2,442
Property operating costs and other	**82,900**	82,422

(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	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Salaries and benefits		**13,291**	13,579
Master planning services fee – by Penguin	21	**1,750**	3,850
Professional fees		**1,379**	1,107
Public company costs		**698**	623
Rent and occupancy		**665**	612
Amortization of intangible assets	8	**333**	333
Other costs including information technology, marketing, communications, and other employee expenses		**1,510**	1,297
Total general and administrative expense before allocation		**19,626**	21,401
Less:			
Capitalized to properties under development, and other assets		**(7,333)**	(8,328)
Allocated to property operating costs		**(3,970)**	(3,828)
Amounts charged to Penguin and third parties		**(2,709)**	(2,883)
Total amounts capitalized, allocated, and charged		**(14,012)**	(15,039)
General and administrative expense, net		**5,614**	6,362

20. Supplemental cash flow information

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

	Note	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Amounts receivable and other	10	**(9,167)**	(13,920)
Deferred financing costs	10	**86**	(327)
Prepaid expenses and deposits	10	**(11,872)**	(9,524)
Accounts payable	12	**1,708**	(3,639)
Realty taxes payable	12	**15,061**	15,251
Tenant prepaid rent, deposits, and other payables	12	**(8,329)**	(7,470)
Other working capital changes		**1,262**	1,297
		(11,251)	(18,332)

21. Related party transactions

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

At March 31, 2020, Penguin (the Trust's largest Unitholder) owned the Units presented in the following table, which in total represent approximately 20.8% of the issued and outstanding Units (December 31, 2019 – 20.7%):

Type	Class and Series	March 31, 2020	December 31, 2019
Trust Units	N/A	**14,170,363**	13,892,863
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	**8,708**	4,886
Smart Limited Partnership III	Class B Series 4	**668,428**	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	**2,838,954**	2,838,954
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**	139,302
		35,694,865	35,413,543

Pursuant to the Declaration of Trust, provided certain thresholds are met, the Trust is required 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 March 31, 2020, there were 9,427,088 additional Special Voting Units outstanding (December 31, 2019 – 9,427,088). 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." 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 three months ended March 31, 2020 and March 31, 2019 resulted in proceeds presented in the table as follows:

Unit Type	Class and Series	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Trust Units	N/A	**—**	1,065
Smart Limited Partnership	Class F Series 3	**77**	—
		77	1,065

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

Type	Class and Series	March 31, 2020	December 31, 2019
Trust Units	N/A	**1,286,833**	1,286,833
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	**674,437**	680,227
Smart Limited Partnership III	Class B Series 4	**598,913**	598,913
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**	259,704
Smart Limited Partnership IV	Class B Series 1	**387,859**	387,859
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**	482,086
		9,529,313	9,535,103

At March 31, 2020, Penguin's ownership would increase to 24.8% (December 31, 2019 – 24.7%) if Penguin were to exercise all remaining Earnout options. Pursuant to its rights under the Declaration of Trust, at March 31, 2020, 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 unaudited interim condensed consolidated financial statements, the Trust has the following agreements with Penguin:

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

    a. Construction management services and leasing services are provided, at the discretion of Penguin, with respect to certain of Penguin's properties under development for a market-based fee based on construction costs incurred. Fees for leasing services, requested at the discretion of Penguin, are based on various rates that approximate market rates, depending on the term and nature of the 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 unaudited interim condensed consolidated financial statements (including Note 3 referring to the purchase of Earnouts, Note 4(c) referring to Leasehold property interests, Note 5 referring to Mortgages, loans and notes receivable, Note 6(a)(ii) referring to a Supplemental Development Fee Agreement, and Note 17 referring to Rentals from investment properties and other), the following 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	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Related party transactions with Penguin			
Revenues:			
Service and other revenues:			
Transition services fee revenue		**500**	750
Management fee and other services revenue pursuant to the Development and Services Agreement		**1,674**	1,251
Support services		**210**	201
	17	**2,384**	2,202
Interest income from mortgages and loans receivable		**2,118**	2,014
Head lease rents and operating cost recoveries included in head lease rentals from income properties		**223**	235
		4,725	4,451
Expenses and other payments:			
Master planning services:			
Capitalized to properties under development	19	**1,750**	3,850
Development fees and interest expense (capitalized to investment properties)		**10**	11
Opportunity fees (capitalized to properties under development)[1]		**731**	684
Rent and operating costs (included in general and administrative expense and property operating costs)		**—**	464
Marketing, time billings and other administrative costs (included in general and administrative expense and property operating costs)		**12**	31
		2,503	5,040
Related party transactions with PCVP			
Revenues:			
Interest income from mortgages and loans receivable		**635**	—
Expenses and other payments:			
Rent and operating costs (included in general and administrative expense and property operating costs)		**651**	—

(1) These amounts include prepaid land costs that will offset the purchase price of future Earnouts.

	Note	**March 31, 2020**	December 31, 2019
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable[1]	10	**9,918**	7,958
Mortgages receivable	5(a)	**140,632**	138,762
Loans receivable	5(b)	**103,023**	24,388
Notes receivable	5(c)	**2,979**	2,979
Total receivables		**256,552**	174,087
Payables and other accruals:			
Accounts payable	12	**10,780**	8,893
Future land development obligation	12	**23,993**	27,074
Secured debt		**—**	318
Total payables and other accruals		**34,773**	36,285

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

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

	Note	**March 31, 2020**	December 31, 2019
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable[(1)]		**2,196**	1,690
Loans receivable[(2)]	5(b)	**93,063**	92,427
Amounts payable[(3)]		**2,604**	2,024
Other unsecured debt	11(b)(iii)	**161,992**	83,296

(1) Amounts receivable includes Penguin's portion, which represents $1,087 (December 31, 2019 – $833) relating to Penguin's 50% investment in the PCVP and 25% investment in Residences LP.
(2) Loans receivable includes Penguin's portion, which represents $46,531 (December 31, 2019 – $46,214) relating to Penguin's 50% investment in the PCVP.
(3) Amounts payable includes Penguin's portion, which represents $1,302 (December 31, 2019 – $1,012) relating to Penguin's 50% investment in the PCVP.

Mortgages receivable
As at March 31, 2020, the weighted average interest rate associated with mortgages receivable from Penguin was 5.27% (December 31, 2019 – 5.38%) (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 from 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 three months ended March 31, 2020 and March 31, 2019:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Legal fees paid to a law firm in which a partner is a Trustee:		
Capitalized to investment properties	**485**	1,317
Included in general and administrative expense	**70**	296
	555	1,613

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.

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. Currently, 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:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Salaries and other short-term employee benefits	**765**	531
Deferred unit plan	**516**	508
Long Term Incentive Plan	**—**	531
	1,281	1,570

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Trustee fees	**264**	211
Deferred unit plan	**264**	211
	528	422

23. 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 March 31, 2020, 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 25.3% of the Trust's annualized rentals from investment properties for the three months ended March 31, 2020 (three months ended March 31, 2019 – 25.5%).

24. Adjustments to fair value

The following table summarizes the adjustments to fair value for the three months ended March 31, 2020 and March 31, 2019:

	Note	**Three Months Ended March 31, 2020**	Three Months Ended March 31, 2019
Investment properties			
Income properties	4	**(64,158)**	11,517
Properties under development	4	**776**	(2,620)
Fair value adjustment on revaluation of investment properties		**(63,382)**	8,897
Financial instruments			
Units classified as liabilities[1]	13(a)	**25,940**	(8,735)
Earnout options	13(b)	**40**	153
Deferred unit plan – vested portion	13(c)	**12,109**	(3,833)
Fair value adjustment on financial instruments		**38,089**	(12,415)
Total adjustments to fair value		**(25,293)**	(3,518)

(1) As disclosed in the Trust's audited consolidated financial statements for the year ended December 31, 2019, the Trust's policy is to measure this liability based on the market value of the Trust Units at each reporting date. As such, the total change in carrying value was the result of the $12.37 decline in the Trust's Unit price from $31.21 at December 31, 2019, to $18.84 at March 31, 2020.

25. Risk management

a) Financial risks

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

i) Interest rate risk

The majority of the Trust's debt is financed at fixed rates with maturities staggered over a number of years, thereby mitigating its exposure to changes in interest rates and financing risks. At March 31, 2020, approximately 16.41% (December 31, 2019 – 7.22%) of the Trust's debt is financed at variable rates, exposing the Trust to changes in interest rates on such debt. The increase in variable rate debt from December 31, 2019 to March 31, 2020, is primarily attributed to the $460,000 draw on the Trust's revolving operating facility in March 2020.

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 unaudited interim condensed 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 (three months ended March 31, 2020 – 12.12% of total interest costs; year ended December 31, 2019 – 11.24% 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)	3,835	1,918	(1,918)	(3,835)

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, $386,012 of liabilities (including $159,924 of secured debt and $226,088 of account and other payable amounts) will mature and will need to be settled by means of renewal or payment. In addition, the balance of $460,000, which was drawn on the revolving operating facility, may be repaid prior to September 30, 2024. In addition, the Trust has available, a $250,000 undrawn accordion feature.

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 in forming appropriate assumptions. However, as always, there is a risk that significant changes in market conditions could alter the assumptions used, particularly in light of the current conditions caused by COVID-19.

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".

The impact of COVID-19
While it is not possible for management to reasonably estimate the duration, complexity, or severity of this pandemic, which could have a material adverse impact on the Trust's business, results of operations, financial position and cash flows, as at March 31, 2020, the Trust had: a) the funds available from drawing on its $500,000 operating facility and its undrawn $250,000 accordion feature; b) project-specific financing arrangements; and c) approximately $5,647,800 in unencumbered assets that could be used to obtain additional secured financing to assist with its liquidity requirements.

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 three months ended March 31, 2020, the Trust was in compliance with all financial covenants.

26. Commitments and contingencies

The Trust has certain obligations and commitments pursuant to development management agreements to complete the purchase of Earnouts totalling approximately 237,000 square feet (December 31, 2019 – 247,000 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 March 31, 2020, the carrying value of these obligations and commitments included in properties under development was $50,620 (December 31, 2019 – $48,363). 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 $21,082 (December 31, 2019 – $23,178), and commitments relating to equity accounted investments that total $181,854, of which the Trust's share is $57,820 – 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 $140,632 has been provided as at March 31, 2020 (December 31, 2019 – $138,762).

As at March 31, 2020, letters of credit totalling $32,037 (December 31, 2019 – $35,389) – 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 unaudited interim condensed consolidated financial statements.

27. Subsequent events

The duration and intensity of resulting global business disruption and related financial and social impacts resulting from COVID-19 are unprecedented and remain uncertain, and such adverse effects may be material. The COVID-19 pandemic has to date already adversely impacted the Trust and many of its tenants' businesses, and potentially the ability of some tenants to meet their payment obligations under leases. The COVID-19 pandemic has also resulted in a general decline in economic activity, increased unemployment and the depth and duration of these conditions is not known at this time. This pandemic could also cause staff shortages, reduced customer traffic, mobility restrictions and other quarantine measures, supply shortages, increased government regulations, and the quarantine or contamination of one or more of the Trust's properties. In addition, the COVID-19 pandemic could impact the following material aspects of the Trust's business, among others: (i) the value of the Trust's properties and developments; (ii) the Trust's ability to make distributions to Unitholders; (iii) the availability or the terms of financing that the Trust currently has access to or may anticipate utilizing; (iv) the Trust's ability to make principal and interest payments on, or refinance any outstanding debt when due; (v) the occupancy rates in the Trust's properties; (vi) the ability of the Trust to pursue its development plans or obtain construction financing on previously announced and anticipated timelines or within budgeted terms; and (vii) the ability of existing tenants to enter into new leasing transactions or to satisfy rental payments under existing leases.

Efforts by governmental agencies, health agencies, and private sector participants to contain COVID-19 or address its impacts have adversely affected the Trust's business and the operation of its properties and developments. A number of provincial and municipal governments have declared states of emergency and governments have implemented restrictive measures such as travel bans, quarantine and self-isolation. As a result, some tenants have been seeking rent relief and/or have not complied with their rent obligations. Landlords, including SmartCentres, are considering rent deferral arrangements with certain tenants that are typically small independent retailers, whose businesses are required to close or otherwise suspend operations. Otherwise, SmartCentres will require tenants to honour the terms of their respective leases, including the payment of rent, and if they do not, SmartCentres may pursue enforcement and related alternatives. There can be no assurance that if the Trust enters into any such arrangements, deferred rents will be collected in accordance with the terms of those arrangements, or at all. Inability of tenants to meet their payment obligations, deferred or otherwise, and any inability of the Trust to collect rents in a timely manner or at all could adversely affect the Trust's business and financial condition. In addition, many jurisdictions in which the Trust operates have enacted mandatory business closures affecting certain of its tenants. While many of the Trust's tenants are affected by measures, approximately 60% of the Trust's tenants are deemed 'essential services' in their respective provincial jurisdictions and therefore continue to remain open to retail consumers.

The Trust is continuously monitoring the situation, but is unable to accurately predict the impact that the COVID-19 pandemic will have on its results of operations due to uncertainties including the ultimate geographic spread of the virus, the severity of the

disease, the duration or recurrence of the outbreak, and any further actions that may be taken by governmental agencies and private sector participants to contain the COVID-19 pandemic or to address its impacts. The worldwide spread of COVID-19 has adversely affected global economies and financial markets resulting in a severe economic downturn and significant impacts on many tenant businesses and their ability to meet payment obligations, including rent. The duration of this downturn is currently unknown.

While governmental agencies and private sector participants are seeking to mitigate the adverse effects of the COVID-19 pandemic, and the medical community is seeking to develop vaccines and other treatment options, the efficacy and timing of such measures remain uncertain. If the outbreak of COVID-19 and related developments lead to a prolonged or significant impact on global, national or local markets or economic growth, the Trust's cash flows, unit price, financial condition or results of operations and ability to make distributions to Unitholders may be materially and adversely affected.

CORPORATE INFORMATION

TRUSTEES

Mitchell Goldhar[2]
Executive Chairman of the Board
SmartCentres Real Estate Investment Trust,
Owner
The Penguin Group of Companies

Peter Forde
President & CEO
SmartCentres Real Estate Investment Trust

Garry Foster[1, 2]
Chief Executive Officer
Cortleigh Capital Inc.

Gregory Howard[2, 3]
Partner
Davies Ward Phillips & Vineberg LLP

Jamie McVicar[1, 3]
Trustee

Sharm Powell[2]
Trustee

Kevin Pshebniski[1, 2]
President
Hopewell Development Corporation

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

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

EXECUTIVE OFFICERS

Mitchell Goldhar
Executive Chairman of the Board

Peter Forde
President & CEO

Peter Sweeney
Chief Financial Officer

Mauro Pambianchi
Chief Development Officer

Rudy Gobin
Executive Vice President
Portfolio Management & Investments

Paula Bustard
Executive Vice President of Development

Allan Scully
Executive Vice President of Development

BANKERS

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

AUDITORS

PricewaterhouseCoopers LLP
Toronto, Ontario

LEGAL COUNSEL

Osler Hoskin & Harcourt LLP
Toronto, Ontario

Davies Ward Phillips & Vineberg LLP
Toronto, Ontario

REGISTRAR & TRANSFER AGENT

Computershare Trust Company of Canada
Toronto, Ontario

INVESTOR RELATIONS

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

SMARTCENTRES®
REAL ESTATE INVESTMENT TRUST

3200 Highway 7
Vaughan, ON L4K 5Z5

Telephone 905-326-6400
www.smartcentres.com