

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

For The Three and Six Months Ended June 30, 2020

FROM SHOPPING CENTRES TO CITY CENTRES

2020 Second Quarter Report



SMARTCENTRES®
REAL ESTATE INVESTMENT TRUST

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MESSAGE FROM THE EXECUTIVE CHAIRMAN AND THE PRESIDENT & CEO



MITCHELL GOLDHAR
Executive Chairman

It is during these most difficult and uncertain times that SmartCentres has an opportunity to demonstrate our leadership, our resilience and our commitment to protect our people, the communities we serve, our tenants and their respective customers, and our business. At the beginning of the pandemic, we offered free use of 1.0 million square feet of our built space, as well as our land, parking lots and signage to the various levels of 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. Most recently, we were able to provide over 100,000 square feet of space in one of our Oakville, Ontario locations to assist Trillium Health Network with their COVID-19 related needs and we are continuing discussions with all levels of governments 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. We hope that this collaborative initiative will help to further protect Canadians. Notwithstanding all other COVID-19 related efforts, it is of this initiative that we are most proud.



PETER FORDE
President & CEO

While COVID-19 has added some challenges in the short term, it has not altered our long-term strategy as we remain intently focused on our initiatives to grow the business through mixed-use development. 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; our greatest assets remain unchanged: our real estate. And as past financial downturns have substantiated time and time again, real estate is resilient and prime real estate in economic downturns represents opportunity. SmartCentres is best described as a real estate company with substantial and reliable recurring income as a starting point on the path to development of higher and better uses on these exceptional locations. However, our current unit price does not reflect the value of any of this development potential.

It is our strategic opinion that this is the time to accelerate, not decelerate, the pace of our development and planning initiatives. This is because the world will continue to change and we need to continue to change with it. Further, this is strategic because with the lasting relationships we have forged over the last three decades with many Canadian municipalities as well as the municipalities' receptiveness to land use developments at this time, we are able to move things forward. We believe the Trust's significant number of municipal applications for rezoning and site plan approvals will pay off in the not too distant future.

Over the last several years we have pointed out to the investment community that it is part of our culture to deliver on what we say. We believe that SmartVMC is an example of this – two office towers were delivered in accordance with our disclosures and delivered under budget, further characterized by strong tenant profiles. Progress at Transit City continues in accordance with our disclosures, where together with our partners, and a dedicated team of construction workers, we are now in the 'home stretch' to complete the Transit City 1 and 2 towers that will begin closings on August 5th and by year end, all 1,100 presold units are expected to have closed with FFO per unit for the second half of 2020 being enhanced by more than \$0.25. Closings of the third phase are expected to follow in 2021, with the fourth and fifth phases expected to be completed in 2023, together with the completion of our first rental building at SmartVMC.

During Q2, we also completed construction of the 177-unit rental tower in Laval, Québec which is already 65% leased and we are now planning to commence construction of the next phase. Similarly, we completed construction of our first purpose built SmartStop facility in Leaside and we currently have three additional SmartStop projects under construction which are expected to be completed later this year or early in 2021, with many more locations to be built in the coming years. Also, later this year, we are planning to commence construction of our first two retirement communities in Barrie and Ottawa, with the expectation that there will be many more to follow in the years ahead. And lastly, together with our partner, Fieldgate, we are planning to soon launch a new townhome project on our Vaughan NW shopping centre site.

Our core business of owning and managing approximately 33.9 million square feet of predominately Walmart-anchored shopping centres was built for ‘heavy weather’ and during these uncertain times, continues to demonstrate industry-leading occupancy levels. When including committed deals, our overall occupancy level declined modestly to 97.8% in Q2. No doubt we will have some additional vacant space resulting from this pandemic. However, we remain the strategic low-cost provider of retail space in Walmart-anchored open-format shopping centres in Canada and we have the team to convert this space to mixed-use, if appropriate. During the pandemic period, Walmart Canada’s sales levels have increased considerably and Walmart continues to demonstrate its industry-leading ability to drive high traffic levels to our shopping centres across Canada.

Approximately 60% of our rental revenues are derived from retail tenants that are ‘essential businesses’ that, during this pandemic, have remained fully or partially open under various emergency orders in the places where SmartCentres shopping centres are located. These retailers have continued to supply local Canadian 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.

Since mid-March, those tenants that were deemed ‘non-essential’ were required to close their businesses and in most cases have only recently been permitted to open, and in many cases on a very limited basis. During Q2, in an effort to assist those small- to medium- sized businesses that have been most affected across the country, the federal government announced the Canada Emergency Commercial Rent Assistance (“CECRA”) program. This program provides for federal rent subsidies to qualifying tenants of 50% of their rents for the period April – August 2020 and requires respective landlords to ‘forgive’ 25% of the rent otherwise payable for the subject months. Qualifying tenants are therefore required to fund only 25% of their rents for this period, with the expectation that those tenants that have been significantly impacted by the pandemic are permitted the opportunity to stabilize their respective businesses. Since the inception of the program, we have been working with our tenants that qualify for the CECRA program and, on their behalf, the Trust will begin to file applications for the federal subsidies later in August.

In addition, principally because of their size, there are many other tenants, that were required to close their retail operations during the pandemic lockdown period, that do not qualify for CECRA based assistance. However, their businesses have been severely impacted by the pandemic and they too have not had the resources to fund their rental obligations. These tenants include restaurants, fitness clubs, cinemas and other large retailers. We continue to work with each of these organizations to establish mutually satisfactory arrangements that will allow for some relief of their rental obligations that is expected to permit these organizations to re-establish their operations as Canadians begin to ‘get back to normalcy’.

These collaborative efforts have resulted in the following improving collection experience over the last four months:

Month	% of Gross Billings Collected	% of Gross Monthly Billings Collected Excluding Premium Outlets
April	74.0%	76.5%
May	71.8%	74.6%
June	76.8%	79.0%
July	84.8%	86.5%

This pandemic has also resulted in us taking provisions in Q2 totalling \$15.0 million for amounts that we do not expect to collect from tenants, principally in an effort to assist with their re-openings, and these provisions have an impact on reported earnings for the quarter. In addition, this pandemic will no doubt result in some additional vacant space, which we intend to backfill with appropriate tenants or redevelop with mixed uses over time. The additional vacant space and the additional time now expected to backfill such space has had an impact on our IFRS investment property valuations, which are predicated on income in-place (or expected replacement income to be generated by backfilling existing vacant space over time).

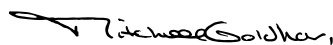
We have been reminding the investment community that our current IFRS values do not reflect value that accrues from the extensive development and intensification occurring on most of our properties. We estimate that the square footage of such new developments will approach our current completed property square footage and that the incremental value emanating from these initiatives will represent a significant amount over our current valuations. The potential for incremental value from future mixed-used development at our Westside Mall property alone is expected to add more than \$100.0 million in excess of this property's current IFRS value and this represents only one property in a portfolio of 166 properties that provide for further mixed-use development of various forms, none of which has been reflected in our current IFRS values on our balance sheet.

There is a fundamental disconnect between SmartCentres real estate's true value and its current unit price. The current unit price is based on a short-term outlook that is largely reflective of one metric: monthly rental income. For Real Estate Investment Trusts ("REITs") that simply acquire, own and operate income-producing real estate assets, rental income is a reasonable indicator of value. However, for REITs with expertise in development, rezoning and mixed-used intensification applied to its owned lands, a short-term metric is not an indicator of long-term valuation.

Liquidity, and having the ability to fund obligations during more challenging periods, is the principal reason that we increased and extended our unsecured revolving operating line of credit to \$500.0 million in 2017, as well as a \$250.0 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. During Q2, once the debt capital markets had stabilized, we took the opportunity to issue \$600.0 million in new 7- and 10.5-year debentures yielding 3.192% and 3.648%, respectively, and the issuance was five times oversubscribed. This was a strategic pre-emptive measure intended to eliminate any risk of the markets not being available later in the year. Funds raised from these issuances are expected to be used to repay maturing and other debt over the balance of 2020 and into 2021.

As we begin to experience the restoration of confidence in our economy, it is important that we thank you, our stakeholders, for your willingness to act as forward thinkers, looking at the long term prospects for growth that we too see ahead of us and being prepared to stick with us as we continue along our path to create a stronger and more diversified, growth-oriented real estate trust. We hope that you and your families continue to stay safe and healthy, and, with you, notwithstanding the adversity currently challenging us, we will continue to support those most in need of our assistance!

Sincerely,



Mitchell Goldhar
Executive Chairman
SmartCentres



Peter Forde
President & CEO
SmartCentres

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 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 and six months ended June 30, 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 and six months ended June 30, 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 August 5, 2020, which is the date of the press release announcing the Trust's results for the three and six months ended June 30, 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 (loss) 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 and six months ended June 30, 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 (see also the “Risk and Uncertainties” section)

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”, “Future Retail Developments, Earnouts and Mezzanine Financing”, “Uncommitted Retail Pipeline”, “Unencumbered Assets”, 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; expected replacement income to be generated by backfilling existing vacant space over time; 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 Annual Run-Rate NOI; vacancy and leasing assumptions, and statements that contain words such as “could”, “should”, “can”, “anticipate”, “expect”, “believe”, “plan”, “propose”, “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. 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; 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: that government restrictions due to COVID-19 on the ability of tenants to operate their businesses at our properties will continue to ease and will not be re-imposed in any material respects, that COVID-19 will not materially change the willingness of consumers to shop at open-format retail malls of the type operated by the Trust, that there will be a return to a reasonably 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 its '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 its '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 (i.e., space not owned by SmartCentres) 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 97.6% as at June 30, 2020 (March 31, 2020 – 97.8% and 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 June 30, 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 the Trust's interest in both the KPMG tower and the PwC-YMCA mixed-used facility at SmartVMC and the Toronto (Leaside) self-storage facility), and nine development properties located in communities across Canada. Many of the Trust's retail properties are shadow-anchored 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 May of 2015, as part of a transformative transaction (the "Transaction") 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. Please see further details in the "Mixed-Use Development Initiatives" section.

Retail Developments, Earnouts and Mezzanine Financing

Retail Developments, Earnouts and Mezzanine Financing continue to be components of the Trust's strategic plan, albeit much less significant than the mixed-use development initiatives noted above. 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 has been 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)	June 30, 2020	December 31, 2019
Planned developments not subject to Earnouts	2,522	2,346
Planned developments subject to Earnouts	237	247
Future estimated retail development area	2,759	2,593
Lands under Mezzanine Financing	597	615
Potential gross leasable area	3,356	3,208

The Trust continues to revise its estimates and adjust its plans towards mixed-use development, given the impact of the pandemic on retail. Pursuant to 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. 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 or once developed.

Professional Management

Through the continued 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 97.6% at June 30, 2020 (March 31, 2020 – 97.8%) and a committed occupancy rate (that includes executed leases that have not commenced) of 97.8% at June 30, 2020 (March 31, 2020 – 98.0% and December 31, 2019 – 98.2%).

Outlook - Maximizing our Transition to a Fully Integrated REIT While Managing Through the Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, and since that time, we have continued to maintain focus on our long-term strategic initiatives, while supporting our current operations, tenants and the communities in which we operate throughout Canada. During this pandemic, we have extended our willingness to provide over 1.0 million square feet of space to be made available to Canadian health organizations to assist with their needs. Most recently, we were proud to announce that we were able to provide the Trillium Health Facility over 100,000 square feet of space in Oakville, Ontario to accommodate the hospital's immediate needs as a result of the pandemic and we continue to work with health organizations across Canada with the hope of helping many more with their needs for space during this period.

During this pandemic, some real estate companies have decided to defer or reduce their development activities. However, we have intentionally accelerated the pace of our development and planning initiatives. Because of the limited amount of activity by other developers, and the lasting relationships that we have forged over the last three decades with many Canadian municipalities, we have been able to use this time effectively and efficiently to process entitlement applications for various development projects through as quickly as possible.

From a development perspective at SmartVMC, Scotiabank's top floor office space and ground floor retail branch in the PwC/YMCA mixed-use facility recently opened for business. 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 addition, early this fall, we plan to pre-sell approximately 22 new townhomes as part of the Transit City 1 & 2 phases. Commencement of construction of the townhomes is expected later this year and are expected to be completed in Q4 2021. Construction of the new Walmart store on the site of our former head office continues. Walmart's move to their new premises in late October will also "free up" 15.5 acres of additional development lands on the SmartVMC site, and subject to market conditions, we expect to announce the next phases of high-rise residential development on these lands and other SmartVMC development initiatives over the next 12 months.

We have been fortunate to have great partners and an assiduous and dedicated team of construction workers who have permitted construction of the Transit City 1 & 2, 55-storey condominium towers to progress ahead of schedule and under budget. Closings of the condominium units in 2020 start on August 5 and are expected as follows:

Month	Expected Transit City 1 Closings	Expected Transit City 2 Closings	Total Expected Transit City Closings	As a % of Total Transit City 1 & 2 Units
August	247	—	247	22%
September	186	388	574	52%
October	24	47	71	6%
November	35	50	85	8%
December	59	74	133	12%
Total	551	559	1,110	100%

The five condominium towers, including Transit City 1 & 2, that are currently under construction at VMC 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 towers of Transit City that are expected to be recognized for accounting purposes beginning in the third quarter of 2020 will be approximately \$50.0 million over the next 6 months from the first two towers and an additional \$20.0 million from Transit City 3 in 2021, more than \$30.0 million in excess of our original projections. The third tower of Transit City condominiums is also expected to commence closings in the spring of 2021 and currently construction of this phase is on time and ahead of budget. In addition, construction of Transit City 4 & 5 continues along with our first purpose-built rental building at VMC.

The table below summarizes the activity currently underway at SmartVMC.

Phase	# Storeys	# Units Released for Sale/Available for Rent	# Units Sold	% of Units Sold to Date	Estimated period for unit closings
Transit City 1 ⁽¹⁾	55	551	551	100.0 %	2020
Transit City 2 ⁽¹⁾	55	559	559	100.0 %	2020
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		

(1) Note that the table above excludes the 22 townhouses included in Transit City 1 and 2, that are expected to be marketed later this year and completed in 2021.

In addition to SmartVMC, our residential development initiatives are expected to continue to progress during the remainder of 2020, whereby, subject to arranging satisfactory project financing, we expect to commence construction on a variety of new mixed-use initiatives including:

Description	Location	Number of Units	Trust's Share of Total Expected Costs (in thousands of dollars)	Partner
Phase 2 Residential Rental Building	Laval, Quebec	161	20,000	Jadco
Vaughan NW Townhomes	Vaughan, Ontario	179	60,000	Fieldgate Homes
Seniors' Rental and Seniors' Living Community	Ottawa, Ontario	410	75,000	Selection Group
Seniors' Living Community	Barrie, Ontario	314	80,000	Revera

Our diversification strategy requires that while we continue to focus on the management of our core portfolio of predominately Walmart-anchored 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. 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. In the fall of 2019, 256 mixed-use development initiatives were identified to potentially be built on 94 of the Trust's 166 properties. Our next 5-year budgeting process has commenced and initial indications are that this number of initiatives will be up significantly from the previously identified 256.

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 complete and initial occupancies in the 171-unit, 15-storey first phase commenced during Q2, with over 65% of the rental units now being leased. Economic stabilization of this first tower is expected in 2021 and construction of the 161-unit second phase is now expected to commence later in 2020 and be completed in 2022.

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 retirement living residences are very different in nature, in level of care and funding, than long-term care facilities in which there have been so many unfortunate issues during the pandemic). We have now executed specific site agreements to proceed with the first three initiatives on properties that are currently owned by the Trust, 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 to 18 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 (as noted in the table above), 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 (as noted in the table above). Subject to appropriate approvals and project-specific financing being arranged, construction of this 410-unit development is also expected to commence later this year with completion expected in 2022/2023. We are continuing to work with our partners and are at various stages of identifying and moving forward with additional opportunities to develop retirement communities within our portfolio of shopping centre locations.

With our partner SmartStop, construction is now complete on our first self-storage project in Leaside, Ontario which opened in Q2 and the facility is being very well received by the local community. 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 temporarily suspended construction on these sites. Construction of these three sites has now recommenced, and are now expected to be completed 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. Six additional self-storage facilities have been approved by our Board for development on our existing properties including locations at Aurora, Whitby, Scarborough, Toronto, 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.

The Trust's 33.9 million square feet of predominately Walmart-anchored shopping centres was built for 'heavy weather' and during these uncertain times, continues to demonstrate industry-leading occupancy levels. When including committed deals, our overall occupancy level declined modestly to 97.8% in Q2 from 98.0% in Q1 and similarly from 98.0% in Q2 of 2019. Prior to the pandemic, there was already a dearth of new retail space being constructed and the pandemic will likely result in the deferral of most planned new retail expansion projects in Canada. We believe that this limitation of new supply will assist in us being able to backfill our additional vacant space over the next 2–3 years as we are speaking with many tenants that are seeking lower cost and safer alternatives to indoor malls. No doubt we will have some additional vacant space resulting from this pandemic; however we remain the strategic low-cost provider of retail space in Walmart-anchored open-format shopping centres in Canada. During the pandemic period, Walmart Canada's sales levels have increased considerably and Walmart continues to demonstrate its industry-leading ability to drive high traffic levels to our shopping centres across Canada. This is best exemplified by our core portfolio of shopping centres continuing to demonstrate strong resilience in the face of adversity and to date in 2020, we have renewed 67.5% of our expiring lease maturities (2019 – 80.0%) with rental increases, excluding anchor tenants averaging 3.9% (2019 – 4.8%).

Our collection of tenant billings has continued to improve since the commencement of the pandemic period. On April 21, 2020 we announced our collection experience for April (to date excluding our two Premium Outlet Centres) was 70% and as reflected in the table below, since that date, our actual collection experience has continued to improve substantively.

Month	% of Gross Billings Collected	% of Gross Monthly Billings Collected Excluding Premium Outlets
April	74.0 %	76.5 %
May	71.8 %	74.6 %
June	76.8 %	79.0 %
July	84.8 %	86.5 %

In May 2020, in an effort to assist those small- to medium-sized businesses that have been most effected across the country, the federal government announced the CECRA program. This program provides for federal rent subsidies to qualifying tenants of 50% of their rents for the period April – August 2020 and requires respective landlords to 'forgive' 25% of the rent otherwise payable for the subject months. Qualifying tenants are, therefore, required to fund only 25% of their rents for this period, with the expectation that those tenants that have been significantly impacted by the pandemic are permitted the opportunity to stabilize their respective businesses. Since the inception of the program, we have been working with over 850 of our tenants that qualify for this program and on their behalf, we will be filing applications for the federal subsidies in August 2020. In addition, for those mid- to large-size tenants that do not qualify for the CECRA program, but whose businesses have suffered during this period, we are continuing to work with these various tenants to assist with their initiatives to stabilize their businesses. The table below provides some additional details on the Trust's tenant billings, amounts received, expected recovery and related provisions for the three months ended June 30, 2020.

Description	Amount (in thousands of dollars)	As a %
Total tenant billings for the 3 months ended June 30, 2020	202,100	100.0
Less: Amounts received to date	149,700	74.1
Balance outstanding	52,400	25.9
Less: Expected recovery from governments and tenants for CECRA	10,575	5.2
Total rents to be collected excluding CECRA	41,825	20.7
Less: Deferral arrangements negotiated or near completion	17,958	8.9
Total rents to be collected excluding CECRA and collectible deferrals	23,867	11.8
Less: Provision in Q2 2020	15,046	7.4
Balance to be recovered in time	8,821	4.4

Our discussions with CECRA-eligible tenants have progressed very well. In addition to the period April – June 2020, the CECRA program has now been extended to include July and August 2020, which will result in additional provisions being taken in Q3 for our 25% share of the subsidy during this additional months. Note also that the Province of Quebec has provided an additional benefit to landlords, such that the 25% landlord subsidy or 'abatement' provided to tenants is reduced to 12.5%, with the Quebec provincial government funding the 12.5% difference for the same period of coverage as the federal government's CECRA program. Our expectations on CECRA funding and related parameters for the April – June 2020 period are reflected in the table below.

Description	As a %	Amount
Total Number of Qualifying Tenants	N/A	850 – 950
Total Qualifying Rental Revenues	100%	\$14.1 – \$16.2 million
Federal Subsidy	50%	\$7.1 – \$8.1 million
Tenant's Funding Obligation	20% - 25%	\$3.5 – \$4.0 million

In addition, principally because of their size, there are many mid and larger tenants that do not qualify for CECRA, but were required to close their operations during the Pandemic. These tenants include restaurants, fashion, toys, fitness, sportswear, furniture, and other non-essential retailers. While many of these larger tenants fulfilled their lease payment obligations during the period, a number required some flexibility to permit them to reestablish operations and begin to return to normalcy. Deferral rents negotiated or near completion amounted to 8.9% of rents. Our Q2 results include provisions totalling \$7.0 million for concessions for both CECRA eligible and non-CECRA eligible tenants.

This pandemic has also resulted in a selected number of tenants seeking creditor protection and/or restructuring their businesses. These tenants include Reitman's, Comark, Aldo, and SAIL, all of whom are intending to restructure and continue the bulk of their business in our strong Walmart-anchored centres with a stronger balance sheet and improved liquidity. These challenges, together with additional doubtful account provisions resulted in additional expected credit loss provisions of totalling \$8.0 million being recorded during the quarter. The table below represents a summary of the nature of provisions taken during the quarter.

(in thousands of dollars)	Amount
Provisions for CECRA-Eligible Tenants	5,606
Provisions for Tenants Not Eligible for CECRA	1,407
	7,013
Provisions for Tenants Filing Under CCAA and similar bankruptcy restructurings	2,265
Provisions for additional expected credit losses	5,768
	8,033
Total	15,046

The additional vacant space and the additional time now expected to backfill such space has had an impact on our IFRS property valuations which are reflected in the table below. Our IFRS values are predicated on income in place (or expected replacement income to be generated by backfilling existing vacant space over time). It is important to note that we have not factored into our IFRS values any value that accrues from future development of mixed-use space and these future value increments that are derived from our proposed mixed-use initiatives are substantial. The potential for incremental value from future mixed-use development once fully zoned and site plan approved at our Westside Mall property in Toronto alone is projected to add in excess of \$100.0 million of this property's current IFRS value and this represents only one property in a portfolio of 166 properties that provide for further mixed-use development of various forms, none of which has been reflected in our current IFRS values on our balance sheet.

Because of the uncertainty surrounding certain tenancies and future leasing parameters resulting from this pandemic, the value of our investment properties has decreased by 2.9% since December 31, 2019. The table below identifies the impact to IFRS investment property values for the six months ended June 30, 2020.

(in thousands of dollars)	Income Properties		Properties Under Development		Total	
	Amount	Fair value adjustments as % of carrying value	Amount	Fair value adjustments as % of carrying value	Amount	Fair value adjustments as % of carrying value
Balance before fair value revaluation adjustment at March 31, 2020	8,475,370		593,548		9,068,918	
Fair value adjustment on revaluation of investment properties in Q1 2020	(64,158)	(0.8)%	776	0.1 %	(63,382)	(0.7)%
Fair value as at March 31, 2020	8,411,212		594,324		9,005,536	
Additional costs and other adjustments	1,677		3,653		5,330	
Fair value adjustment on revaluation of investment properties in Q2 2020	(139,141)	(1.7)%	(58,223)	(9.7)%	(197,365)	(2.2)%
Fair value as at June 30, 2020	8,273,747		539,754		8,813,501	
Year to Date fair value adjustment on revaluation of investment properties	(203,299)	(2.5)%	(57,447)	(9.6)%	(260,746)	(2.9)%

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 to augment the earnings from our core portfolio of shopping centres. Although these mixed-use developments have not slowed, the uncertainty of the re-opening of certain 'non-essential' retail businesses and the related uncertainty in their ability to fund rental obligations, caused us to withdraw any 'guidance' on earnings for 2020 that was previously announced.

This COVID-19 pandemic has resulted in further reductions in benchmark interest rates (i.e., the current overnight Bank of Canada lending rate is 0.25%), however, spreads associated with both secured and unsecured borrowings have increased to reflect the volatility in the debt capital markets. This pandemic is expected to result in a challenging economic environment for at least the next 18 – 24 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 expect to continue our strategy to repay most maturing mortgages and then term out selectively with unsecured debentures or similar unsecured facilities. Our current ratio of unsecured/secured debt is 65%/35% (2019 – 53%/47%), 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 in excess of \$5.6 billion (June 30, 2019 – \$4.5 billion).

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 \$500.0 million in 2017, as well as a \$250.0 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. During Q2, once the debt capital markets had stabilized, we took the opportunity to issue \$600.0 million in new 7- and 10.5-year debentures yielding 3.192% and 3.648%, respectively, and the issuance was five times over-subscribed (i.e., there was in excess of \$3.1 billion in demand from institutional bond investors). This was a strategic pre-emptive measure intended to eliminate any risk of the markets not being available later in the year. Funds raised from these issuances are expected to be used to repay maturing and other debt over the balance of 2020 and into 2021.

As at June 30, 2020, our credit metrics (net of cash on hand) had the following attributes:

- Average interest rate of 3.46%
- Average duration of unsecured debt – 4.7 years
- Adjusted debt/Adjusted EBITDA of 8.8X
- Debt/Total assets of 44.5%
- Interest coverage ratio of 3.3X
- Secured debt payments during balance of 2020 – \$92.9 million
- Maturing unsecured debt in December 2020 of \$250.0 million

SmartCentres has continued to demonstrate a strong commitment to assist our communities, our tenants and our stakeholders during this unprecedented period. Concurrently, we have continued to focus on the long term, beyond the current pandemic period, and in this regard, we remain disciplined in our focus 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. These are expected to generate both NAV and FFO growth for our Unitholders.

Key Business Development, Operational and Financial Highlights for the Three Months Ended June 30, 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.

Mixed-Use Development and Intensification at SmartVMC

- Occupancy of the 55-storey Transit City 1 and 2 condo towers representing 1,100 residential units will commence on August 5th, and it is projected that approximately 75% of the units will be closed by the end of September and 100% closed by year end. In addition, the 1,098 unit multi-level parking facility providing parking for these buildings and the neighbouring PWC/YMCA mixed-use facility is also expected to be functional in August. These closings are expected to contribute approximately \$50 million in FFO for the second half of 2020.
- Construction of the 55-storey Transit City 3 condo tower representing 631 residential units continues to be on schedule and ahead of budget, with concrete being poured for the 55th level and closings expected to commence in spring and summer 2021.
- Construction is underway on Transit City 4 (45 storeys) and 5 (50 storeys) condo towers, representing 1,026 residential units, with bulk excavation almost complete and tower cranes erected. Concrete and formwork for the multi-level underground parking garage have started.
- Construction commenced of a 35-storey, 451-unit purpose-built residential rental building at SmartVMC, with the tower crane expected to be erected in August.
- Construction of the new Walmart store continues, with opening expected in the fall of 2020, allowing for the closing of the existing store on the SmartVMC site, and freeing up approximately 15.5 acres of valuable land for residential density.
- Planning to premarket in Q3, 22 luxury townhomes as part of the Transit City 1&2 project with construction expected to commence later in 2020 and delivery of units expected in late 2021.
- As described in detail in the "Mixed-Use Development Initiatives" section, the Trust has been very aggressively pursuing final municipal approvals for mixed-use density on many of its shopping centres during the past few months, even during the COVID-19 "shutdown".

Other Business Development

- The first phase of the two-phase, 338-unit, purpose-build residential rental project in Laval, Quebec was completed, with initial move in by tenants commencing in March and to date, approximately 65% of the 177 unit building have been leased. Commencement of construction of the next phase of 161 units is expected to commence later this year.
- The Trust completed construction of its first self-storage facility in Toronto (Leaside) which has been very well received by the local community and leasing by the Trust's joint venture partner, SmartStop, is now in progress.
- Based on planning and rezoning work completed to date, the Trust expects to commence construction on two retirement home initiatives later this year with its joint venture partners, Revera and Selection Group in Barrie and Ottawa respectively.
- Three additional self-storage facilities in Brampton, Vaughan and Oshawa are currently under construction with completion expected later this year or early in 2021.

Operational

- Both committed and in-place occupancy rates have maintained industry-leading levels of 97.8% and 97.6%, respectively, as at June 30, 2020, which are slightly lower than the prior comparable quarter.
- Rentals from investment properties and other was \$190.3 million, as compared to \$196.7 million in the same period in 2019, representing a decrease of \$6.4 million or 3.3%. This decrease was primarily due to lower: i) percentage rent, ii) short-term rental revenue, and iii) parking revenue and other miscellaneous revenue, as a result of COVID-19.

- Same Properties NOI for the three months ended June 30, 2020 decreased by \$16.9 million or 13.2% as compared to the same period in 2019. This decrease was primarily due to an increase in expected credit losses recorded for the three months ended June 30, 2020 as a result of COVID-19. Excluding the higher expected credit losses recorded in the three months ended June 30, 2020, Same Properties NOI would have been \$125.1 million representing a decrease of \$3.1 million or 2.4% as compared to the same period in 2019.⁽²⁾

Financial

- The Trust issued \$300.0 million aggregate principal amount of 3.192% Series V senior unsecured debentures and \$300.0 million aggregate principal amount of 3.648% Series W senior unsecured debentures, maturing on June 11, 2027 and December 11, 2030, respectively, the proceeds of which are expected be used primarily to repay existing debt. Strong demand by investors for the Trust's debentures resulted in the issuances being five times over-subscribed.
- The Trust continues to add to its unencumbered pool of high-quality assets. As at June 30, 2020, the portfolio consisted of income properties valued at \$5.6 billion (June 30, 2019 – \$4.5 billion).
- Debt metrics continue to demonstrate the Trust's commitment to its balance sheet, including Debt to Aggregate Assets of 44.5%, Interest Coverage multiple of 3.3X, Interest Coverage net of capitalized interest multiple of 3.8X, and Adjusted Debt to Adjusted EBITDA multiple of 8.8X.
- Net loss and comprehensive loss was \$133.7 million as compared to net income and comprehensive income of \$95.5 million in the same period in 2019, representing a decrease of \$229.2 million. This decrease was primarily attributed to adjustments recorded to reflect the impact of COVID-19, namely: i) decrease in fair value adjustments on revaluation of investment properties of \$199.2 million principally due to changes in occupancy and cash flow assumptions such as rental rates, lease renewal rates, leasing costs, downtime on lease expiries, vacancy allowance, among others, and ii) expected credit loss provisions of \$15.0 million. Note, IFRS fair values do not reflect expected incremental property values emanating from the Trust's mixed-used intensification initiatives which would include SmartVMC, Leaside, Westside Mall, 1900 Eglinton Avenue, Vaughan NW, Pointe-Claire, and other future development properties.⁽¹⁾
- FFO decreased by \$0.11 per unit or \$16.6 million to \$75.2 million as compared to the same period in 2019 principally as a result of a decrease of \$20.0 million in NOI which includes the adverse impact of a COVID-19 related expected credit loss provision of \$15.0 million (represents a decrease in FFO per Unit of approximately \$0.08).⁽²⁾
- ACFO decreased by \$18.0 million or 19.4% to \$74.6 million as compared to the same period in 2019 principally as a result of COVID-19 related expected credit loss provisions of \$15.0 million.⁽²⁾
- Distributions declared and paid exceeded ACFO by \$4.9 million. Comparatively, for the three months ended June 30, 2019, ACFO exceeded both distributions declared and distributions paid by \$15.6 million and \$32.7 million, respectively. The change is primarily due to the COVID-19 related expected credit loss provisions of \$15.0 million and their associated impact on the Trust's cashflows from operations. On a rolling 12-month basis, ACFO with one-time adjustments exceeded distributions declared by \$21.1 million (and distributions paid by \$76.1 million), resulting in a payout ratio of 93.7%.⁽²⁾

(1) Represents a GAAP measure.

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

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:

(in thousands of dollars, except per Unit and other non-financial data)	June 30, 2020	December 31, 2019	June 30, 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.)	34,169	34,337	34,252
Occupied area including both retail and office space (in thousands of sq. ft.)	33,353	33,678	33,511
Vacant area including both retail and office space (in thousands of sq. ft.)	816	659	741
Retail lands under Mezzanine Financing (in thousands of sq. ft.)	597	615	615
Committed occupancy rate	97.8%	98.2%	98.0%
In-place occupancy rate	97.6%	98.1%	97.8%
Future estimated retail development area (in thousands of sq. ft.)	2,759	2,593	3,340
Average lease term to maturity (years)	4.8	4.9	5.2
Net retail rental rate (per occupied sq. ft.)	\$15.54	\$15.49	\$15.38
Net retail rental rate excluding Anchors (per occupied sq. ft.)	\$22.34	\$22.13	\$22.01
Mixed-use 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⁾
Financial Information			
Investment properties ⁽²⁾⁽³⁾	9,313,835	9,466,501	9,229,352
Total assets ⁽¹⁾	10,382,902	9,928,467	9,676,090
Total unencumbered assets ⁽²⁾	5,644,500	5,696,100	4,499,700
Debt ⁽²⁾⁽³⁾	5,000,070	4,290,826	4,127,264
Debt to Aggregate Assets ⁽²⁾⁽³⁾⁽⁴⁾	44.5%	42.3%	41.8%
Debt to Gross Book Value ⁽²⁾⁽³⁾⁽⁴⁾	50.1%	49.0%	48.5%
Unsecured to Secured Debt Ratio ⁽²⁾⁽³⁾⁽⁴⁾	65%/35%	63%/37%	53%/47%
Unencumbered assets to unsecured debt ⁽²⁾⁽³⁾⁽⁴⁾	1.9X	2.1X	2.1X
Weighted average interest rate ⁽²⁾⁽³⁾	3.46%	3.55%	3.69%
Weighted average term of debt (years)	4.8	5.0	4.7
Interest Coverage Ratio ⁽²⁾⁽³⁾⁽⁴⁾	3.3X	3.5X	3.3X
Interest coverage (net of capitalized interest expense) ⁽²⁾⁽³⁾⁽⁴⁾	3.8X	4.0X	3.8X
Adjusted Debt to Adjusted EBITDA (net of cash) ⁽²⁾⁽³⁾⁽⁴⁾	8.8X	8.0X	7.8X
Equity (book value) ⁽¹⁾	5,161,337	5,367,752	5,286,865
Weighted average number of units outstanding – diluted	172,980,866	170,581,531	170,718,814

(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 Certain Terms Including Non-GAAP Measures" section.

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

(4) As at June 30, 2020, cash-on-hand of \$506.2 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 June 30, 2020 and June 30, 2019:

(in thousands of dollars, except per Unit information)	June 30, 2020	June 30, 2019	Variance
	(A)	(B)	(A-B)
Financial Information			
Rentals from investment properties and other ⁽¹⁾	190,285	196,746	(6,461)
Net income (loss) and comprehensive income (loss) ⁽¹⁾⁽³⁾	(133,674)	95,513	(229,187)
Net income and comprehensive income excluding fair value adjustments ⁽²⁾⁽³⁾	66,134	86,057	(19,923)
Cash flows provided by operating activities ⁽¹⁾	46,349	80,767	(34,418)
NOI ⁽²⁾	108,094	128,065	(19,971)
FFO ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	75,199	91,781	(16,582)
ACFO ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	74,624	92,577	(17,953)
Distributions declared	79,562	76,985	2,577
Surplus (shortfall) of ACFO over distributions declared ⁽²⁾	(4,938)	15,592	(20,530)
Surplus (shortfall) of ACFO over distributions paid ⁽²⁾	(4,907)	32,669	(37,576)
Units outstanding ⁽⁶⁾	172,046,139	170,118,375	1,927,764
Weighted average – basic	171,988,473	169,858,745	2,129,728
Weighted average – diluted ⁽⁷⁾	172,980,866	170,718,814	2,262,052
Per Unit Information (Basic/Diluted)			
Net income (loss) and comprehensive income (loss) ⁽¹⁾	\$-0.78/\$-0.78	\$0.56/\$0.56	\$-1.34/\$-1.34
Net income and comprehensive income excluding fair value adjustments ⁽²⁾⁽³⁾	\$0.38/\$0.38	\$0.51/\$0.50	\$-0.13/\$-0.12
FFO ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	\$0.44/\$0.43	\$0.54/\$0.54	\$-0.10/\$-0.11
Distributions declared	\$0.463	\$0.450	\$0.013
Payout Ratio Information			
Payout ratio to FFO ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	105.8 %	83.7 %	22.1 %
Payout ratio to ACFO ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	106.6 %	83.2 %	23.4 %

(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 Certain Terms Including 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 units issued pursuant to the deferred unit plan.

Year-to-Date Comparison to Prior Year

The following table represents key financial, per Unit, and payout ratio information for the six months ended June 30, 2020 and June 30, 2019:

(in thousands of dollars, except per Unit information)	June 30, 2020	June 30, 2019	Variance
	(A)	(B)	(A-B)
Financial Information			
Rentals from investment properties and other ⁽¹⁾	397,012	403,179	(6,167)
Net income (loss) and comprehensive income (loss) ⁽¹⁾⁽³⁾	(69,473)	175,486	(244,959)
Net income and comprehensive income excluding fair value adjustments ⁽²⁾⁽³⁾	152,803	169,702	(16,899)
Cash flows provided by operating activities ⁽¹⁾	125,511	133,349	(7,838)
NOI ⁽²⁾	234,491	253,990	(19,499)
FFO ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	171,163	180,077	(8,914)
ACFO ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	166,207	174,311	(8,104)
Distributions declared	159,480	153,701	5,779
Surplus of ACFO over distributions declared ⁽²⁾	6,727	20,610	(13,883)
Surplus of ACFO over distributions paid ⁽²⁾	24,179	54,681	(30,502)
Units outstanding ⁽⁶⁾	172,046,139	170,118,375	1,927,764
Weighted average – basic	171,777,611	168,706,565	3,071,046
Weighted average – diluted ⁽⁷⁾	172,748,294	169,589,765	3,158,529
Per Unit Information (Basic/Diluted)			
Net income (loss) and comprehensive income (loss) ⁽¹⁾	\$-0.40/\$-0.40	\$1.04/\$1.03	\$-1.44/\$-1.43
Net income and comprehensive income excluding fair value adjustments ⁽²⁾⁽³⁾	\$0.89/\$0.88	\$1.01/\$1.00	\$-0.12/\$-0.12
FFO ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	\$1.00/\$0.99	\$1.07/\$1.06	\$-0.07/\$-0.07
Distributions declared	\$0.925	\$0.900	\$0.025
Payout Ratio Information			
Payout ratio to FFO ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	93.2 %	84.8 %	8.4 %
Payout ratio to ACFO ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	96.0 %	88.2 %	7.8 %

(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 Certain Terms Including 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 units issued pursuant to 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
Condominium developments	9	12	25	46
Townhome developments	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% based on current planning budgets	5,500	6,600	– ⁽¹⁾	12,100
Trust's share of such 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 they are 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 intensification of 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 120,000 square foot world-class YMCA facility and municipal library, expected to open later in 2020;
 - iii) the new 140,000 square-foot Walmart store is now fully enclosed, with opening expected in October 2020; and
 - 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 ⁽¹⁾	55	551	551	100.0 %	2020
Transit City 2 ⁽¹⁾	55	559	559	100.0 %	2020
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		

(1) Note that the table above excludes the 22 townhouses included in Transit City 1 and 2, that are expected to be marketed later this year and completed in 2021.

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 ⁽¹⁾	Condo	551 units	2020	25 %
Transit City 2 ⁽¹⁾	Condo	559 units	2020	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 %

(1) Note that the table above excludes the 22 townhouses included in Transit City 1 and 2, that are expected to be marketed later this year and completed in 2021.

SmartVMC, Residential and Other Development Initiatives

During the six months ended June 30, 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 Pumpnickel'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 June 30, 2020, and closings and occupancy on TC 1 and 2 are expected this summer and fall, 2020 and on TC 3 in the spring and summer, 2021. 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 342-unit high-rise rental residential project in Laval, Quebec, with the first phase representing 171 units having been completed and occupancy commenced in March 2020, and construction of the second 171-unit phase expected to begin later this year;
- b. an integrated complex comprising a 180-unit rental building and a 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 complete and has commenced 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;
- 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 in early 2021; and
- f. approximately 100,000 square foot self-storage facility at the Trust's shopping centre in Oshawa (South) on which, due to COVID-19-related restrictions, construction was recently temporarily suspended and is expected to be completed in 2021.

Completion or occupancy dates of each of the projects listed above may be delayed or adversely impacted as a consequence of further 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 for which final municipal approvals have or are being very actively pursued:

- 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 a rezoning application submitted in December 2019;
- 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 site plan application for a two-tower mixed-use phase, approximating 650,000 square feet, submitted in April;
- 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 rezoning application for a three-tower 1,200 unit residential phase to be submitted in early fall;

- 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 an application for the first mixed-use tower to be submitted by early fall;
- e) the development of up to 1.7 million square feet of residential space in various forms at the Vaughan NW shopping centre in Vaughan, Ontario. Residential development includes townhouses, to be developed in partnership with Fieldgate; a seniors' apartment building and separate retirement residence to be developed in partnership with Revera, along with condominiums and residential rental buildings. Applications for these four towers have been submitted. In addition, a 100,000 square foot self-storage facility is under construction and scheduled to open early in 2021;
- f) the development of up to 1.5 million square feet of residential space, in various forms, in Pointe-Claire, Quebec, with the first phase, a two-tower rental project, being actively pursued;
- g) the development of up to 318,000 square feet of residential space at Oakville South in Oakville, Ontario, including 158 units in a retirement residence project with Rivera and townhouses;
- h) the intensification of the Toronto StudioCentre ("StudioCentre") in Toronto, Ontario (zoning allows for up to 1.2 million square feet);
- i) the development of four high-rise purpose-built residential rental buildings comprising approximately 2,000 units with Greenwin, in Barrie, Ontario, for which a zoning application was submitted in December 2019 and a phase one site plan submission scheduled for August;
- j) the development of a high-rise purpose-built residential rental tower, on Balliol Street in midtown Toronto, Ontario, with applications being prepared for submission in the next 45 days;
- k) development of up to 200,000 square feet of residential space in 137 townhomes at London Fox Hollow in London, Ontario, with site plan approval applications being prepared for submission in the fall;
- l) the development of up to 1,600 residential units, in various forms, in Mascouche, Quebec, with the first phase consisting of two 10-storey rental towers expected to receive municipal council approval in August, with a construction start in early 2021;
- m) the development of the first phase, 42-unit rental building, which is part of a multi-phase masterplan in Alliston, Ontario, with a rezoning application submitted in February and a site plan application submitted in May;
- n) the development of five additional self-storage facilities with the Trust's partner, SmartStop, in Aurora, Brampton, Markham, Scarborough, and Whitby with zoning and/or site plan applications submitted in the last several months;
- o) the development of residential density at our shopping centre at 1900 Eglinton in Scarborough with rezoning and site plan applications for the first two residential towers to be submitted in the next two months;
- p) the development of residential density at the Trust's shopping centre in Kirkland, Quebec, with zoning approvals expected in fall 2020;
- q) the development of residential density at the Trust's shopping centre at Bayview and Major Mackenzie in Richmond Hill, with the rezoning application for the first tower to be submitted in September;
- r) the development of more than four million square feet (4,600 units) of residential density in the land at SmartVMC currently occupied by a Walmart store, with the rezoning and site plan applications to be submitted for a phase one of 560,000 square feet by the end of September; and
- s) the development of 1.2 million square feet of mixed-use density – office, retail, and residential – on the SmartVMC lands immediately south of the Transit City 4 & 5 towers, with the rezoning and site plan applications to be submitted by the end of September.

Results of Operations

Notwithstanding the challenges faced with COVID-19 and its adverse impact on the Trust's operating results for the three and six months ended June 30, 2020, the Trust's real estate portfolio (excluding fair value adjustments) has continued to grow, in part from Acquisitions, Developments and Earnouts, as compared to the three and six months ended June 30, 2019 (see the "Earnouts and Developments Completed on Existing Properties" section for more details).

Proportionately Consolidated Balance Sheets (including the Trust's interests in equity accounted investments)

The following table represents the proportionately consolidated balance sheets, which includes a reconciliation of the Trust's proportionate share of equity accounted investments.

(in thousands of dollars)	June 30, 2020			December 31, 2019		
	GAAP Basis	Proportionate Share Reconciliation	Proportionate Share (Non-GAAP Basis)	GAAP Basis	Proportionate Share Reconciliation	Proportionate Share (Non-GAAP Basis)
Assets						
Non-current assets						
Investment properties	8,813,501	500,334	9,313,835	9,050,066	416,435	9,466,501
Mortgages, loans and notes receivable	200,633	(46,850)	153,783	216,907	(46,214)	170,693
Equity accounted investments	411,105	(411,105)	—	345,376	(345,376)	—
Other assets	84,231	7,507	91,738	89,023	7,567	96,590
Intangible assets	47,135	—	47,135	47,801	—	47,801
	9,556,605	49,886	9,606,491	9,749,173	32,412	9,781,585
Current assets						
Residential development inventory	25,141	153,290	178,431	24,564	122,254	146,818
Current portion of mortgages, loans and notes receivable	166,818	—	166,818	55,953	—	55,953
Amounts receivable and other	86,937	2,901	89,838	36,679	3,616	40,295
Deferred financing costs	1,305	16	1,321	1,477	25	1,502
Prepaid expenses and deposits	14,018	1,323	15,341	5,247	1,134	6,381
Cash and cash equivalents	532,078	16,200	548,278	55,374	8,873	64,247
	826,297	173,730	1,000,027	179,294	135,902	315,196
Total assets	10,382,902	223,616	10,606,518	9,928,467	168,314	10,096,781
Liabilities						
Non-current liabilities						
Debt	4,060,079	72,010	4,132,089	4,110,548	62,678	4,173,226
Other payables	21,725	—	21,725	21,444	—	21,444
Other financial liabilities	66,774	—	66,774	95,735	—	95,735
	4,148,578	72,010	4,220,588	4,227,727	62,678	4,290,405
Current liabilities						
Current portion of debt	835,072	32,909	867,981	115,385	2,215	117,600
Accounts payable and current portion of other payables	237,915	118,697	356,612	217,603	103,421	321,024
	1,072,987	151,606	1,224,593	332,988	105,636	438,624
Total liabilities	5,221,565	223,616	5,445,181	4,560,715	168,314	4,729,029
Equity						
Trust Unit equity	4,317,213	—	4,317,213	4,492,678	—	4,492,678
Non-controlling interests	844,124	—	844,124	875,074	—	875,074
	5,161,337	—	5,161,337	5,367,752	—	5,367,752
Total liabilities and equity	10,382,902	223,616	10,606,518	9,928,467	168,314	10,096,781

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

The following tables represent the proportionately consolidated statements of income (loss) and comprehensive income (loss), which include a reconciliation of the Trust's proportionate share of equity accounted investments.

Quarterly Comparison to Prior Year

(in thousands of dollars)	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		
	GAAP Basis	Proportionate Share Reconciliation	Total Proportionate Share (Non-GAAP Basis)	GAAP Basis	Proportionate Share Reconciliation	Total Proportionate Share (Non-GAAP Basis)
Net rental income and other						
Rentals from investment properties and other	190,285	4,421	194,706	196,746	3,812	200,558
Property operating costs and other	(84,647)	(1,965)	(86,612)	(70,964)	(1,529)	(72,493)
Net rental income and other	105,638	2,456	108,094	125,782	2,283	128,065
Other income and expenses						
General and administrative expense, net	(7,637)	—	(7,637)	(4,867)	—	(4,867)
Earnings from equity accounted investments	3,244	(3,244)	—	1,229	(1,229)	—
Fair value adjustment on revaluation of investment properties	(197,364)	2,398	(194,966)	4,015	232	4,247
Loss on sale of investment properties	(5)	—	(5)	(103)	—	(103)
Interest expense	(36,501)	(1,138)	(37,639)	(38,704)	(820)	(39,524)
Interest income	3,793	32	3,825	2,952	8	2,960
Supplemental costs	—	(504)	(504)	—	(474)	(474)
Fair value adjustment on financial instruments	(4,842)	—	(4,842)	5,209	—	5,209
Net income (loss) and comprehensive income (loss)	(133,674)	—	(133,674)	95,513	—	95,513

For the three months ended June 30, 2020, net income (loss) and comprehensive income (loss) decreased by \$229.2 million as compared to the same period in 2019. This decrease was primarily attributed to the following:

- \$199.2 million decrease in fair value adjustments on revaluation of investment properties principally due to changes in leasing and cash flow assumptions such as rental rates, lease renewal rates, leasing costs, downtime on lease expiries, vacancy allowance, among others, principally to reflect the impact on the Trust's investment properties resulting from COVID-19. Note, IFRS fair values do not reflect expected incremental property values emanating from the Trust's mixed-used intensification initiatives which would include SmartVMC, Leaside, Westside Mall, 1900 Eglinton Avenue, Vaughan NW, Pointe-Claire, and other future development properties;
- \$20.0 million decrease in NOI, which includes provisions for COVID-19 related matters (see further details below in the "Net Operating Income" subsection);
- \$10.1 million decrease in fair value adjustment on financial instruments principally due to the fluctuation in the Trust's unit price as compared to the same period in 2019; and
- \$2.8 million increase in general and administrative expense, net;

Partially offset by the following:

- \$2.0 million net decrease in interest expense which was primarily due to \$4.3 million higher yield maintenance costs incurred in the same period in 2019 and partially offset by \$2.2 million higher interest expense as a result of the higher level of debt in the current quarter; and
- \$0.9 million increase in interest income which was principally due to the increase in cash deposits and the average interest-bearing loan receivable balance.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	Six Months Ended June 30, 2020			Six Months Ended June 30, 2019		
	GAAP Basis	Proportionate Share Reconciliation	Total Proportionate Share (Non-GAAP Basis)	GAAP Basis	Proportionate Share Reconciliation	Total Proportionate Share (Non-GAAP Basis)
Net rental income and other						
Rentals from investment properties and other	397,012	9,138	406,150	403,179	7,025	410,204
Property operating costs and other	(167,547)	(4,112)	(171,659)	(153,386)	(2,828)	(156,214)
Net rental income and other	229,465	5,026	234,491	249,793	4,197	253,990
Other income and expenses						
General and administrative expense, net	(13,251)	—	(13,251)	(11,229)	—	(11,229)
Earnings from equity accounted investments	7,942	(7,942)	—	1,958	(1,958)	—
Fair value adjustment on revaluation of investment properties	(260,746)	5,223	(255,523)	12,912	78	12,990
Gain (loss) on sale of investment properties	(2)	—	(2)	637	—	637
Interest expense	(71,019)	(2,154)	(73,173)	(76,790)	(1,570)	(78,360)
Interest income	7,072	749	7,821	5,411	15	5,426
Supplemental costs	—	(902)	(902)	—	(762)	(762)
Fair value adjustment on financial instruments	33,247	—	33,247	(7,206)	—	(7,206)
Acquisition related costs	(2,181)	—	(2,181)	—	—	—
Net income (loss) and comprehensive income (loss)	(69,473)	—	(69,473)	175,486	—	175,486

For the six months ended June 30, 2020, net income (loss) and comprehensive income (loss) decreased by \$245.0 million as compared to the same period last year. This decrease was primarily attributed to the following:

- \$268.5 million decrease in fair value adjustments on revaluation of investment properties principally due to changes in leasing and cash flow assumptions such as rental rates, lease renewal rates, leasing costs, downtime on lease expiries, vacancy allowance, among others, to reflect the impact of COVID-19. Note, IFRS fair values do not reflect expected incremental property values emanating from the Trust's mixed-used intensification initiatives which would include SmartVMC, Leaside, Westside Mall, 1900 Eglinton Avenue, Vaughan NW, Pointe-Claire, and other future development properties;
- \$19.5 million decrease in NOI, which includes provisions for COVID-19 related matters (see further details below in the "Net Operating Income" subsection);
- \$2.0 million increase in general and administrative expense, net; and
- \$0.6 million decrease in gain (loss) on sale of investment properties;

Partially offset by the following:

- \$40.4 million increase in fair value adjustment on financial instruments principally due to the fluctuation in the Trust's unit price as compared to the same period in 2019; and
- \$5.2 million net decrease in interest expense which was primarily due to a \$7.9 million higher yield maintenance costs incurred in the same period in 2019.

Net Operating Income

The following tables summarize NOI, NOI related ratios, and recovery ratios, and to provide additional information, reflect the Trust's proportionate share of equity accounted investments, the sum of which represent a non-GAAP measure.

Quarterly Comparison to Prior Year

(in thousands of dollars)							
	Three Months Ended June 30, 2020			Three Months Ended June 30, 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	122,911	2,647	125,558	126,059	2,202	128,261	(2,703)
Property tax and insurance recoveries	47,273	591	47,864	47,673	475	48,148	(284)
Property operating cost recoveries	16,537	721	17,258	16,710	550	17,260	(2)
Miscellaneous revenue	1,465	462	1,927	3,920	585	4,505	(2,578)
Rentals from investment properties	188,186	4,421	192,607	194,362	3,812	198,174	(5,567)
Service and other revenues	2,099	—	2,099	2,384	—	2,384	(285)
Rentals from investment properties and other ⁽²⁾	190,285	4,421	194,706	196,746	3,812	200,558	(5,852)
Recoverable property operating costs ⁽³⁾	(65,511)	(1,247)	(66,758)	(66,482)	(1,075)	(67,557)	799
Property management fees and costs	(535)	(139)	(674)	(966)	(88)	(1,054)	380
Non-recoverable operating costs	(16,502)	(180)	(16,682)	(1,092)	(214)	(1,306)	(15,376)
Other property operating costs	—	(385)	(385)	—	—	—	(385)
Property operating costs	(82,548)	(1,951)	(84,499)	(68,540)	(1,377)	(69,917)	(14,582)
Other expenses	(2,099)	—	(2,099)	(2,424)	—	(2,424)	325
Residential marketing and selling costs	—	(14)	(14)	—	(152)	(152)	138
Property operating costs and other ⁽²⁾	(84,647)	(1,965)	(86,612)	(70,964)	(1,529)	(72,493)	(14,119)
NOI ⁽⁴⁾	105,638	2,456	108,094	125,782	2,283	128,065	(19,971)
NOI as a percentage of net base rent	85.9%	92.8%	86.1%	99.8%	103.7%	99.8%	(13.7)%
NOI as a percentage of rentals from investment properties	56.1%	55.6%	56.1%	64.7%	59.9%	64.6%	(8.5)%
NOI as a percentage of rentals from investment properties and other	55.5%	55.6%	55.5%	63.9%	59.9%	63.9%	(8.4)%
Recovery Ratio (including prior year adjustments)	97.4%	105.2%	97.5%	96.8%	95.3%	96.8%	0.7%
Recovery Ratio (excluding prior year adjustments)	97.4%	105.3%	97.5%	96.2%	95.2%	96.2%	1.3%

(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 and six months ended June 30, 2020 and June 30, 2019.

(2) As reflected under the column 'Trust portion excluding EAI' in the table above, this amount represents a GAAP measure.

(3) Include 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 Certain Terms Including Non-GAAP Measures" section in this MD&A.

NOI for the three months ended June 30, 2020 decreased by \$20.0 million or 15.6% as compared to the same period last year. This decrease was primarily attributed to the following:

- \$15.4 million increase in expected credit losses (see the "Amounts Receivable and Other, Deferred Financing Costs, and Prepaid Expenses and Deposits" section for further discussion);
- \$3.5 million decrease in straight-line rent;
- \$1.3 million decrease in percentage rent;
- \$1.0 million decrease in short-term rental and other miscellaneous revenue; and
- \$0.3 million decrease in lease termination fees;

Partially offset by the following:

- \$0.8 million increase in base rent, which was primarily due to the growth of the Trust's portfolio relating to completed Earnouts and Developments; and
- \$0.7 million decrease in net CAM and realty tax recovery shortfall primarily due to lower operating expenses incurred.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)							
	Six Months Ended June 30, 2020			Six Months Ended June 30, 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)			
Net base rent	249,253	5,206	254,459	251,608	4,013	255,621	(1,162)
Property tax and insurance recoveries	95,882	1,178	97,060	96,130	908	97,038	22
Property operating cost recoveries	42,759	1,587	44,346	42,596	1,036	43,632	714
Miscellaneous revenue	4,310	1,167	5,477	8,042	1,068	9,110	(3,633)
Rentals from investment properties	392,204	9,138	401,342	398,376	7,025	405,401	(4,059)
Service and other revenues	4,808	—	4,808	4,803	—	4,803	5
Rentals from investment properties and other ⁽²⁾	397,012	9,138	406,150	403,179	7,025	410,204	(4,054)
Recoverable property operating costs ⁽³⁾	(143,604)	(2,647)	(146,251)	(143,898)	(2,111)	(146,009)	(242)
Property management fees and costs	(1,383)	(273)	(1,656)	(2,165)	(169)	(2,334)	678
Non-recoverable operating costs	(17,749)	(433)	(18,182)	(2,457)	(387)	(2,844)	(15,338)
Other property operating costs	—	(500)	(500)	—	—	—	(500)
Property operating costs	(162,736)	(3,853)	(166,589)	(148,520)	(2,667)	(151,187)	(15,402)
Other expenses	(4,811)	—	(4,811)	(4,866)	—	(4,866)	55
Residential marketing and selling costs	—	(259)	(259)	—	(161)	(161)	(98)
Property operating costs and other ⁽²⁾	(167,547)	(4,112)	(171,659)	(153,386)	(2,828)	(156,214)	(15,445)
NOI ⁽⁴⁾	229,465	5,026	234,491	249,793	4,197	253,990	(19,499)
NOI as a percentage of net base rent	92.1%	96.5%	92.2%	99.3%	104.6%	99.4%	(7.2)%
NOI as a percentage of rentals from investment properties	58.5%	55.0%	58.4%	62.7%	59.7%	62.7%	(4.3)%
NOI as a percentage of rentals from investment properties and other	57.8%	55.0%	57.7%	62.0%	59.7%	61.9%	(4.2)%
Recovery Ratio (including prior year adjustments)	96.5%	104.5%	96.7%	96.4%	92.1%	96.3%	0.4%
Recovery Ratio (excluding prior year adjustments)	96.6%	104.5%	96.7%	95.8%	94.8%	95.8%	0.9%

(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 and six months ended June 30, 2020 and June 30, 2019.

(2) As reflected under the column "Trust portion excluding EAI" in the table above, this amount represents a GAAP measure.

(3) Include 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 Certain Terms Including Non-GAAP Measures" section in this MD&A.

NOI for the six months ended June 30, 2020 decreased by \$19.5 million or 7.7% as compared to the same period last year. This decrease was primarily attributed to the following:

- \$15.4 million increase in expected credit losses (see the "Amounts Receivable and Other, Deferred Financing Costs, and Prepaid Expenses and Deposits" section for further discussion);
- \$4.0 million decrease in straight-line rent;
- \$1.8 million decrease in percentage rent;
- \$1.0 million decrease in lease termination fees; and
- \$0.8 million decrease in short-term rental and other miscellaneous revenue;

Partially offset by the following:

- \$2.8 million increase in base rent, which was primarily due to the growth of the Trust's portfolio relating to completed Earnouts and Developments; and
- \$0.7 million decrease in net CAM and realty tax recovery shortfall primarily due to lower operating expenses incurred.

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.

Quarterly Comparison to Prior Year

	Three Months Ended	Three Months Ended		
(in thousands of dollars)	June 30, 2020	June 30, 2019	Variance	Variance (%)
Net rental income	105,638	125,822	(20,184)	(16.0)%
Service and other revenues	2,099	2,384	(285)	(12.0)%
Other expenses	(2,099)	(2,424)	325	13.4 %
NOI ⁽¹⁾	105,638	125,782	(20,144)	(16.0)%
NOI from equity accounted investments ⁽¹⁾	2,456	2,283	173	7.6 %
Total portfolio NOI before adjustments ⁽¹⁾	108,094	128,065	(19,971)	(15.6)%
Adjustments:				
Royalties	170	249	(79)	(31.7)%
Straight-line rent	2,641	(746)	3,387	N/R ⁽²⁾
Lease termination and other adjustments	(238)	(316)	78	24.7 %
Amortization of tenant incentives	1,820	1,830	(10)	(0.5)%
Total portfolio NOI after adjustments ⁽¹⁾	112,487	129,082	(16,595)	(12.9)%
NOI sourced from:				
Acquisitions	(43)	—	(43)	N/R ⁽²⁾
Dispositions	—	(17)	17	N/R ⁽²⁾
Earnouts and Developments	(1,209)	(910)	(299)	(32.9)%
Same Properties NOI ⁽¹⁾	111,235	128,155	(16,920)	(13.2)%

(1) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Certain Terms Including 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 April 1, 2019 to June 30, 2019 and from April 1, 2020 to June 30, 2020. The Same Properties NOI for the three months ended June 30, 2020 decreased by \$16.9 million or 13.2% as compared to the same period in 2019, which was primarily due to the following:

- \$15.5 million increase in property operating expenses, principally due to higher expected credit losses and vacancy costs; and
- \$2.2 million decrease in miscellaneous revenue, principally due to lower outlet mall percentage rent, lower short-term revenues and parking revenues as a result of the closures during the COVID-19 pandemic;

Partially offset by the following:

- \$0.8 million increase in rental revenue, principally due to lower CAM and realty tax shortfalls.

Excluding the higher expected credit losses recorded in the three months ended June 30, 2020, Same Properties NOI would have been \$125.1 million representing a decrease of \$3.1 million or 2.4% as compared to the same period in 2019.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Variance	Variance (%)
Net rental income	229,468	249,856	(20,388)	(8.2)%
Service and other revenues	4,808	4,803	5	0.1 %
Other expenses	(4,811)	(4,866)	55	1.1 %
NOI ⁽¹⁾	229,465	249,793	(20,328)	(8.1)%
NOI from equity accounted investments ⁽¹⁾	5,026	4,197	829	19.8 %
Total portfolio NOI before adjustments ⁽¹⁾	234,491	253,990	(19,499)	(7.7)%
Adjustments:				
Royalties	389	458	(69)	(15.1)%
Straight-line rent	2,620	(1,261)	3,881	N/R ⁽²⁾
Lease termination and other adjustments	(743)	(1,830)	1,087	59.4 %
Amortization of tenant incentives	3,681	3,828	(147)	(3.8)%
Total portfolio NOI after adjustments ⁽¹⁾	240,438	255,185	(14,747)	(5.8)%
NOI sourced from:				
Acquisitions	(116)	—	(116)	N/R ⁽²⁾
Earnouts and Developments	(3,606)	(2,078)	(1,528)	(73.5)%
Same Properties NOI ⁽¹⁾	236,716	253,090	(16,374)	(6.5)%

(1) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Certain Terms Including 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 June 30, 2019 and from January 1, 2020 to June 30, 2020. The Same Properties NOI for the six months ended June 30, 2020 decreased by \$16.4 million or 6.5% as compared to the same period in 2019, which was primarily due to the following:

- \$14.5 million increase in property operating expenses, principally due to higher expected credit losses and vacancy costs; and
- \$2.9 million decrease in percentage rent and miscellaneous revenues, principally due to lower percentage rent from outlet malls and others, lower short-term rental revenues and lower parking revenues as a result of the closures during the COVID-19 pandemic;

Partially offset by the following:

- \$1.0 million increase in rental revenue and CAM recoveries from fixed-rate tenants.

Excluding the higher expected credit losses recorded in the six months ended June 30, 2020, Same Properties NOI would have been \$250.1 million representing a decrease of \$3.0 million or 1.2% as compared to the same period in 2019.

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:

	12 Months Ended June 30, 2020	12 Months Ended June 30, 2019	Variance
(in thousands of dollars)			
Net income loss and comprehensive income ⁽¹⁾	129,248	373,960	(244,712)
Add (deduct) the following items ⁽¹⁾ :			
Interest expense	143,171	142,742	429
Interest income	(13,330)	(10,545)	(2,785)
Yield maintenance costs	12,647	7,865	4,782
Amortization of equipment and intangible assets	2,113	2,088	25
Amortization of tenant improvements	7,305	7,402	(97)
Fair value adjustment on revaluation of investment properties	234,952	(38,230)	273,182
Fair value adjustment on financial instruments	(39,131)	8,814	(47,945)
Adjustment for supplemental contribution	3,336	1,448	1,888
(Gain) loss on sale of investment properties	16	(140)	156
Transition costs ⁽²⁾	—	(348)	348
Gain on sale of land to co-owners (Transactional FFO)	2,818	—	2,818
Acquisition related costs	2,479	495	1,984
Adjusted EBITDA ⁽¹⁾	485,624	495,551	(9,927)

(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 Certain Terms Including 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 June 30, 2020 (12 months ended June 30, 2019 – \$0.3 million).

Leasing Activities and Lease Expiries

Leasing Activities

Occupancy

The second quarter was dominated by the impact of COVID-19 on the Trust and its tenants. By the end of the quarter, most tenants, with the exception of theatres, gyms, and restaurants had been permitted to open for business. The Trust's essential retailers: Walmart, Canadian Tire, Loblaws, Metro, Dollarama, Sobeys, and Lowe's were permitted to continue to serve Canadians during the second quarter pandemic period, and have resulted in the Trust's continued industry-leading occupancy of 97.8% with executed deals for future occupancy (97.6% 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 remains 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, as their needs evolve with renewals continuing well into the future. Notwithstanding, the Trust recognizes the constraints associated with the current environment and is maintaining its long-term approach with every tenant, providing flexibility and assistance based on specific needs.

Occupancy

	June 30, 2020	June 30, 2019	Variance
Total Leasable Area (in sq. ft.)	34,168,636	34,251,993	(83,357)
In-place Occupancy Rate	97.6 %	97.8 %	(0.2)%
Committed Occupancy Rate	97.8 %	98.0 %	(0.2)%

The following table represents a continuity of the Trust's in-place occupancy level for the three months ended June 30, 2020:

(in square feet)	Vacant Area	Occupied Area	Leasable Area	In-place Occupancy Level (%)
Beginning balance – April 1, 2020	770,265	33,403,745	34,174,010	97.8 %
New vacancies	118,449	(118,449)	—	
New leases	(43,331)	43,331	—	
Subtotal	845,383	33,328,627	34,174,010	
Transferred from properties under development to income properties	—	24,307	24,307	
Transferred from income properties to properties under development	(29,458)	—	(29,458)	
Other including unit area remeasurements	118	(341)	(223)	
Ending balance – June 30, 2020	816,043	33,352,593	34,168,636	97.6 %

Renewal Activity

For the three months ended June 30, 2020, the Trust achieved a retention rate of 67.5% (June 30, 2019 – 80.0%) for renewing tenants.

Renewal Summary

	June 30, 2020	June 30, 2019	Variance
Expiring (in sq. ft.)	4,096,297	3,576,441	519,856
Total renewed (in sq. ft.)	2,766,461	2,861,648	(95,187)
Retention rate	67.5 %	80.0 %	(12.5)%
Renewed rental rate (in dollars per sq. ft.) – including Anchors	13.02	14.43	(1.41)
Renewed rental rate (in dollars per sq. ft.) – excluding Anchors	18.71	21.18	(2.47)
Renewed rent growth (including Anchors)	2.9 %	3.9 %	(1.0)%
Renewed rent growth (excluding Anchors)	3.9 %	4.8 %	(0.9)%

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	22,968	72.8 %	75.5 %	97.4 %
Primary	32	6,561	15.9 %	14.1 %	97.7 %
Secondary	27	4,640	11.3 %	10.4 %	98.4 %
Total	158	34,169	100.0 %	100.0 %	97.6 %

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 June 30, 2020

Category	Total	Greater-VECTOM	Primary	Secondary
General merchandise including stores with grocery & pharmacy	28.5 %	24.0 %	34.9 %	47.1 %
Apparel	16.6 %	17.2 %	16.2 %	13.6 %
Home improvement & housewares	9.5 %	10.1 %	8.7 %	7.0 %
Standalone grocery & liquor	8.5 %	9.0 %	7.3 %	7.6 %
Restaurant	8.8 %	9.7 %	6.8 %	5.9 %
Leisure (sporting goods, toys)	7.1 %	7.5 %	7.5 %	4.5 %
Pharmacy & personal services	6.7 %	7.7 %	5.1 %	2.8 %
Specialty (fitness, electronics, pet)	5.5 %	5.3 %	6.4 %	5.4 %
Financial services	4.4 %	4.7 %	4.0 %	2.6 %
Other	4.4 %	4.8 %	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 63.0% of portfolio revenue for the six months ended June 30, 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	25.4 %	14,097,599	41.3 %
2	Canadian Tire, Mark's and FGL Sports	73	37.6	4.7 %	1,412,037	4.1 %
3	Winners, HomeSense, Marshalls	56	34.5	4.3 %	1,394,863	4.1 %
4	Loblaws, Shoppers Drug Mart	24	22.1	2.8 %	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 ⁽²⁾	82	14.6	1.8 %	457,644	1.3 %
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	12.2	1.5 %	326,970	1.0 %
11	Michaels	24	11.9	1.5 %	467,059	1.4 %
12	Recipe Unlimited	54	11.2	1.4 %	271,343	0.8 %
13	Staples	21	10.2	1.3 %	449,599	1.3 %
14	Gap Inc.	26	9.4	1.2 %	269,742	0.8 %
15	Bonnie Togs	46	8.7	1.1 %	229,365	0.7 %
16	Bulk Barn	52	8.2	1.0 %	242,998	0.7 %
17	Toys R Us	7	7.6	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 %	225,717	0.7 %
21	Metro	9	6.7	0.8 %	315,438	0.9 %
22	Sleep Country	37	6.6	0.8 %	177,517	0.5 %
23	Ricki's, Cleo, Urban Barn & Warehouse One ⁽³⁾	38	6.5	0.8 %	178,159	0.5 %
24	GoodLife Fitness Clubs	11	6.4	0.8 %	249,432	0.7 %
25	Sail ⁽⁴⁾	3	6.1	0.8 %	214,224	0.6 %
		859	503.1	63.0 %	25,140,240	73.5 %

(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.

(2) Reitmans has filed for bankruptcy protection under the Companies' Creditors Arrangement Act ("CCAA") in May 2020, disclaiming 16 of the Trust's locations.

(3) Comark-Ricki's, Cleo, Bootlegger filed for bankruptcy protection under the CCAA in June 2020, disclaiming one Trust location.

(4) Sail has filed a Notice of Intention to Make a Proposal under the Bankruptcy and Insolvency Act in June 2020, disclaiming two of the Trust's locations.

Leasing Expiries

Total retail and office lease expiries for the portfolio as at June 30, 2020 are presented in the following table:

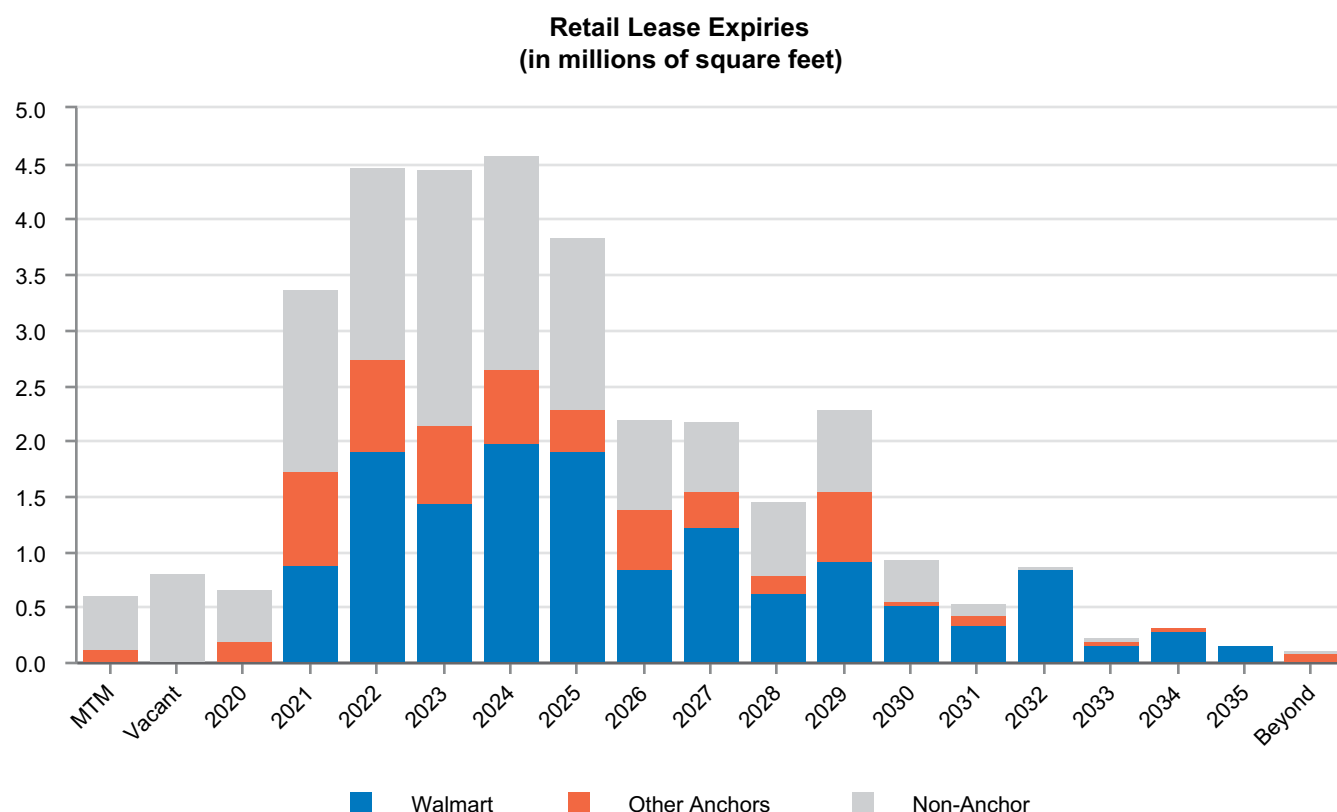
Year of Expiry	Total Area (sq. ft.)	Percentage of Total Area (%)	Annualized Base Rent (\$000s)	Average Base Rent psf ⁽¹⁾ (\$)
Month-to-month and holdovers	621,068	1.8 %	12,588	20.27
2020	676,167	2.0 %	13,640	20.17
2021	3,369,808	9.9 %	49,512	14.69
2022	4,473,076	13.1 %	63,700	14.24
2023	4,425,336	13.0 %	76,266	17.23
2024	4,592,909	13.4 %	71,866	15.65
2025	3,841,300	11.2 %	49,186	12.80
2026	2,188,146	6.4 %	33,299	15.22
2027	2,168,001	6.3 %	31,390	14.48
2028	1,428,271	4.2 %	26,606	18.63
2029	2,270,097	6.6 %	38,174	16.82
2030	926,245	2.7 %	17,252	18.63
Beyond	2,120,811	6.2 %	31,073	14.65
Vacant	816,043	2.4 %	—	—
Total retail	33,917,278	99.2 %	514,552	15.54
Total office	251,358	0.8 %		
Total retail and office	34,168,636	100.0 %		

(1) The total average base rent per square foot excludes vacant space of 816,043 square feet.

Total retail and office lease expiries for the portfolio excluding Anchor tenants as at June 30, 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	500,126	1.5%	3.5%	11,594	23.18
2020	486,510	1.4%	3.4%	10,336	21.25
2021	1,631,190	4.8%	11.3%	31,775	19.48
2022	1,721,213	5.0%	12.0%	37,642	21.87
2023	2,313,100	6.8%	16.1%	53,760	23.24
2024	1,948,182	5.7%	13.6%	45,263	23.23
2025	1,541,501	4.5%	10.7%	30,463	19.76
2026	800,496	2.3%	5.6%	17,827	22.27
2027	622,752	1.8%	4.3%	13,937	22.38
2028	661,505	1.9%	4.6%	16,692	25.23
2029	722,890	2.1%	5.0%	19,434	26.88
2030	363,048	1.1%	2.5%	8,674	23.89
Beyond	189,427	0.6%	1.3%	4,284	22.62
Vacant	816,043	2.4%	5.7%	—	—
Total retail	14,317,983	41.9%	99.6%	301,681	22.34
Total office	54,510	0.2%	0.4%		
Total retail and office	14,372,493	42.1%	100.0%		

(1) The total average base rent per square foot excludes vacant space of 816,043 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 (loss) and comprehensive income (loss), 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 and six months ended June 30, 2020 and June 30, 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 (loss) and comprehensive income (loss) per Unit, net income and comprehensive income excluding 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 and six months ended June 30, 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:

(number of Units)	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	Variance	2020	2019	Variance
Trust Units	144,617,107	142,636,916	1,980,191	144,468,212	141,486,418	2,981,794
Class B LP Units	16,416,667	16,416,667	—	16,416,667	16,416,667	—
Class D LP Units	311,022	311,022	—	311,022	311,022	—
Class F LP Units	8,708	3,383	5,325	8,099	1,701	6,398
Class B LP II Units	756,525	756,525	—	756,525	756,525	—
Class B LP III Units	3,945,472	3,818,542	126,930	3,884,114	3,818,542	65,572
Class B LP IV Units	3,067,593	3,052,504	15,089	3,067,593	3,052,504	15,089
Class B Oshawa South LP Units	710,416	710,416	—	710,416	710,416	—
Class D Oshawa South LP Units	260,417	260,417	—	260,417	260,417	—
Class B Oshawa Taunton LP Units	374,223	374,223	—	374,223	374,223	—
Class B Series ONR LP Units	1,248,140	1,248,140	—	1,248,140	1,248,140	—
Class B Series 1 ONR LP I Units	132,881	132,881	—	132,881	132,881	—
Class B Series 2 ONR LP I Units	139,302	137,109	2,193	139,302	137,109	2,193
Total Exchangeable LP Units	27,371,366	27,221,829	149,537	27,309,399	27,220,147	89,252
Total Units – Basic	171,988,473	169,858,745	2,129,728	171,777,611	168,706,565	3,071,046
Vested deferred units	992,393	860,069	132,324	970,683	883,200	87,483
Total Units and vested deferred units – Diluted	172,980,866	170,718,814	2,262,052	172,748,294	169,589,765	3,158,529

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 (loss) does not necessarily provide a complete measure of the Trust's recurring operating performance. This is primarily because IFRS net income (loss) 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 (loss) and comprehensive income (loss) 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 (loss) and comprehensive income (loss) 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 (loss) and comprehensive income (loss) 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 (loss) 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 dividend reinvestment plan ("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 (loss) and comprehensive income (loss) because net income (loss) and comprehensive income (loss) 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 (loss) and comprehensive income (loss) 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 (loss) and comprehensive income (loss) and total distributions, in accordance with the guidelines.

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

	Three Months Ended June 30		Six Months Ended June 30	
(in thousands of dollars)	2020	2019	2020	2019
Cash flows provided by operating activities	46,349	80,767	125,511	133,349
Add:				
Normalizing adjustments, actual sustaining expenditures adjustments and other ⁽¹⁾	28,276	11,810	40,696	40,962
Adjusted cash flows from operating activities ⁽²⁾	74,625	92,577	166,207	174,311
Distributions declared	79,562	76,985	159,480	153,701
Surplus (shortfall) of ACFO over distributions declared	(4,937)	15,592	6,727	20,610
Distributions for Units classified as equity	78,592	76,044	157,541	151,820
Distributions for Units classified as liabilities	970	941	1,939	1,881
Total Distributions declared	79,562	76,985	159,480	153,701

(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 Certain Terms Including Non-GAAP Measures" section in this MD&A.

Reconciliation of FFO

The tables and analysis below illustrate a reconciliation of the Trust's net income (loss) and comprehensive income (loss) (GAAP measures) to FFO (non-GAAP measures).

Quarterly Comparison to Prior Year

(in thousands of dollars, except per Unit amounts)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Variance	Variance (%)
Net income (loss) and comprehensive income (loss)	(133,674)	95,513	(229,187)	N/R ⁽⁶⁾
Add (deduct):				
Fair value adjustment on revaluation of investment properties ⁽¹⁾	197,364	(4,015)	201,379	N/R ⁽⁶⁾
Fair value adjustment on financial instruments ⁽²⁾	6,374	(5,209)	11,583	N/R ⁽⁶⁾
Gain on sale of investment properties	5	79	(74)	N/R ⁽⁶⁾
Amortization of intangible assets	333	333	—	— %
Amortization of tenant improvement allowance and other	1,731	1,827	(96)	(5.3) %
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	1,427	1,333	94	7.1 %
Salaries and related costs attributed to leasing activities ⁽³⁾	1,629	1,402	227	16.2 %
Adjustments relating to equity accounted investments:				
Rental revenue adjustment – tenant improvement amortization	97	78	19	24.4 %
Indirect interest with respect to the development portion ⁽⁴⁾	1,806	198	1,608	N/R ⁽⁶⁾
Fair value adjustment on revaluation of investment properties	(2,398)	(232)	(2,166)	N/R ⁽⁶⁾
Adjustment for supplemental contribution	505	474	31	6.5 %
FFO⁽⁵⁾	75,199	91,781	(16,582)	(18.1) %

(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 and six months ended June 30, 2020. The fair value adjustment on financial instruments experienced a significant decrease 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 June 30, 2020 (three months ended June 30, 2019 – \$1.4 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 Certain Terms Including Non-GAAP Measures" section in this MD&A.

(6) N/R – Not representative.

For the three months ended June 30, 2020, FFO decreased by \$16.6 million or 18.1% to \$75.2 million. This decrease was primarily attributed to:

- \$20.0 million decrease in NOI (see further details in the "Net Operating Income" subsection); and
- \$2.8 million net increase in net general and administrative expense;

Partially offset by:

- \$1.9 million net decrease in interest expense, which was primarily due to a \$4.3 million higher in yield maintenance costs in the comparable quarter and offset by a \$2.5 million higher in interest expense in the current quarter mainly due to a higher debt level;
- \$1.6 million increase in add back for indirect interest incurred in respect of equity accounted development projects which was primarily due to the recent development property acquisitions
- \$1.5 million increase in changes in fair value of financial instruments;
- \$0.9 million increase in interest income, which was primarily due to an increase in bank interest as a result of the increase in cash and cash equivalents as compared to the same period in 2019; and
- \$0.3 million increase in FFO add back for salaries and related costs attributed to leasing activities and distributions on Units classified as liabilities.

The table below represents per unit FFO (non-GAAP measures).

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Variance	Variance (%)
Per Unit – basic/diluted ⁽¹⁾ :				
FFO ⁽²⁾	\$0.44/\$0.43	\$0.54/\$0.54	\$-0.10/\$-0.11	-18.5%/-20.4%
Payout Ratio:				
FFO ⁽²⁾	105.8 %	83.7 %	22.1 %	N/R ⁽³⁾

- (1) 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 June 30, 2020, 992,393 vested deferred units are added back to the weighted average Units outstanding (three months ended June 30, 2019 – 860,069 vested deferred units).
- (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 Certain Terms Including Non-GAAP Measures" section in this MD&A.
- (3) N/R – Not representative.

Year-to-Date Comparison to Prior Year

(in thousands of dollars, except per Unit amounts)	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Variance	Variance (%)
Net income (loss) and comprehensive income (loss)	(69,473)	175,486	(244,959)	N/R ⁽⁶⁾
Add (deduct):				
Fair value adjustment on revaluation of investment properties ⁽¹⁾	260,746	(12,912)	273,658	N/R ⁽⁶⁾
Fair value adjustment on financial instruments ⁽²⁾	(31,715)	7,206	(38,921)	N/R ⁽⁶⁾
Gain on sale of investment properties	2	(827)	829	N/R ⁽⁶⁾
Amortization of intangible assets	666	666	—	— %
Amortization of tenant improvement allowance and other	3,365	3,562	(197)	(5.5)%
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	2,828	2,691	137	5.1 %
Salaries and related costs attributed to leasing activities ⁽³⁾	3,238	2,968	270	9.1 %
Acquisition related costs	2,181	—	2,181	N/R ⁽⁶⁾
Adjustments relating to equity accounted investments:				
Rental revenue adjustment – tenant improvement amortization	191	144	47	32.6 %
Indirect interest with respect to the development portion ⁽⁴⁾	3,454	409	3,045	N/R ⁽⁶⁾
Fair value adjustment on revaluation of investment properties	(5,223)	(78)	(5,145)	N/R ⁽⁶⁾
Adjustment for supplemental contribution	903	762	141	18.5 %
FFO⁽⁵⁾	171,163	180,077	(8,914)	(5.0)%

- (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 and six months ended June 30, 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 \$3.2 million were incurred in the six months ended June 30, 2020 (six months ended June 30, 2019 – \$3.0 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 Certain Terms Including Non-GAAP Measures" section in this MD&A.
- (6) N/R – Not representative.

For the six months ended June 30, 2020, FFO decreased by \$8.9 million or 5.0% to \$171.2 million. This decrease was primarily attributed to:

- \$19.5 million decrease in NOI (see further details in the "Net Operating Income" subsection); and
- \$2.0 million increase in net general and administrative expense;

Partially offset by:

- \$5.2 million net decrease in interest income, which was primarily due to a \$7.9 million higher in yield maintenance costs in the comparable period and offset by a \$2.7 million higher in interest expense in the current period mainly due to a higher debt level;
- \$3.1 million increase in add back for indirect interest incurred in respect of equity accounted development projects which was primarily due to the recent development property acquisitions;

- \$2.4 million increase in interest income, which was primarily due to an increase in loan interest as a result of the increase in average loan balances outstanding between both the current and comparable periods;
- \$1.5 million increase in changes in fair value of financial instruments; and
- \$0.4 million increase in FFO add back for salaries and related costs attributed to leasing activities and distributions on Units classified as liabilities.

The table below represents per unit FFO (non-GAAP measures).

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Variance	Variance (%)
Per Unit – basic/diluted ⁽²⁾ :				
FFO ⁽¹⁾	\$1.00/\$0.99	\$1.07/\$1.06	\$-0.07/\$-0.07	-6.5%/-6.6%
Payout Ratio:				
FFO ⁽¹⁾	93.2 %	84.8 %	8.4 %	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 Certain Terms Including 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 six months ended June 30, 2020, 970,683 vested deferred units are added back to the weighted average Units outstanding (six months ended June 30, 2019 – 883,200 vested deferred units).

(3) N/R – Not representative.

Reconciliation of ACFO

The tables and analysis below illustrate a reconciliation of the Trust's cash flows provided by operating activities to ACFO.

Quarterly Comparison to Prior Year

(in thousands of dollars)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Variance	Variance %
Cash flows provided by operating activities	46,349	80,767	(34,418)	(42.6)%
Adjustments to working capital items that are not indicative of sustainable cash available for distribution ⁽¹⁾	22,173	12,280	9,893	80.6 %
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	1,427	1,333	94	7.1 %
Notional interest capitalization ⁽²⁾	1,806	198	1,608	N/R ⁽⁴⁾
Expenditures on direct leasing costs and tenant incentives	627	1,397	(770)	(55.1)%
Expenditures on tenant incentives for properties under development	326	89	237	N/R ⁽⁴⁾
Actual sustaining capital expenditures	(474)	(582)	108	(18.6)%
Actual sustaining leasing commissions	(333)	(350)	17	N/R ⁽⁴⁾
Actual sustaining tenant improvements	(294)	(1,428)	1,134	(79.4)%
Non-cash interest expense	720	(2,832)	3,552	N/R ⁽⁴⁾
Non-cash interest income	2,297	1,705	592	34.7 %
ACFO⁽³⁾	74,624	92,577	(17,953)	(19.4)%
Distributions declared	79,562	76,985	2,577	3.3 %
Surplus (shortfall) of ACFO over distributions declared	(4,938)	15,592	(20,530)	N/R ⁽⁴⁾
Payout Ratio:				
ACFO ⁽³⁾	106.6 %	83.2 %	23.4 %	28.1 %

(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 Certain Terms Including Non-GAAP Measures" section in this MD&A.

(4) N/R – Not representative.

For the three months ended June 30, 2020, ACFO decreased by \$18.0 million or 19.4% to \$74.6 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 June 30, 2020 increased to 106.6% as compared to the same period in 2019, which was the result of items previously identified, and principally due to the adverse impact of COVID-19.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Variance	Variance %
Cash flows provided by operating activities	125,511	133,349	(7,838)	(5.9)%
Adjustments to working capital items that are not indicative of sustainable cash available for distribution ⁽¹⁾	33,999	34,295	(296)	(0.9)%
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	2,828	2,691	137	5.1 %
Notional interest capitalization ⁽²⁾	3,454	409	3,045	N/R ⁽⁴⁾
Expenditures on direct leasing costs and tenant incentives	1,482	2,510	(1,028)	(41.0)%
Expenditures on tenant incentives for properties under development	1,036	1,592	(556)	(34.9)%
Actual sustaining capital expenditures	(1,077)	(3,817)	2,740	(71.8)%
Actual sustaining leasing commissions	(784)	(549)	(235)	N/R ⁽⁴⁾
Actual sustaining tenant improvements	(736)	(2,360)	1,624	(68.8)%
Non-cash interest expense	(4,490)	2,539	(7,029)	N/R ⁽⁴⁾
Non-cash interest income	4,984	3,652	1,332	36.5 %
ACFO⁽³⁾	166,207	174,311	(8,104)	(4.6)%
Distributions declared	159,480	153,701	5,779	3.8 %
Surplus of ACFO over distributions declared	6,727	20,610	(13,883)	N/R ⁽⁴⁾
Payout Ratio:				
ACFO ⁽³⁾	96.0 %	88.2 %	7.8 %	8.8 %

(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 Certain Terms Including Non-GAAP Measures" section in this MD&A.

(4) N/R – Not representative.

For the six months ended June 30, 2020, ACFO decreased by \$8.1 million or 4.6% to \$166.2 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 six months ended June 30, 2020 increased by 7.8% to 96.0% as compared to the same period in 2019, which was the result of items previously identified, and principally due to the adverse impact of COVID-19. Notwithstanding the adverse impact of COVID-19, the Trust funded distributions using cash flows from operating activities, and used any additional amounts to assist with funding the Trust's pipeline of mixed-use development initiatives and repay debt.

Distributions and ACFO Highlights

The following table is provided for historical continuity only:

(in thousands of dollars)	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	Variance	2020	2019	Variance
Cash flows provided by operating activities	46,349	80,767	(34,418)	125,511	133,349	(7,838)
Distributions declared	79,562	76,985	2,577	159,480	153,701	5,779
Distributions paid	79,531	59,908	19,623	142,028	119,630	22,398
ACFO ⁽¹⁾	74,624	92,577	(17,953)	166,207	174,311	(8,104)
Surplus (shortfall) of ACFO over distributions declared	(4,938)	15,592	(20,530)	6,727	20,610	(13,883)
Surplus (shortfall) of ACFO over distributions paid	(4,907)	32,669	(37,576)	24,179	54,681	(30,502)
Surplus (shortfall) of cash flows provided by operating activities over distributions declared	(33,213)	3,782	(36,995)	(33,969)	(20,352)	(13,617)
Surplus (shortfall) of cash flows provided by operating activities over distributions paid	(33,182)	20,859	(54,041)	(16,517)	13,719	(30,236)

(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 Certain Terms Including Non-GAAP Measures" section in this MD&A.

For the three months ended June 30, 2020, the \$4.9 million shortfall of ACFO over both distributions declared and distributions paid was primarily due to the adverse impact of COVID-19, and the resulting ECL provisions.

For the three and six months ended June 30, 2020, distributions declared exceeded cash flows provided by operating activities by \$33.2 million and \$34.0 million, respectively. These shortfalls were primarily due to: i) \$18.0 million rent receivables which are expected to be collected from tenants with whom we are currently working on rent relief and similar deferral arrangements; ii) \$13.7 million rent receivables under the CECRA program which are expected to be collected from governments and tenants; and iii) other net other working capital changes for the three months and six months ended June 30, 2020 in the amounts of \$1.5 million and \$2.3 million, respectively. These shortfalls were funded by a combination of DRIP (prior to April 1, 2020) and the Trust's operating facility. These shortfalls have been heavily impacted by COVID-19 for the quarter ended June 30, 2020. Accordingly, the table below illustrates the annualized surplus of cash flows provided by operating activities over distributions declared for the twelve months ended June 30, 2020 and June 30, 2019.

(in thousands of dollars)	12 Months Ended	
	June 30, 2020	June 30, 2019
Cash flows provided by operating activities	337,538	339,480
Distributions declared	316,429	291,388
Surplus of cash provided by operating activities over distributions declared	21,109	48,092

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)	June 30, 2020	December 31, 2019	Variance
Amounts receivable and other			
Tenant receivables	67,536	15,921	51,615
Unbilled other tenant receivables	18,986	7,649	11,337
Receivables from related party – excluding equity accounted investments	9,909	7,958	1,951
Receivables from related party – equity accounted investments	661	1,690	(1,029)
Other non-tenant receivables	2,172	1,482	690
Other	6,534	5,040	1,494
Allowance for expected credit loss	(18,861)	(3,061)	(15,800)
	86,937	36,679	50,258
Deferred financing costs	1,305	1,477	(172)
Prepaid expenses and deposits	14,018	5,247	8,771
	102,260	43,403	58,857

As at June 30, 2020, total amounts receivable and other increased by \$50.3 million as compared to December 31, 2019. This increase was primarily attributed to the following:

- \$31.3 million increase in tenant receivables (net of provision of \$15.8 million) which was primarily due to the CECRA program for those qualifying tenants and rent deferral arrangements for non-CECRA-qualifying tenants;
- \$11.3 million increase in unbilled other tenant receivables primarily representing timing differences on realty tax billings to tenants;
- \$2.2 million increase in other non-tenant receivables and other; and
- \$1.0 million increase in related party receivables.

As at June 30, 2020, deferred financing costs remained relatively consistent as compared to December 31, 2019.

As at June 30, 2020, prepaid expenses and deposits increased by \$8.8 million as compared to December 31, 2019. This increase was primarily attributed to timing differences associated with realty tax payments.

Tenant 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 the full scope of economic 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 various non-essential services tenants that have been most effected during the pandemic period offering its

support through rent deferral arrangements and potential rental relief to be granted by the landlord under the CECRA program. 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 were permitted 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 2020 billings for the Q2 2020 period and July 2020:

Category	Category as a % of Q2 2020's Expected Tenant Billings	Collection of Expected Tenant Billings for Q2 2020	Category as a % of July 2020's Expected Tenant Billings	Collection of Expected Tenant Billings for July 2020
Unenclosed Retail	89.6 %	76.5 %	90.1 %	86.8 %
Enclosed Malls	4.7 %	72.8 %	4.6 %	79.1 %
Office	1.6 %	95.7 %	1.6 %	95.5 %
Total Excluding Two Premium Outlets	95.9 %	76.7 %	96.3 %	86.5 %
Two Premium Outlets	4.1 %	15.4 %	3.7 %	38.2 %
	100.0 %	74.2 %	100.0 %	84.8 %

In order to determine expected credit losses, the Trust considers both payment history and future expectations of credit risk by each tenant, which may include, but are not limited to, the following factors: i) potential rent forgiveness to be granted by the Trust under the CECRA program, ii) actual or expected insolvency filings, and iii) other rent deferral or similar arrangements.

As noted above, the Trust continues to monitor rent collections from its portfolio of tenants and for the six months ended June 30, 2020 has reflected expected credit loss (“ECL”) provisions of \$15.8 million. This ECL amount was recorded based on a forward-looking nature of assessment. The Trust's estimates and judgments could also be affected by various risks and uncertainties, including but not limited to the effects of COVID-19 (see the “Risks and Uncertainties” section). These estimated amounts may potentially differ from the actual amounts.

Mortgages, Loans and Notes Receivable, and Interest Income

The following table summarizes mortgages, loans and notes receivable:

(in thousands of dollars)	June 30, 2020	December 31, 2019	Variance
Mortgages, loans and notes receivable			
Mortgages receivable (Mezzanine Financing)	142,125	138,762	3,363
Loans receivable ⁽¹⁾	222,347	131,119	91,228
Notes receivable	2,979	2,979	—
	367,451	272,860	94,591

(1) Includes \$102.9 million amount due from Penguin, see "Loans Receivable" subsection.

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 June 30, 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 0.6 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⁾	Area Upon Exercising Purchase Option (sq. ft.)
Salmon Arm, BC ⁽²⁾⁽³⁾	15,347	19,719	15,347	October 2020	4.20 %	— %	—
Innisfil, ON ⁽²⁾⁽⁴⁾	21,461	26,257	7,711	December 2020	6.75 %	— %	—
Aurora (South), ON	17,371	30,543	17,371	March 2022	3.48 %	50 %	79,577
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	30,081	68,664	30,081	November 2023	3.88 %	50 %	36,950
Vaughan (7 & 427), ON	18,368	52,277	18,368	December 2023	6.75 %	50 %	150,820
Caledon (Mayfield), ON	10,171	14,033	10,171	April 2024	3.74 %	50 %	101,865
Toronto (StudioCentre), ON ⁽²⁾	29,326	43,759	29,326	June 2024	3.72 %	25 %	227,831
	142,125	279,235	128,375		4.63 % ⁽⁷⁾		597,043

(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 June 30, 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 \$113.4 million (December 31, 2019 – \$110.6 million), and (ii) at fixed rates of 6.35% to 7.50% on mortgages receivable of \$28.7 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 \$61.4 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, \$128.4 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	36,808
2022	3	17,371
2023	2	48,449
2024	2	39,497
	9	142,125

The following table illustrates the interest accrued and repayments:

(in thousands of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Balance – beginning of period	140,632	136,071	138,762	134,221
Interest accrued	1,681	1,816	3,551	3,666
Interest payments	(74)	(850)	(74)	(850)
Principal repayments	(114)	(843)	(114)	(843)
Balance – end of period	142,125	136,194	142,125	136,194

Loans Receivable

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

Issued to	Committed	Maturity Date	Interest Rate	Note	June 30, 2020	December 31, 2019
Penguin ⁽¹⁾	19,148	November 2020	Variable	21	9,265	10,215
Penguin ⁽²⁾	26,227	June 2021	Variable	21	14,388	14,173
Penguin ⁽³⁾	N/A	December 2029	Interest-free	21	79,244	—
Total loans issued to Penguin					102,897	24,388
PCVP ⁽⁴⁾	N/A	June 2021	2.76%	21	93,702	92,427
Total loans issued to PCVP					93,702	92,427
Vaughan NW Residence Inc. ⁽⁵⁾	N/A	November 2020	6.25%		9,804	9,804
Greenwin ⁽⁶⁾	16,500	September 2024	Variable		5,265	4,500
Greenwin ⁽⁷⁾	8,250	January 2025	Variable		7,829	—
Selection Group ⁽⁸⁾	2,850	April 2021	Variable		2,850	—
Total loans issued to unrelated parties					25,748	14,304
					222,347	131,119

- (1) 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.
- (2) 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.
- (3) This loan receivable relates to the acquisition of a parcel of land in Vaughan, Ontario through Penguin-Calloway Vaughan Partnership ("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 \$108.2 million, is non-interest bearing, and is repayable at the end of 10 years. As at June 30, 2020, the loan balance of \$79.2 million is net of a fair value adjustment totalling \$29.0 million. See also unaudited interim condensed consolidated financial statements Note 11.b.iii) reflecting the corresponding loan payable amount.
- (4) In April 2019, the Trust entered into a loan agreement with 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 for the three and six months ended June 30, 2020.

- (5) 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.
- (6) 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 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) 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 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.
- (8) In April 2020, the Trust entered into a loan agreement with an unrelated party, Selection Group, whereby the Trust loaned Selection Group funds for the acquisition of development lands in Ottawa, Ontario (see also Note 6, "Equity accounted investments") for a non-revolving term acquisition credit facility of \$2.85 million. This loan has been contributed by Selection Group to a joint venture with the Trust. This loan will mature at the earlier of (i) the date of the first disbursement of the construction financing and (ii) the date twelve months from the date of obtaining of an advance of the facility and bears interest at the prime rate of interest plus 2% per annum.

The following table illustrates the activity in loans receivable:

(in thousands of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Balance – beginning of period	217,432	33,407	131,119	19,949
Loans issued ⁽¹⁾	2,850	90,600	88,088	103,826
Advances	247	300	506	434
Interest accrued	790	738	1,606	836
Fair value adjustments	2,889	—	2,889	—
Repayments	(1,861)	—	(1,861)	—
Balance – end of period	222,347	125,045	222,347	125,045

(1) For the six months ended June 30, 2020, the total amount of loans issued to Penguin was \$78.3 million (December 31, 2019 – \$24.4 million), see footnote (3) 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 (December 31, 2019 – 9.00%).

Interest Income

The following table summarizes the components of interest income:

(in thousands of dollars)	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	Variance	2020	2019	Variance
Interest income						
Mortgage interest	1,681	1,816	(135)	3,551	3,666	(115)
Loan interest	1,084	891	193	2,224	1,123	1,101
Note receivable interest	67	67	—	133	133	—
Bank interest	961	178	783	1,164	489	675
	3,793	2,952	841	7,072	5,411	1,661

For the six months ended June 30, 2020, interest income increased by \$1.7 million as compared to the six months ended June 30, 2019. This increase was primarily attributed to:

- \$1.1 million increase in loan interest as a result of the increase in the average loan balance outstanding between both periods; and
- \$0.7 million increase in bank interest as a result of the increase in cash and cash equivalents as compared to the period ended June 30, 2019; partially offset by
- \$0.1 million decrease in mortgage interest as a result of a reduction in variable interest rates during the period ended June 30, 2020.

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 (loss) and comprehensive income (loss)), general and administrative expense excluding internal leasing expense, and general and administrative expense, net as a percentage of rental from investment properties:

Quarterly Comparison to Prior Year

(in thousands of dollars)	Note ⁽¹⁾	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Variance
Salaries and benefits		12,996	12,016	980
Master planning services fee – by Penguin	21	1,750	1,750	—
Professional fees		1,683	863	820
Public company costs		682	607	75
Rent and occupancy		659	463	196
Amortization of intangible assets	8	333	333	—
Other costs including information technology, marketing, communications and other employee expenses		2,768	1,527	1,241
Total general and administrative expense before allocation	(A)	20,871	17,559	3,312
Less:				
Allocated to property operating costs		(3,749)	(3,542)	(207)
Capitalized to properties under development and other assets		(7,386)	(5,439)	(1,947)
Total amounts allocated and capitalized	(B)	(11,135)	(8,981)	(2,154)
Transition services charged to Penguin	21	(333)	(667)	334
Time billings, leasing, management fees, development fees and other fees	21	(1,559)	(2,997)	1,438
Shared service costs charged to Penguin	21	(207)	(47)	(160)
Total amounts charged	(C)	(2,099)	(3,711)	1,612
Total amounts allocated, capitalized and charged	(D = B + C)	(13,234)	(12,692)	(542)
General and administrative expense, net	(E = A + D)	7,637	4,867	2,770
Less:				
Salaries and related costs attributed to leasing activities ⁽²⁾	(F)	(1,629)	(1,402)	(227)
General and administrative expense excluding internal leasing expense	(G = E + F)	6,008	3,465	2,543
As a percentage of rentals from investment properties				
General and administrative expense, net	(E)	7,637	4,867	2,770
Rental revenue from investment properties including rental revenue from equity accounted investments	(H)	192,607	198,174	(5,567)
	(I = E / H)	4.0%	2.5%	1.5%

(1) The Note reference relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020.

(2) Salaries and related costs attributed to leasing activities of \$1.6 million were incurred in the three months ended June 30, 2020 (three months ended June 30, 2019 – \$1.4 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 June 30, 2020, total general and administrative expense before allocation was \$20.9 million, representing an increase of \$3.3 million or 18.9% as compared to the same period in 2019. This increase can be attributed primarily to:

- \$2.1 million increase in salaries and benefits, professional fees, rent and occupancy, and public company costs; and
- \$1.2 million increase in other costs including information technology, marketing, communications and other employee expenses.

Total amounts allocated, capitalized and charged

For the three months ended June 30, 2020, total amounts allocated, capitalized and charged to Penguin and third parties was \$13.2 million, representing an increase of \$0.5 million or 4.3% as compared to the same period in 2019. This increase can be attributed primarily to:

- \$1.9 million increase in costs capitalized to properties under development and other assets; partially offset by
- \$1.4 million decrease in time billings, leasing, management fees, development fees and other fees.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	Note ⁽¹⁾	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Variance
Salaries and benefits		26,287	25,595	692
Master planning services fee – by Penguin	21	3,500	5,600	(2,100)
Professional fees		3,062	1,970	1,092
Public company costs		1,380	1,230	150
Rent and occupancy		1,324	1,075	249
Amortization of intangible assets	8	666	666	—
Other costs including information technology, marketing, communications and other employee expenses		4,278	2,824	1,454
Total general and administrative expense before allocation	(A)	40,497	38,960	1,537
Less:				
Allocated to property operating costs		(7,719)	(7,370)	(349)
Capitalized to properties under development and other assets		(14,719)	(13,767)	(952)
Total amounts allocated and capitalized	(B)	(22,438)	(21,137)	(1,301)
Transition services charged to Penguin	21	(833)	(1,417)	584
Time billings, leasing, management fees, development fees and other fees	21	(3,558)	(4,794)	1,236
Shared service costs charged to Penguin	21	(417)	(383)	(34)
Total amounts charged	(C)	(4,808)	(6,594)	1,786
Total amounts allocated, capitalized and charged	(D = B + C)	(27,246)	(27,731)	485
General and administrative expense, net	(E = A + D)	13,251	11,229	2,022
Less:				
Salaries and related costs attributed to leasing activities ⁽²⁾	(F)	(3,238)	(2,968)	(270)
General and administrative expense excluding internal leasing expense	(G = E + F)	10,013	8,261	1,752
As a percentage of rentals from investment properties				
General and administrative expense, net	(E)	13,251	11,229	2,022
Rental revenue from investment properties including rental revenue from equity accounted investments	(H)	401,342	405,401	(4,059)
	(I = E / H)	3.3%	2.8%	0.5%

(1) The Note reference relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020.

(2) Salaries and related costs attributed to leasing activities of \$3.2 million were incurred in the six months ended June 30, 2020 (six months ended June 30, 2019 – \$3.0 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 six months ended June 30, 2020, total general and administrative expense before allocation was \$40.5 million, representing an increase of \$1.5 million or 3.9% as compared to the same period in 2019. This increase can be attributed primarily to:

- \$2.1 million increase in professional fees, salaries and benefits, rent and occupancy, and public company costs; and
- \$1.5 million increase in other costs including information technology, marketing, communications and other employee expenses; partially offset by
- \$2.1 million decrease in Master planning services fee, as a result of additional Master planning services fee being accrued in the six months ended June 30, 2019.

Total amounts allocated, capitalized and charged

For the six months ended June 30, 2020, total amounts allocated, capitalized and charged to Penguin and third parties was \$27.2 million, representing a decrease of \$0.5 million or 1.7% as compared to the same period in 2019. This decrease can be attributed primarily to:

- \$1.2 million decrease in time billings, leasing, management fees, development fees and other fees; and
- \$0.6 million decrease in transition services charged to Penguin; partially offset by
- \$1.0 million increase in amounts capitalized to properties under development and other assets; and
- \$0.3 million increase in amounts allocated to property operating costs.

Earnouts and Developments Completed on Existing Properties

For the three months ended June 30, 2020, \$34.6 million of Earnouts and Developments (including Developments relating to equity accounted investments) were completed and transferred to income properties, including the Trust's interest in the 177-unit residential rental building in Laval, Quebec, as compared to \$25.4 million in the same period in 2019.

	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		
	Area (sq. ft.)	Investment (\$ millions)	Annualized Yield (%)	Area (sq. ft.)	Investment (\$ millions)	Annualized Yield (%)
Earnouts ⁽¹⁾	—	6.0	— %	5,682	1.6	7.5 %
Developments	24,307	7.6	6.2 %	4,823	2.3	6.9 %
Developments – equity accounted investments	79,928	21.0	5.5 %	39,427	21.5	5.4 %
	104,235	34.6	5.7 %	49,932	25.4	5.6 %

(1) The Earnouts for the three months ended June 30, 2020 related to two land parcel sales and as a result the area and annualized yield information are not reflected in the table above.

For the six months ended June 30, 2020, \$43.9 million of Earnouts and Developments (including Developments relating to equity accounted investments) were completed and transferred to income properties, as compared to \$56.1 million in the same period in 2019.

	Six Months Ended June 30, 2020			Six Months Ended June 30, 2019		
	Area (sq. ft.)	Investment (\$ millions)	Annualized Yield (%)	Area (sq. ft.)	Investment (\$ millions)	Annualized Yield (%)
Earnouts	1,936	6.6	7.4 %	20,662	7.9	7.0 %
Developments	47,695	16.3	5.8 %	76,457	23.7	5.9 %
Developments – equity accounted investments	79,928	21.0	5.5 %	44,649	24.5	5.4 %
	129,559	43.9	5.6 %	141,768	56.1	5.8 %

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 Certain Terms Including 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 June 30			Six Months Ended June 30		
	2020	2019	Variance	2020	2019	Variance
Adjusted salaries and related costs attributed to leasing	1,629	1,402	227	3,238	2,968	270
Actual sustaining leasing commissions	333	350	(17)	784	549	235
Actual sustaining tenant improvements	294	1,428	(1,134)	736	2,360	(1,624)
Total actual sustaining leasing and related costs	2,256	3,180	(924)	4,758	5,877	(1,119)
Actual sustaining capital expenditures (recoverable and non-recoverable)	474	582	(108)	1,077	3,817	(2,740)
Total actual sustaining leasing costs and capital expenditures	2,730	3,762	(1,032)	5,835	9,694	(3,859)
Per Unit – diluted	\$0.02	\$0.02	\$0.00	\$0.03	\$0.06	(\$0.03)

For the three months ended June 30, 2020, the total sustaining leasing costs and capital expenditures were \$2.7 million, as compared to \$3.8 million in the same period in 2019, representing a decrease of \$1.0 million. This decrease is primarily due to the following:

- \$0.9 million net decrease in leasing and related costs, which was principally due to a \$1.1 million decrease in sustaining tenant improvements as a result of lower lease-up of units during the three months ended June 30, 2020 (relating to the impact of COVID-19 on leasing); and
- \$0.1 million decrease in both recoverable and non-recoverable capital expenditures.

For the six months ended June 30, 2020, the total sustaining leasing costs and capital expenditures were \$5.8 million, as compared to \$9.7 million in the same period in 2019, representing a decrease of \$3.9 million. This decrease is primarily due to the following:

- \$2.8 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
- \$1.1 million net decrease in leasing and related costs as explained above.

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 (0.6 million square feet) on their completion pursuant to the terms of Mezzanine Financing. The portfolio is located across Canada, with assets in each of the 10 provinces. 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 six months ended June 30, 2020 and the year ended December 31, 2019:

(in thousands of dollars)	June 30, 2020			December 31, 2019		
	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
Acquisitions, Earnouts, and related adjustments of investment properties	—	5,984	5,984	1,641	16,752	18,393
Transfer to income properties from properties under development	16,425	(16,425)	—	66,306	(66,306)	—
Transfer from income properties to properties under development	(30,200)	30,200	—	(43,400)	43,400	—
Transfer from properties under development to equity accounted investments	—	(4,375)	(4,375)	—	—	—
Earnout Fees on properties subject to development management agreements	291	—	291	5,311	—	5,311
Capital expenditures	1,077	—	1,077	17,665	—	17,665
Leasing costs	784	—	784	1,789	—	1,789
Development expenditures	—	20,839	20,839	—	69,387	69,387
Capitalized interest	—	9,301	9,301	—	18,956	18,956
Dispositions	—	(9,720)	(9,720)	(95)	(15,868)	(15,963)
Net additions	(11,623)	35,804	24,181	49,217	66,321	115,538
Fair value adjustment on revaluation of investment properties	(203,299)	(57,447)	(260,746)	34,939	(5,468)	29,471
Balance – end of period	8,273,747	539,754	8,813,501	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	20,745	(20,745)	—	30,844	(30,844)	—
Transfer from the Trust	—	4,375	4,375	—	—	—
Capital expenditures	74	—	74	835	—	835
Development expenditures	—	25,732	25,732	—	64,949	64,949
Capitalized interest	—	492	492	—	1,073	1,073
Dispositions	—	—	—	—	(29,154)	(29,154)
Net additions	20,819	57,857	78,676	49,531	117,423	166,954
Fair value adjustment on revaluation of investment properties	5,105	118	5,223	(655)	18	(637)
Balance – end of period	212,128	288,206	500,334	186,204	230,231	416,435
Total balance (including investment properties classified as equity accounted investments) – end of period	8,485,875	827,960	9,313,835	8,674,873	791,628	9,466,501

Valuation Methodology

From July 1, 2017 to June 30, 2020, the Trust has had approximately 55.4% (by value) or 46.2% (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, expected credit losses and market rents and applying updated discount rates determined, in part, through consultation with various external appraisers and available market data. In addition, 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 and six months ended June 30, 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. Starting on January 1, 2020, the Trust changed its valuation technique as it believes that the discounted cash flow valuation technique appropriately represents the Trust's estimate of fair values of income properties based on expectations of changes in rental rates, occupancy rates, lease renewal rates, leasing costs, expected credit losses, downtime on lease expiries, among others, as a result of the impact of COVID-19.

For the six months ended June 30, 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 \$916.7 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 \$7,896.8 million (December 31, 2019 – \$7,312.5 million) were valued internally by the Trust. Based on these valuations, the weighted average capitalization rate on the Trust's income properties portfolio as at June 30, 2020 was 5.70% using a weighted average discount rate of 6.47% (December 31, 2019 – weighted average capitalization rate of 5.79% using a weighted average discount rate of 6.20%).

The following table summarizes the discount/capitalization rates used along with corresponding fair values for the six months ended June 30, 2020 and year ended December 31, 2019:

			June 30, 2020			
Class	Valuation Technique	Carrying Value	Terminal Capitalization Rate		Discount Rate	
			Weighted Average	Range	Weighted Average	Range
Income properties	Discounted cash flow	8,273,747	5.95 %	4.25% – 7.79%	6.47 %	4.65% – 8.54%
Class	Valuation Technique	Carrying Value	Weighted Average Capitalization Rate			
Properties under development	Direct income capitalization	119,097	6.50%			
	Land, development and constructions costs recorded at market value	420,657	N/A			
		539,754				
Balance – end of period		8,813,501				

		December 31, 2019			
Class	Valuation Technique	Carrying Value	Weighted Average Capitalization or Discount Rate	Total Stabilized or Forecasted NOI	Range of Capitalization Rates
Income properties	Direct income capitalization	7,456,585	5.79%	431,662	4.25% – 9.11%
	Direct income capitalization less present value of purchase option	829,462	6.33%	52,500	5.88% – 6.75%
	Discounted cash flow	202,622	6.20%	12,568	6.00% – 6.50%
		8,488,669			
Class	Valuation Technique	Carrying Value	Weighted Average Capitalization Rate		
Properties under development	Direct income capitalization	99,882	6.56%		
	Land, development and constructions costs recorded at market value	461,515	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 \$260.7 million, of which \$203.3 million related to income properties and \$57.4 million related to properties under development, respectively, (excluding investment properties recorded in equity accounted investments) for the six months ended June 30, 2020, which was primarily attributed to changes in leasing assumptions in the retail portfolio for expected credit losses, renewal probabilities of existing tenants, and potential vacancies.

Looking ahead to the third quarter of 2020, management will revisit the assumptions applied in the second quarter valuations to determine if they continue to be sufficient and appropriate, while being mindful of the continued impact of the COVID-19 pandemic and related expected impact.

Acquisitions of Investment Properties

Acquisitions completed in the period ended June 30, 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 high-rise apartment community, for a purchase price of \$48.0 million.

In April 2020, the Trust together with its joint venture partner Selection Group formed a 50:50 joint venture known as Ottawa SW PropCo LP, into which the Trust contributed development lands, through an Earnout transaction, located in Ottawa, Ontario, totalling 2.25 acres previously presented as property under development and Selection Group contributed land and cash, with the intention to develop two phases, including a retirement and seniors housing tower and a multi-residential rental tower (see also note 3, "Acquisitions and Earnouts").

Retail Properties Under Development

As at June 30, 2020, the fair value of properties under development including properties under development recorded in equity accounted investments totalled \$828.0 million as compared to \$791.6 million at December 31, 2019, resulting in a net increase of \$36.3 million (for details on the factors influencing this change, see the "Investment Properties" section), presented in the table as follows:

(in thousands of dollars)	June 30, 2020	December 31, 2019	Variance
Developments	486,113	513,034	(26,921)
Earnouts subject to option agreements ⁽¹⁾	53,641	48,363	5,278
Total	539,754	561,397	(21,643)
Equity accounted investments	288,206	230,231	57,975
Total including equity accounted investments (Non-GAAP)	827,960	791,628	36,332

(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 and six months ended June 30, 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 3.4 million square feet. With respect to the future pipeline, commitments have been negotiated on 0.3 million square feet. The Trust continues to revise its estimates and adjust its plans towards mixed-use development, given the impact of the pandemic on retail.

The following table summarizes the expected potential future retail pipeline in properties under development as at June 30, 2020:

(in thousands of square feet)	Committed	Years 0–2	Years 3–5	Beyond Year 5	Total ⁽¹⁾
Developments	242	1,213	639	428	2,522
Earnouts	32	109	96	—	237
	274	1,322	735	428	2,759
Mezzanine Financing	—	80	517	—	597
	274	1,402	1,252	428	3,356

(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 quarter ended June 30, 2020, the future retail properties under development pipeline decreased by 0.1 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 – March 31, 2020	2,830
Add:	
Properties transferred from investment properties to properties under development	29
Less:	
Net adjustment to project densities	4
Completion of Earnouts and Developments	(104)
Net change	(71)
Future retail properties under development pipeline – June 30, 2020	2,759

Committed Retail Pipeline

The following table summarizes the committed investment by the Trust in retail properties under development as at June 30, 2020:

(in thousands of dollars)	Square Feet (in thousands)	Total Cost	Costs Incurred	Estimated Future Development Costs
Developments	242	72,000	33,000	39,000
Earnouts	32	12,000	5,000	7,000
	274	84,000	38,000	46,000

The completion of these committed Earnouts and Developments as currently scheduled is expected to have an average estimated yield of 6.0% in 2020 and 6.2% 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	375,000	222,000	161,000	758,000	322,000	436,000
Earnouts	35,000	25,000	—	60,000	5,000	55,000
	410,000	247,000	161,000	818,000	327,000	491,000

(1) Properties under development totalled \$828.0 million (including equity accounted investments of \$288.2 million) which primarily consists of costs of \$327.0 million in the uncommitted pipeline, costs of \$38.0 million in the committed pipeline, costs of \$166.6 million in potential land/parcel sales and costs of \$288.2 million of future development land recorded in equity accounted investments plus \$7.9 million of non-cash development costs relating to future land development and cumulative fair value loss on revaluation of properties under development.

Approximately 7.6% of the retail properties under development – representing a proportion of gross investment cost (committed and uncommitted) relating to Earnouts (\$65.0 million, divided by total potential future development pipeline of \$856.0 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 2.5 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 six months ended June 30, 2020 and year ended December 31, 2019:

(in thousands of dollars)	June 30, 2020	December 31, 2019
Balance – beginning of period	24,564	23,429
Development costs	119	207
Capitalized interest	458	928
Balance – end of period	25,141	24,564

Equity Accounted Investments

The following table summarizes key components relating to the Trust's equity accounted investments for the six months ended June 30, 2020 and for the year ended December 31, 2019:

	June 30, 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 (losses)	8,898	(956)	7,942	5,981	658	6,639
Distributions from operations	(1,000)	(144)	(1,144)	(6,621)	(576)	(7,197)
Financing Activities:						
Fair value adjustment on loan	2,449	—	2,449	(28,356)	—	(28,356)
Loan repayment	(1,000)	—	(1,000)	—	—	—
Investing Activities:						
Cash contribution	1,806	5,654	7,460	115,581	6,296	121,877
Property contribution	—	—	—	—	5,260	5,260
Acquisition and related costs ⁽¹⁾	(2,181)	53,353	51,172	123,608	9,217	132,825
Distributions from development activities	—	(1,150)	(1,150)	(31,978)	—	(31,978)
Investment – end of period	303,471	107,634	411,105	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	June 30, 2020	December 31, 2019	June 30, 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 three residential condominium towers and a related parking facility, 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 two additional residential condominium towers, located on the SmartVMC site.

In 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 available for development once Walmart has relocated to its new Applewood location.

Note that the limited partnerships involving residential condominium developments, as noted 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:

Business Focus	Joint Venture Partner	June 30, 2020		December 31, 2019	
		Number of Projects	Ownership Interest	Number of Projects	Ownership Interest
Retail investment properties		1	30 %	1	30 %
<i>Joint Venture: 1500 Dundas East LP</i>	<i>Fieldgate</i>				
Self-storage facilities		6	50 %	5	50 %
<i>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</i>	<i>SmartStop</i>				
Seniors' apartments		1	50 %	1	50 %
<i>Joint Ventures: Vaughan NW SA Propco LP</i>	<i>Revera</i>				
Retirement residences					
<i>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</i>	<i>Revera</i>	6	50 %	4	50 %
<i>Joint Ventures: Ottawa SW PropCo LP, Ottawa SW OpCo LP</i>	<i>Selection Group</i>	2	50 %		
Residential apartments		1	50 %	1	50 %
<i>Joint Venture: Laval C Apartments LP</i>	<i>Jadco</i>				
Residential apartments		1	75 %	—	N/A
<i>Joint Venture: Balliol/Pailton LP</i>	<i>Greenwin</i>				
Total		18		12	

Acquisitions completed in the period ended June 30, 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 high-rise apartment community, for a purchase price of \$48.0 million.

In April 2020, the Trust together with its joint venture partner Selection Group formed a 50:50 joint venture known as Ottawa SW PropCo LP, into which the Trust contributed development lands, through an Earnout transaction, located in Ottawa, Ontario, totalling 2.25 acres previously presented as property under development and Selection Group contributed land and cash, with the intention to develop two phases, including a retirement and seniors housing tower and a multi-residential rental tower (see also note 3, "Acquisitions and Earnouts").

Related Party Transactions

Pursuant to the Declaration of Trust, provided certain thresholds were met, until July 1, 2020, Mitchell Goldhar (either directly or indirectly through Penguin) was 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 Mitchell Goldhar and/or Penguin each year to increase his voting rights to 25.0% in advance of annual meetings of Unitholders. The total number of Special Voting Units indirectly held by him was adjusted for each meeting of the Unitholders based on changes in Penguin's ownership interest. The additional Special Voting Units that were issued to Mitchell Goldhar and/or Penguin 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. The Voting Top-Up Right expired on July 1, 2020, however, the additional Special Voting Units that were issued pursuant to the Voting Top-Up Right prior to that date that are necessary to provide Penguin with 25% of the votes at the 2020 annual meeting remain outstanding for the purposes of voting at the 2020 annual meeting. The Trust intends to ask Unitholders to vote on a resolution to extend the Voting Top-Up Right at the next annual meeting of Unitholders which will be held in late fall 2020.

As at June 30, 2020, Penguin owned 21.0% of the aggregate issued and outstanding Trust Units in addition to the Special Voting Units previously noted above. Penguin's ownership of Trust Units would increase to 24.9% 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 June 30, 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 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 and amended in May 2020 (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 the Trust's 2019 annual general meeting to be held in the fall of 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 expiry date of the 2015 Agreement. 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.

- 3) Pursuant to various agreements between the Trust and Penguin Pick-up ("PPU"), a retail business wholly owned by Penguin to carry out merchandise pick-up service, PPU occupies various locations in the Trust's retail portfolio.

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)		Three Months Ended June 30		Six Months Ended June 30	
	Note ⁽¹⁾	2020	2019	2020	2019
Related party transactions with Penguin					
Revenues:					
Service and other revenues:					
Transition services fee revenue		333	667	833	1,417
Management fee and other services revenue pursuant to the Development and Services Agreement		1,266	1,370	2,940	2,621
Support services		207	182	417	383
	17	1,806	2,219	4,190	4,421
Interest income from mortgages and loans receivable		1,898	2,067	4,016	4,081
Rents and operating cost recoveries included in rentals from income properties (includes rental income from Penguin Pick-up)		217	235	440	470
		3,921	4,521	8,646	8,972
Expenses and other payments:					
Master planning services:					
Capitalized to properties under development	19	1,750	1,750	3,500	5,600
Development fees and interest expense (capitalized to investment properties)		—	—	10	11
Opportunity fees (capitalized to properties under development) ⁽²⁾		742	701	1,473	1,385
Rent and operating costs (included in general and administrative expense and property operating costs)		—	(67)	—	397
Marketing, time billings and other administrative costs (included in general and administrative expense and property operating costs)		45	42	57	73
		2,537	2,426	5,040	7,466

Related party transactions with PCVP

Revenues:

Interest income from mortgages and loans receivable	639	553	1,274	553
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Expenses and other payments:

Rent and operating costs (included in general and administrative expense and property operating costs)	652	650	1,303	650
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- (1) Relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020.
- (2) These amounts and prepaid land costs will be offset with the purchase price of future Earnouts.

(in thousands of dollars)	Note ⁽¹⁾	June 30, 2020	December 31, 2019
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable ⁽²⁾	10	9,909	7,958
Mortgages receivable	5(a)	142,125	138,762
Loans receivable	5(b)	102,897	24,388
Notes receivable	5(c)	2,979	2,979
Total receivables		257,910	174,087
Payables and other accruals:			
Accounts payable	12	12,720	8,893
Future land development obligation	12	20,619	27,074
Secured debt		—	318
Total payables and other accruals		33,339	36,285

(1) The Note reference relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 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⁾	June 30, 2020	December 31, 2019
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable ⁽²⁾		661	1,690
Loans receivable ⁽³⁾	5(b)	93,702	92,427
Amounts payable ⁽⁴⁾		2,015	2,024
Other unsecured debt	11(b)(iii)	163,769	83,296

(1) The Note reference relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020.

(2) Amounts receivable includes Penguin's portion, which represents \$0.2 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 \$46.9 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 \$1.0 million (December 31, 2019 – \$1.0 million) relating to Penguin's 50% investment in the PCVP.

Mortgages receivable

As at June 30, 2020, the weighted average interest rate associated with mortgages receivable from Penguin was 4.63% (December 31, 2019 – 5.38%) (see also Note 5, "Mortgages, loans and notes receivable" in the Trust's unaudited interim condensed consolidated financial statements for three and six months ended June 30, 2020).

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 2020 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 16 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:

(in thousands of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Legal fees paid to a law firm in which a partner is a Trustee:				
Capitalized (adjustment) to investment properties	478	49	963	1,366
Included in general and administrative expense	650	86	720	382
	1,128	135	1,683	1,748

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

In December 2019, the Trust acquired from Penguin, 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.

The Trust's capital resources available are presented in the following table:

(in thousands of dollars)	June 30, 2020	March 31, 2020	Variance
Cash and cash equivalents	532,078	439,465	92,613
Remaining operating facility ⁽¹⁾	491,291	31,291	460,000
	1,023,369	470,756	552,613
Operating facility - Accordion feature	250,000	250,000	—
	1,273,369	720,756	552,613

(1) Excludes the Trust's development facilities which have been arranged to fund project-specific development and related costs.

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. See also the "Distributions and ACFO Highlights" subsection.

As at June 30, 2020, the Trust's cash and cash equivalents increased by \$92.6 million as compared to March 31, 2020, which is primarily due to the following:

- \$610.6 million relating to the proceeds from debt issuance, which is principally due to the issuance of Series V and Series W unsecured debentures totalling \$597.7 million, and \$12.9 million relating to the proceeds of other unsecured debt;
- \$46.3 million of cash provided by operating activities; and
- \$9.7 million of net proceeds from sale of investment properties;

Partially offset by the following:

- \$471.0 million representing repayment of debt, which is principally due to the \$460.0 million repayment of the Trust's revolving operating facility, and \$11.0 million repayment of secured debt and other debt;
- \$79.5 million of distributions paid on Trust Units, non-controlling interests and Units classified as liabilities;
- \$22.4 million representing net additions to investing activities including investment properties, equity accounted investments, and Earnouts; and
- \$1.1 million relating to advances of mortgages and loans receivable net of repayments.

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 June 30, 2020 is 50.1% (March 31, 2020 – 49.7%). Including the Trust's capital resources as at June 30, 2020, the Trust could invest an additional \$1,561.8 million (March 31, 2020 – \$1,282.4 million) in new investments and developments 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 surplus:

(in thousands of dollars)	June 30, 2020	March 31, 2020
Current assets	826,297	585,445
Less: Current liabilities	(1,072,987)	(846,012)
Working capital deficiency	(246,690)	(260,567)
Less: Current portion of debt	(835,072)	(619,924)
Net working capital surplus	588,382	359,357

As at June 30, 2020 the Trust experienced a working capital deficiency of \$246.7 million (March 31, 2020 – \$260.6 million). This deficiency includes mortgages, unsecured debentures and operating lines of credit of \$835.1 million (March 31, 2020 – \$619.9 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 \$69.7 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:

	June 30, 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	1,419,791	4.3	3.75 %	1,442,278	4.6	3.75 %
Unsecured debt	3,311,591	4.7	3.37 %	2,700,359	4.9	3.42 %
Unsecured loan from equity accounted investments ⁽¹⁾	163,769	N/A	— %	83,296	N/A	— %
Revolving operating facility	—	—	— %	—	—	— %
Total debt before equity accounted investments	4,895,151	N/A	— %	4,225,933	N/A	— %
Less: Unsecured loan from equity accounted investments ⁽¹⁾	(84,525)	N/A	— %	(83,296)	N/A	— %
Subtotal	4,810,626	4.6	3.46 %	4,142,637	4.8	3.54 %
Share of secured debt (equity accounted investments)	160,345	10.9	3.78 %	136,039	12.2	3.90 %
Share of unsecured debt (equity accounted investments)	29,099	1.1	3.18 %	12,150	1.3	3.38 %
Share of debt classified as equity accounted investments	189,444	9.7	3.71 %	148,189	11.3	3.86 %
Total debt including equity accounted investments	5,000,070	4.8	3.46 %	4,290,826	5.0	3.55 %

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

The following table summarizes the activity in debt including debt recorded in equity accounted investments, for the six months ended June 30, 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	325	612,900	460,000	79,744	42,428	1,195,397
Scheduled amortization	(22,507)	—	—	—	(1,079)	(23,586)
Repayments	(318)	—	(460,000)	(500)	—	(460,818)
Amortization of acquisition fair value adjustments, net of additions	(449)	—	—	—	(100)	(549)
Financing costs incurred, net of additions	462	(1,668)	—	—	6	(1,200)
Balance – June 30, 2020	1,419,791	3,311,591	—	79,244	189,444	5,000,070

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)	Instalment Payments	Lump Sum Payments at Maturity	Total (\$)	Total (%)	Weighted Average Interest Rate of Maturing Debt (%)
2020	23,195	69,685	92,880	7 %	4.86 %
2021	43,307	134,314	177,621	12 %	3.51 %
2022	41,116	220,306	261,422	18 %	3.35 %
2023	36,725	142,344	179,069	13 %	4.47 %
2024	31,759	118,674	150,433	11 %	3.63 %
Thereafter	54,014	506,163	560,177	39 %	3.64 %
Total	230,116	1,191,486	1,421,602	100 %	3.75 %
Acquisition date fair value adjustment			1,946		
Unamortized financing costs			(3,757)		
			1,419,791		3.75 %

Unsecured Debt

The following table summarizes the components of unsecured debt:

(in thousands of dollars)	June 30, 2020	December 31, 2019
Unsecured debentures (a)	2,899,541	2,301,257
Credit facilities (b)	412,050	399,102
Other unsecured debt (c)	163,769	83,296
	3,475,360	2,783,655

a) Unsecured debentures

The following table summarizes unsecured debentures issued and outstanding:

(in thousands of dollars)

Series	Maturity Date	Annual Interest Rate	June 30, 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
Series V	June 11, 2027	3.192%	300,000	—
Series W	December 11, 2030	3.648%	300,000	—
		3.225% ⁽²⁾	2,910,000	2,310,000
		Unamortized financing costs	(10,459)	(8,743)
			2,899,541	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 six months ended June 30, 2020

Issuance

In June 2020, the Trust issued \$300.0 million aggregate principal amount of 3.192% Series V senior unsecured debentures and \$300.0 million aggregate principal amount of 3.648% Series W senior unsecured debentures (net proceeds of the two

issuances in aggregate after issuance costs – \$597.7 million). The Series V debentures will mature on June 11, 2027 and the Series W debentures will mature on December 11, 2030. Both debentures have semi-annual payments due on June 11 and December 11 of each year, commencing on December 11, 2020. The proceeds from the issuances are being used to repay existing indebtedness and for general Trust purposes.

Unsecured debenture activities for the six months ended June 30, 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 June 2019, the Trust redeemed \$150.0 million aggregate principal of 3.749% Series L senior unsecured debentures. In addition to paying accrued interest of \$2.1 million, the Trust paid a yield maintenance fee of \$4.0 million in connection with the redemption. The redemption was funded by advances from the non-revolving credit facility.

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 June 30, 2020.

b) Credit facilities

The following table summarizes the activity for revolving and non-revolving unsecured credit facilities:

(in thousands of dollars)

Issued In	Maturity Date	Annual Interest Rate	Facility Amount	June 30, 2020	December 31, 2019
Non-revolving:					
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
Revolving:					
May 2020 ⁽⁴⁾	May 11, 2021	BA + 1.45%	60,000	12,900	—
				412,900	400,000
			Less: Unamortized financing costs	(850)	(898)
				412,050	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.

(4) In May 2020, the Trust obtained \$60.0 million of unsecured revolving facilities for the construction of self-storage facilities, bearing interest at a variable interest rate based on either bank prime rate plus 45 basis points or the banker's acceptance rate plus 145 basis points, which matures on May 11, 2021. The facility includes an undrawn accordion feature of \$60.0 million whereby the Trust has an option to increase its facility amount with the lenders.

c) Other unsecured debt

Other unsecured debt totalling \$163.8 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:

(in thousands of dollars)	June 30, 2020	December 31, 2019
PCVP ⁽¹⁾ (5.00% discount rate)	82,311	80,862
PCVP ⁽²⁾ (5.75% discount rate)	79,244	—
Laval C Apartment LP	2,214	2,214
Vaughan NW SAM LP	—	220
	163,769	83,296

- (1) In connection with the 700 Applewood purchase, in December 2019, the Trust has a principal amount outstanding of \$108.2 million (December 31, 2019 – \$109.2 million), is non-interest bearing, and is repayable at the end of 10 years. As at June 30, 2020, the loan balance of \$82.3 million is net of a fair value adjustment totalling \$25.9 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 \$108.2 million, is non-interest bearing, and is repayable at the end of 10 years. As at June 30, 2020, the loan balance of \$79.2 million is net of a fair value adjustment totalling \$29.0 million. See also Note 5.b) reflecting offsetting loan receivable amount.

Revolving Operating Facility

As at June 30, 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. In addition, the Trust has 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)	June 30, 2020	December 31, 2019
Revolving operating facility	500,000	500,000
Letters of credit – outstanding	(8,709)	(8,844)
Remaining unused operating facility	491,291	491,156
Operating facility - Accordion feature (undrawn)	250,000	250,000
	741,291	741,156

In addition to the letters of credit outstanding on the Trust's revolving operating facility (see above), the Trust also has \$41.3 million of letters of credit outstanding with other financial institutions as at June 30, 2020 (December 31, 2019 – \$26.5 million).

Unencumbered Assets

As at June 30, 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 69.2% 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 \$320.2 million (December 31, 2019 – \$339.5 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 Certain Terms Including Non-GAAP Measures" section.

Interest Expense

The following table summarizes the components of interest expense:

	Three Months Ended June 30			Six Months Ended June 30		
(in thousands of dollars)	2020	2019	Variance	2020	2019	Variance
Interest at stated rates	39,250	37,357	1,893	76,393	74,901	1,492
Amortization of acquisition date fair value adjustments on assumed debt	(223)	(525)	302	(449)	(1,058)	609
Amortization of deferred financing costs	1,044	1,005	39	2,006	1,875	131
	40,071	37,837	2,234	77,950	75,718	2,232
Less:						
Interest capitalized to properties under development	(4,767)	(4,577)	(190)	(9,301)	(9,026)	(275)
Interest capitalized to residential development inventory	(230)	(231)	1	(458)	(460)	2
	35,074	33,029	2,045	68,191	66,232	1,959
Yield maintenance costs on early redemption of unsecured debentures	—	4,340	(4,340)	—	7,865	(7,865)
	35,074	37,369	(2,295)	68,191	74,097	(5,906)
Distributions on vested deferred units and Units classified as liabilities	1,427	1,335	92	2,828	2,693	135
Total interest expense	36,501	38,704	(2,203)	71,019	76,790	(5,771)
Capitalized interest as a percentage of total interest expense	12.0%	11.0%	1.0%	12.1%	11.0%	1.1%

For the three months ended June 30, 2020, interest expense totalled \$36.5 million, representing a decrease of \$2.2 million as compared to the same period in 2019, which was primarily due to the following:

- \$4.3 million decrease in yield maintenance costs on early redemption of unsecured debentures as none were incurred during the three months ended June 30, 2020;

Partially offset by the following:

- \$2.1 million increase in interest at stated rates, amortization of debt fair value adjustments and deferred financing costs, and other, which principally resulted from a higher debt level during the three months ended June 30, 2020.

For the six months ended June 30, 2020, interest expense totalled \$71.0 million, representing a decrease of \$5.8 million as compared to the same period in 2019, which was primarily due to the following:

- \$7.9 million decrease in yield maintenance costs on early redemption of unsecured debentures as none were incurred during the six months ended June 30, 2020;

Partially offset by the following:

- \$2.1 million increase in interest at stated rates, amortization of debt fair value adjustments and deferred financing costs, and other, which principally resulted from a higher debt level during the six months ended June 30, 2020.

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 Certain Terms Including Non-GAAP Measures" section. These ratios are included in the table as follows:

Ratios	June 30, 2020	December 31, 2019
Interest coverage	3.3X	3.5X
Interest coverage (net of capitalized interest expense) ⁽¹⁾	3.8X	4.0X
Debt to aggregate assets ⁽²⁾	44.5 %	42.3 %
Debt to gross book value (excluding convertible debentures) ⁽²⁾	50.1 %	49.0 %
Debt to gross book value (including convertible debentures) ⁽²⁾	50.1 %	49.0 %
Unsecured to Secured debt ratio ⁽¹⁾⁽²⁾	65%/35%	63%/37%
Adjusted Debt to Adjusted EBITDA ⁽¹⁾⁽²⁾	8.8X	8.0X

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

(2) As at June 30, 2020, cash-on-hand of \$506.2 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:

Ratios	Threshold	June 30, 2020	December 31, 2019
Debt to aggregate assets ⁽¹⁾	≤ 65%	44.5 %	42.3 %
Secured debt to aggregate assets ⁽¹⁾	≤ 40%	15.6 %	15.7 %
Fixed charge coverage	≥ 1.5X	2.4X	2.4X
Unencumbered assets to unsecured debt ⁽¹⁾	≥ 1.3X	1.9X	2.1X
Unitholders' equity (in thousands)	≥ \$2,000,000	\$5,161,337	\$5,367,752

(1) As at June 30, 2020, cash-on-hand of \$506.2 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 certain ratios and financial covenants as follows:

Ratios	Threshold	June 30, 2020	December 31, 2019
Debt to gross book value (excluding convertible debentures) ⁽¹⁾	≤ 60%	50.1 %	49.0 %
Debt to gross book value (including convertible debentures) ⁽¹⁾	≤ 65%	50.1 %	49.0 %
Interest coverage	≥ 1.65X	3.3X	3.5X
Unitholders' equity (in thousands)	≥ \$500,000	\$5,161,337	\$5,367,752

(1) As at June 30, 2020, cash-on-hand of \$506.2 million was excluded for the purposes of calculating the applicable ratios (December 31, 2019 – \$37.0 million).

For the six months ended June 30, 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:

Type	Class and Series	June 30, 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	701,897	668,428	33,469
Smart Limited Partnership III	Class B Series 5	572,337	572,337	—
Smart Limited Partnership III	Class B Series 6	596,288	449,375	146,913
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		169,945,669	169,186,543	759,126
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		172,046,139	171,283,191	762,948

The following table is a summary of the activities having an impact on Unitholders' equity:

(in thousands of dollars)	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020	Year Ended December 31, 2019
Unitholders' Equity – beginning of period	5,370,335	5,367,752	5,008,331
Issuance of Trust Units	—	17,331	299,693
Units issuance cost	—	—	(9,635)
Deferred Units exchanged for Trust Units	—	—	63
Trust options exercised for Trust Units	—	—	1,631
Issuance of LP Units classified as equity	3,268	3,268	621
Net income (loss) and comprehensive income (loss)	(133,674)	(69,473)	374,203
Distributions	(78,592)	(157,541)	(307,155)
Unitholders' Equity – end of period	5,161,337	5,161,337	5,367,752

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 Unitholders 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 June 30, 2020, distributions declared by the Trust totalled \$79.6 million of which \$78.6 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 June 30, 2019 – \$77.0 million, \$76.0 million on Units classified as equity, and \$1.0 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 June 30, 2019 – \$0.4500 per Unit).

For the three months ended June 30, 2020, the Trust paid \$79.5 million in cash distributions (for the three months ended June 30, 2019 – \$60.0 million in cash distributions and the balance of \$17.0 million by issuing 502,746 Trust Units under the DRIP).

Declared distributions and declared distributions net of DRIP are presented in the table as follows:

	Three Months Ended June 30		Six Months Ended June 30	
(in thousands of dollars)	2020	2019	2020	2019
Distributions declared on:				
Trust Units	66,884	64,737	134,202	129,205
LP Units	11,708	11,307	23,339	22,615
Distributions on Units classified as equity	78,592	76,044	157,541	151,820
Distributions on Units classified as liabilities	970	941	1,939	1,881
Total distributions declared	79,562	76,985	159,480	153,701
Distributions reinvested through DRIP	—	(16,998)	(17,331)	(32,810)
Total distributions declared, net of DRIP	79,562	59,987	142,149	120,891
DRIP as a percentage of total distributions declared	—%	22.1%	10.9%	21.3%

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. As such, no distributions were reinvested through DRIP for the three months ended June 30, 2020.

Normal Course Issuer Bid ("NCIB")

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 six months ended June 30, 2020, the Trust did not purchase for cancellation any Trust Units under the NCIB.

Quarterly Results and Trends

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

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net income (loss) and comprehensive income (loss) ⁽¹⁾	(133,674)	64,201	103,584	95,133	95,513	79,973	102,580	96,155
Per Unit								
Basic	\$-0.78	\$0.37	\$0.61	\$0.56	\$0.56	\$0.48	\$0.64	\$0.60
Diluted	\$-0.78	\$0.37	\$0.60	\$0.56	\$0.56	\$0.47	\$0.63	\$0.59
Net base rent ⁽¹⁾⁽²⁾	125,558	128,901	129,921	128,780	128,261	127,361	126,654	126,333
Rentals from investment properties ⁽¹⁾⁽²⁾	192,607	208,735	209,001	197,545	198,174	207,227	200,545	194,883
NOI ⁽¹⁾⁽²⁾	108,094	126,397	131,418	128,784	128,217	125,924	127,105	128,761
FFO ⁽²⁾	75,199	95,964	88,037	97,330	91,781	88,296	93,139	94,298
Per Unit								
Basic	\$0.44	\$0.56	\$0.51	\$0.57	\$0.54	\$0.53	\$0.58	\$0.59
Diluted ⁽³⁾	\$0.43	\$0.56	\$0.51	\$0.57	\$0.54	\$0.52	\$0.57	\$0.58
FFO with one-time adjustment of yield maintenance costs ⁽²⁾	75,199	95,964	102,896	97,937	96,121	91,821	92,791	94,298
Per Unit								
Basic	\$0.44	\$0.56	\$0.60	\$0.57	\$0.57	\$0.55	\$0.57	\$0.59
Diluted ⁽³⁾	\$0.43	\$0.56	\$0.60	\$0.57	\$0.56	\$0.55	\$0.57	\$0.58
Cash flows provided by operating activities	46,349	79,162	131,647	80,615	80,767	55,863	131,475	74,052
Distributions declared	79,562	79,918	79,682	77,264	76,988	76,716	73,151	70,889
Units outstanding ⁽⁴⁾	172,046,139	171,865,757	171,283,191	170,689,152	170,118,375	169,609,625	161,716,843	161,222,910
Weighted average Units outstanding								
Basic	171,988,473	171,566,750	170,992,873	170,400,281	169,858,745	167,541,581	161,471,118	160,950,811
Diluted	172,980,866	172,515,723	171,858,434	171,255,329	170,718,814	168,448,169	162,341,647	161,810,678
Total assets	10,382,902	10,430,793	9,928,467	9,704,677	9,676,090	9,608,647	9,459,632	9,427,341
Total unencumbered assets	5,644,500	5,647,800	5,696,100	4,652,700	4,499,700	4,451,600	4,250,800	4,116,100
Total debt ⁽¹⁾	5,000,070	4,841,249	4,290,826	4,132,699	4,127,264	4,139,682	4,236,364	4,256,252
In-place occupancy rate ⁽¹⁾	97.6 %	97.8 %	98.1 %	98.1 %	97.8 %	97.8 %	98.0 %	98.1 %

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

(2) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Certain Terms Including 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 (loss) and comprehensive income (loss), 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 (loss) and comprehensive income (loss) decreased in Q1 2020 and declined further in Q2 2020 primarily as a result of unfavourable fair value adjustments on the revaluation of investment properties, which 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 two quarters of 2020.

Rentals from investment properties declined in Q2 of 2020 primarily due to expected credit loss provisions recorded during the quarter, as a result of the COVID-19 pandemic. Rentals from investment properties increased in Q1 of 2019, Q4 of 2019, and Q1 of 2020 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

For Q2 2020, FFO decreased primarily due to expected credit losses taken on tenant receivables, reflecting adverse economic circumstances due to the COVID-19 pandemic. 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.

Units Outstanding

Quarterly increases in Units outstanding and weighted average Units outstanding (basic and diluted) can be attributed to Units issued pursuant to: (i) DRIP, (ii) Earnouts, and (iii) the 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 Q2 2020 from Q4 2019 primarily as a result of the increase in cash balance from the unsecured debt issuance in May 2020, partially offset by fair value adjustments on the revaluation of investment properties. Prior to Q2 2020, 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 in Vaughan that the Trust purchased from Penguin.

Debt and financing activities

Total debt increased in Q2 2020 from Q4 2019 principally due to the \$600.0 million issuance of Series V and Series W unsecured debentures.

Total debt decreased in Q1 2019 from Q4 2018 primarily as a result of the \$230.0 million equity offering in January 2019, the proceeds of which were used to repay debt. 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 strategic 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 97.6% in the second 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 second quarter of 2020 is because of the impact of tenant bankruptcies in the Trust's portfolio and a challenging leasing environment primarily due to the COVID-19 pandemic. 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 June 30, 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 period ended June 30, 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 and six months ended June 30, 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 June 30, 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. The Trust has considered the definition of a business combination and there is no significant impact.

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, including the ability of some tenants to legally operate thereby adversely impact 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, self-isolation, and social distancing. As a result, some tenants, that were not permitted to remain open, have sought rent relief including those tenants eligible for relief through the government-sponsored CECRA program, and/or have not complied with their rent obligations. Landlords, including SmartCentres, have entered into various rent assistance arrangements with certain tenants. Otherwise, SmartCentres will unless prohibited by law 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, and in the future may reenact, mandatory business closures which affected certain of its tenants. 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, have remained open to retail customers during the height of the initial pandemic period.

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, 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 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 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 have 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, the inability of the partners to meet their obligations to the joint ventures or third parties as they become due and decisions made by the partners which may not be in favour of the Trust's best interests, but rather is in the best interests of the partnership. In addition, the Trust may be exposed to the risks of the actions taken by any of the partners that may result in reputational damage to the Trust or the joint ventures. These risks 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, \$1.1 billion of liabilities (including \$835.1 million of secured and unsecured debt and \$237.9 million of account and other payable amounts) will mature and will need to be settled by means of renewal or payment.

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

The key assumptions used in the Trust's estimates of future cash flows when assessing liquidity risk are: the renewal or replacement of the maturing revolving operating facility, secured debt and unsecured debentures, at reasonable terms and conditions in the normal course of business and no major bankruptcies of large tenants. Management believes that it has considered all reasonable facts and circumstances 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 this pandemic, which could have a material adverse impact on the Trust's business, results of operations, financial position and cash flows, as at June 30, 2020, the Trust had: a) cash and cash equivalents of \$532.1 million; b) the funds available from its \$500.0 million operating facility and its \$250.0 million accordion feature; c) project-specific financing arrangements; and d) 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. (See the "Public Health Crises Risks" section above.)

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 June 30, 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 June 30, 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 21.0% voting interest in the Trust. Further, according to the above-mentioned reports, as at June 30, 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 24.9%. In addition, pursuant to the Voting Top-Up Right which expired on July 1, 2020, provided certain conditions were met, the Trust was required to issue Mr. Goldhar additional Special Voting Units to entitle him (directly or indirectly through Penguin) to cast 25% of the votes attached to voting Units at a meeting of the holders of voting Units. The Special Voting Units issued pursuant to the Voting Top-Up Right prior to June 30, 2020 that are necessary to provide Penguin with 25% of the votes at the 2020 annual meeting remain outstanding for the purposes of voting at the 2020 annual meeting. The Trust intends to ask Unitholders to vote on a resolution to extend the Voting Top-Up Right at the next annual meeting of Unitholders which will be held in late fall 2020.

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 accrues 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.

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 (loss), 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 (loss), 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 (loss) does not necessarily provide a complete measure of the Trust's economic earnings. This is primarily because IFRS net income (loss) 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 (loss) and comprehensive income (loss), 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	<p>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.</p> <p>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.</p>
The Transaction	<p>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.</p> <p>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.</p>

Glossary of Terms (continued)

Term	Definition
Transactional FFO	Transactional FFO is a non-GAAP financial measure that represents the net financial/economic gain (loss) resulting from a partial sale of an investment property to a third party. Transactional FFO is calculated as the difference between the actual selling price and actual costs incurred for the subject investment property. Because the Trust intends to establish numerous joint ventures with partners in which it plans to co-develop mixed-use 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, Mitchell Goldhar (either directly or indirectly through Penguin) was entitled to have a minimum of 25.0% of the votes eligible to be cast at any meeting of Unitholders provided certain conditions were met. Pursuant to the Voting Top-Up Right, the Trust issued additional special voting Units of the Trust to Mitchell Goldhar and/or Penguin to increase his voting rights to 25.0% in advance of a meeting of Unitholders. The total number of Special Voting Units was adjusted for each meeting of the Unitholders based on changes in Mitchell Goldhar and Penguin's ownership interest. The Voting Top-Up Right expired on July 1, 2020. The Trust intends to ask Unitholders to vote on a resolution to extend the Voting Top-Up Right at the next annual meeting of Unitholders which will be held in late fall 2020.

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

As at,	Note	June 30, 2020	December 31, 2019
Assets			
Non-current assets			
Investment properties	4	8,813,501	9,050,066
Mortgages, loans and notes receivable	5	200,633	216,907
Equity accounted investments	6	411,105	345,376
Other assets	7	84,231	89,023
Intangible assets	8	47,135	47,801
		9,556,605	9,749,173
Current assets			
Residential development inventory	9	25,141	24,564
Current portion of mortgages, loans and notes receivable	5	166,818	55,953
Amounts receivable and other	10	86,937	36,679
Deferred financing costs	10	1,305	1,477
Prepaid expenses and deposits	10	14,018	5,247
Cash and cash equivalents		532,078	55,374
		826,297	179,294
Total assets		10,382,902	9,928,467
Liabilities			
Non-current liabilities			
Debt	11	4,060,079	4,110,548
Other payables	12	21,725	21,444
Other financial liabilities	13	66,774	95,735
		4,148,578	4,227,727
Current liabilities			
Current portion of debt	11	835,072	115,385
Accounts payable and current portion of other payables	12	237,915	217,603
		1,072,987	332,988
Total liabilities		5,221,565	4,560,715
Equity			
Trust Unit equity		4,317,213	4,492,678
Non-controlling interests		844,124	875,074
		5,161,337	5,367,752
Total liabilities and equity		10,382,902	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 (LOSS) AND
COMPREHENSIVE INCOME (LOSS)
(in thousands of Canadian dollars)

		Three Months Ended June 30		Six Months Ended June 30	
	Note	2020	2019	2020	2019
Net rental income and other					
Rentals from investment properties and other	17	190,285	196,746	397,012	403,179
Property operating costs and other	18	(84,647)	(70,964)	(167,547)	(153,386)
Net rental income and other		105,638	125,782	229,465	249,793
Other income and expenses					
General and administrative expense, net	19	(7,637)	(4,867)	(13,251)	(11,229)
Earnings from equity accounted investments	6	3,244	1,229	7,942	1,958
Fair value adjustment on revaluation of investment properties	24	(197,364)	4,015	(260,746)	12,912
Gain (loss) on sale of investment properties		(5)	(103)	(2)	637
Interest expense	11(d)	(36,501)	(38,704)	(71,019)	(76,790)
Interest income		3,793	2,952	7,072	5,411
Fair value adjustment on financial instruments	24	(4,842)	5,209	33,247	(7,206)
Acquisition related costs		—	—	(2,181)	—
Net income (loss) and comprehensive income (loss)		(133,674)	95,513	(69,473)	175,486
Net income (loss) and comprehensive income (loss) attributable to:					
Trust Units		(112,481)	80,112	(58,594)	147,012
Non-controlling interests		(21,193)	15,401	(10,879)	28,474
		(133,674)	95,513	(69,473)	175,486

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)

		Three Months Ended June 30		Six Months Ended June 30	
	Note	2020	2019	2020	2019
Cash provided by (used in)					
Operating activities					
Net income (loss) and comprehensive income (loss) for the period		(133,674)	95,513	(69,473)	175,486
Add (deduct):					
Fair value adjustments	24	202,206	(9,225)	227,499	(5,706)
Loss (gain) on sale of investment properties		5	103	2	(637)
Earnings from equity accounted investments, net of distributions	6	(2,744)	4,886	(6,798)	4,591
Acquisition related costs		—	—	2,181	—
Interest expense	11(d)	36,501	38,704	71,019	76,790
Other financing costs		(609)	(532)	(729)	(1,437)
Interest income		(3,793)	(2,952)	(7,072)	(5,411)
Amortization of other assets		4,697	1,658	6,638	3,268
Amortization of intangible assets	8	333	333	666	666
Lease obligation interest		137	135	274	268
Deferred unit compensation expense, net of redemptions	13(c)	293	(998)	(281)	(5,457)
Long Term Incentive Plan accrual adjustment	12(b)	—	(171)	—	360
Cash interest paid	11(d)	(36,612)	(35,340)	(65,800)	(77,893)
Interest received		1,496	1,247	2,088	1,759
Expenditures on direct leasing costs and tenant incentives		(627)	(1,397)	(1,482)	(2,510)
Expenditures on tenant incentives for properties under development		(326)	(89)	(1,036)	(1,592)
Changes in other non-cash operating items	20	(20,934)	(11,108)	(32,185)	(29,196)
Cash flows provided by operating activities		46,349	80,767	125,511	133,349
Financing activities					
Proceeds from debt issuance		610,590	193,000	1,070,590	692,800
Repayment of debt		(470,979)	(172,849)	(482,902)	(773,516)
Proceeds from issuance of Trust Units, net of issuance costs	15	—	—	—	220,366
Distributions paid on Trust Units		(66,884)	(47,660)	(116,780)	(95,134)
Distributions paid on non-controlling interests and Units classified as liabilities		(12,647)	(12,248)	(25,248)	(24,496)
Payment of lease liability		(44)	(48)	(88)	(96)
Cash flows provided by (used in) financing activities		60,036	(39,805)	445,572	19,924
Investing activities					
Earnouts of investment properties	3	(2,669)	(1,605)	(3,210)	(6,100)
Additions to investment properties		(16,247)	(19,190)	(37,155)	(43,316)
Additions to equity accounted investments		(3,446)	(1,284)	(55,288)	(1,901)
Additions to equipment	7	(8)	(842)	(113)	(995)
Advances of mortgages and loans receivable	5	(3,097)	(90,900)	(10,308)	(104,260)
Repayments of mortgages and loans receivable		1,975	843	1,975	843
Net proceeds from sale of investment properties		9,720	1,385	9,720	6,956
Cash flows used in investing activities		(13,772)	(111,593)	(94,379)	(148,773)
Increase (decrease) in cash and cash equivalents during the period		92,613	(70,631)	476,704	4,500
Cash and cash equivalents – beginning of period		439,465	104,575	55,374	29,444
Cash and cash equivalents – end of period		532,078	33,944	532,078	33,944
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 six months ended June 30, 2020 and June 30, 2019
(in thousands of Canadian dollars)

	Note	Attributable to Unitholders			Attributable to LP Units Classified as Non-Controlling Interests			Other Non- Controlling Interest (Note 21)	Total Equity
		Trust Units (Note 15)	Retained Earnings	Unit Equity	LP Units (Note 15)	Retained Earnings	LP Unit 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	3,268	—	3,268	—	20,599
Net income (loss) and comprehensive income (loss)		—	(58,594)	(58,594)	—	(11,076)	(11,076)	197	(69,473)
Distributions	16	—	(134,202)	(134,202)	—	(23,339)	(23,339)	—	(157,541)
Equity – June 30, 2020		3,090,152	1,227,061	4,317,213	636,626	204,126	840,752	3,372	5,161,337
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	254,868	—	254,868	—	—	—	—	254,868
Net income and comprehensive income		—	147,012	147,012	—	28,283	28,283	191	175,486
Distributions	16	—	(129,205)	(129,205)	—	(22,615)	(22,615)	—	(151,820)
Equity – June 30, 2019		3,035,937	1,384,919	4,420,856	632,737	229,970	862,707	3,302	5,286,865

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 and six months ended June 30, 2020 and June 30, 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 August 5, 2020. The Board of Trustees has the power to amend the unaudited interim condensed consolidated financial statements after issue.

As at June 30, 2020, the Penguin Group of Companies ("Penguin"), owned by Mitchell Goldhar, owned approximately 21.0% (December 31, 2019 – 20.7%) of the issued and outstanding Units of the Trust and Limited Partnerships (see also Note 21, "Related party transactions").

2. Summary of significant accounting policies

2.1 *Basis of presentation*

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

2.2 *Critical accounting estimates and judgments*

The preparation of the unaudited interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the unaudited interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise judgment in applying the Trust's accounting policies. The critical accounting estimates, assumptions and judgments applied during the six months ended June 30, 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. The Trust has assessed the amendments to IFRS 3 and believes it did not have a significant impact on the Trust's unaudited interim condensed consolidated financial statements.

3. Acquisitions and Earnouts***Acquisitions and Earnouts completed during the six months ended June 30, 2020***

During the six months ended June 30, 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:

- i) Earnouts totalling 1,936 square feet of development space with a purchase price of \$291 and a parcel land sale with a purchase price of \$1,609, of which \$720 was satisfied through the issuance of 3,822 Class F Series 3 Smart LP Units (see also Note 13(b), "Other financial liabilities") and 33,469 Class B Series 4 Smart LP III Units, and the balance paid in cash, adjusted for other working capital amounts.
- ii) An Earnout transaction representing a 50% interest in a parcel of land totalling 2.25 acres in Ottawa, Ontario that was transferred to a joint venture, Ottawa SW PropCo LP, which is recorded in equity accounted investments (see Note 6, "Equity accounted investments"), to develop one retirement and seniors housing tower and one multi-residential rental tower. The purchase price was \$4,375 (at the Trust's share), of which \$2,624 was satisfied through the issuance of 146,913 Class B Series 6 Smart LP III Units and the balance was paid by cash, with adjustments made for development costs paid by the Trust and other working capital amounts (see also Note 21, "Related party transactions"). In conjunction with this purchase, the Trust granted its joint venture partner a non-revolving term acquisition credit facility in the amount of \$2,850 (see Note 5, "Mortgages, loans and notes receivable"), to finance a portion of its share of the purchase price and closing costs for the above acquisition.

The table below summarizes the consideration for Earnouts completed for the six months ended June 30, 2020:

	Note	Total
Cash		3,210
LP Units issued	4(d)(ii)	3,345
Amounts previously funded and other adjustments		(280)
		6,275

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

Acquisitions and Earnouts completed during the six months ended June 30, 2019

During the six months ended June 30, 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 20,662 square feet of development space for a purchase price of \$7,540, of which \$1,065 was satisfied through the issuance of 53,002 Trust Units at an exercise price of \$20.10 and \$98 was satisfied through the issuance of 4,886 Class F Series 3 Smart LP 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 table below summarizes the consideration for Acquisitions and Earnouts completed for the six months ended June 30, 2019:

	Note	Acquisitions	Earnouts	Total
Cash		852	5,248	6,100
Trust Units issued	4(d)(ii)	—	1,065	1,065
LP Units issued	4(d)(ii)	—	98	98
Amounts previously funded and other adjustments		—	1,129	1,129
		852	7,540	8,392

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

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

4. Investment properties

The following table summarizes the activities in investment properties for the six months ended June 30, 2020 and year ended December 31, 2019:

	Note	June 30, 2020			December 31, 2019		
		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, Earnouts, and related adjustments of investment properties		—	5,984	5,984	1,641	16,752	18,393
Transfer to income properties from properties under development		16,425	(16,425)	—	66,306	(66,306)	—
Transfer from income properties to properties under development		(30,200)	30,200	—	(43,400)	43,400	—
Transfer from properties under development to equity accounted investments		—	(4,375)	(4,375)	—	—	—
Earnout Fees on properties subject to development management agreements	4(d)(ii)	291	—	291	5,311	—	5,311
Capital expenditures		1,077	—	1,077	17,665	—	17,665
Leasing costs		784	—	784	1,789	—	1,789
Development expenditures		—	20,839	20,839	—	69,387	69,387
Capitalized interest	11(d)	—	9,301	9,301	—	18,956	18,956
Dispositions		—	(9,720)	(9,720)	(95)	(15,868)	(15,963)
Fair value adjustments	24	(203,299)	(57,447)	(260,746)	34,939	(5,468)	29,471
Balance – end of period		8,273,747	539,754	8,813,501	8,488,669	561,397	9,050,066

The historical costs of both income properties and properties under development as at June 30, 2020 totalled \$6,569,689 and \$743,493, respectively (December 31, 2019 – \$6,584,852 and \$703,472, respectively).

Secured debt with a carrying value of \$1,419,791 (December 31, 2019 – \$1,442,278) is secured by investment properties with a fair value of \$3,169,000 (December 31, 2019 – \$3,353,966).

Presented separately from investment properties is \$82,024 (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 six months ended June 30, 2020

Starting on January 1, 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, leasing costs, expected credit losses, 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) with reference to market land values and costs invested to date, factoring in development risks such as planning, zoning, timing and market conditions.

The following table summarizes significant unobservable inputs in Level 3 valuations along with corresponding fair values for the six months ended June 30, 2020 and year ended December 31, 2019:

June 30, 2020						
		Terminal Capitalization Rate			Discount Rate	
Class	Valuation Technique	Carrying Value	Weighted Average	Range	Weighted Average	Range
Income properties	Discounted cash flow	8,273,747	5.95 %	4.25% – 7.79%	6.47 %	4.65% – 8.54%
Class	Valuation Technique	Carrying Value	Weighted Average Capitalization Rate			
Properties under development	Direct income capitalization	119,097	6.50%			
	Land, development and constructions costs recorded at market value	420,657	N/A			
		539,754				
Balance – end of period		8,813,501				
December 31, 2019						
Class	Valuation Technique	Carrying Value	Weighted Average Capitalization or Discount Rate	Total Stabilized or Forecasted NOI	Range of Capitalization Rates	
Income properties	Direct income capitalization	7,456,585	5.79%	431,662	4.25% – 9.11%	
	Direct income capitalization less present value of purchase option	829,462	6.33%	52,500	5.88% – 6.75%	
	Discounted cash flow	202,622	6.20%	12,568	6.00% – 6.50%	
		8,488,669				
Class	Valuation Technique	Carrying Value	Weighted Average Capitalization Rate			
Properties under development	Direct income capitalization	99,882	6.56%			
	Land, development and constructions costs recorded at market value	461,515	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	1,776,500	804,000	384,000	(351,900)	(676,100)	(1,253,300)

b) Dispositions

Disposition of investment properties during the six months ended June 30, 2020

No significant disposition of investment properties during the six months ended June 30, 2020, except for a 50% interest in a parcel of land totalling 2.25 acres in Ottawa, Ontario that was transferred to a joint venture, Ottawa SW PropCo LP, which is recorded in equity accounted investments, to develop one retirement and seniors housing community and one multi-residential rental tower (see Note 3, "Acquisitions and Earnouts", and Note 6, "Equity accounted investments").

Disposition of investment properties during the six months ended June 30, 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.

In May 2019, the Trust sold a parcel of land located in Woodstock, Ontario, to an unrelated party for gross proceeds of \$1,365 which was satisfied by cash, adjusted for other working capital amounts.

c) Leasehold property interests

At June 30, 2020, 16 (December 31, 2019 – 16) investment properties with a fair value of \$977,579 (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 \$8,130 (December 31, 2019 – \$8,214), in the amount of \$1,870 (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 \$1,217 (December 31, 2019 – \$1,408), in the amount of \$6,245 (December 31, 2019 – \$6,279) (see also Note 12, “Accounts and other payables”).

d) Properties under development

Properties under development are presented in the following table:

	June 30, 2020	December 31, 2019
Properties under development not subject to development management agreements (i)	486,113	513,034
Properties under development subject to development management agreements (ii)	53,641	48,363
	539,754	561,397

For the three months ended June 30, 2020, the Trust capitalized a total of \$4,767 (three months ended June 30, 2019 – \$4,577) of borrowing costs related to properties under development. For the six months ended June 30, 2020, the Trust capitalized a total of \$9,301 (six months ended June 30, 2019 – \$9,026) of borrowing costs related to properties under development.

i) Properties under development not subject to development management agreements

During the six months ended June 30, 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 June 30, 2020, the Trust incurred land and development costs of \$7,471 (three months ended June 30, 2019 – \$2,504). For the six months ended June 30, 2020, the Trust incurred land and development costs of \$16,107 (six months ended June 30, 2019 – \$23,907).

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 \$12,280 (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 \$41,361 (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 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 June 30		Six Months Ended June 30	
		2020	2019	2020	2019
Trust Units	N/A	—	—	—	1,065
Smart Limited Partnership	Class F Series 3	—	98	77	98
Smart Limited Partnership III	Class B Series 4	644	—	644	—
Smart Limited Partnership III	Class B Series 6	2,624	—	2,624	—
		3,268	98	3,345	1,163

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 are presented in the table as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Development costs incurred	5,984	734	5,984	3,855
Earnout Fees paid	—	478	291	3,685
	5,984	1,212	6,275	7,540

5. Mortgages, loans and notes receivable

Mortgages, loans and notes receivable are presented in the following table:

	Note	June 30, 2020	December 31, 2019
Mortgages receivable (a)	21	142,125	138,762
Loans receivable (b)		222,347	131,119
Notes receivable (c)	21	2,979	2,979
		367,451	272,860
Current		166,818	55,953
Non-current		200,633	216,907
		367,451	272,860

- a) Mortgages receivable of \$142,125 (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:

Property	Committed	Maturity Date	Interest Rate at Period End	Purchase Option % of Property ⁽¹⁾	June 30, 2020	December 31, 2019
Salmon Arm, BC ⁽²⁾⁽³⁾	19,719	October 2020	4.20 %	— %	15,347	14,997
Innisfil, ON ⁽²⁾⁽⁴⁾	26,257	December 2020	6.75 %	— %	21,461	20,937
Aurora (South), ON	30,543	March 2022	3.48 %	50 %	17,371	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	3.88 %	50 %	30,081	29,387
Vaughan (7 & 427), ON	52,277	December 2023	6.75 %	50 %	18,368	17,820
Caledon (Mayfield), ON	14,033	April 2024	3.74 %	50 %	10,171	9,944
Toronto (StudioCentre), ON ⁽²⁾	43,759	June 2024	3.72 %	25 %	29,326	28,672
	279,235		4.63 % ⁽⁷⁾		142,125	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 June 30, 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 \$113,428 (December 31, 2019 – \$110,590); and (ii) at fixed rates of 6.35% to 7.50% on mortgages receivable of \$28,697 (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 \$61,407 (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, \$128,375 (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:

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Balance – beginning of period	140,632	136,071	138,762	134,221
Interest accrued	1,681	1,816	3,551	3,666
Interest payments	(74)	(850)	(74)	(850)
Principal repayments	(114)	(843)	(114)	(843)
Balance – end of period	142,125	136,194	142,125	136,194

b) Loans receivable are presented in the following table (by maturity date):

Issued to	Committed	Maturity Date	Interest Rate	Note	June 30, 2020	December 31, 2019
Penguin ⁽¹⁾	19,148	November 2020	Variable	21	9,265	10,215
Penguin ⁽²⁾	26,227	June 2021	Variable	21	14,388	14,173
Penguin ⁽³⁾	N/A	December 2029	Interest-free	21	79,244	—
Total loans issued to Penguin					102,897	24,388
PCVP ⁽⁴⁾	N/A	June 2021	2.76%	21	93,702	92,427
Total loans issued to PCVP					93,702	92,427
Vaughan NW Residence Inc. ⁽⁵⁾	N/A	November 2020	6.25%		9,804	9,804
Greenwin ⁽⁶⁾	16,500	September 2024	Variable		5,265	4,500
Greenwin ⁽⁷⁾	8,250	January 2025	Variable		7,829	—
Selection Group ⁽⁸⁾	2,850	April 2021	Variable		2,850	—
Total loans issued to unrelated parties					25,748	14,304
					222,347	131,119

- (1) 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.
- (2) 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.
- (3) This loan receivable relates to the acquisition of a parcel of land in Vaughan, Ontario through Penguin-Calloway Vaughan Partnership ("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 \$108,218, is non-interest bearing, and is repayable at the end of 10 years. As at June 30, 2020, the loan balance of \$79,244 is net of a fair value adjustment totalling \$28,974. See also Note 11.b.iii) reflecting the corresponding loan payable amount.
- (4) In April 2019, the Trust entered into a loan agreement with 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 for the three and six months ended June 30, 2020.
- (5) 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.
- (6) 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 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) 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 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.
- (8) In April 2020, the Trust entered into a loan agreement with an unrelated party, Selection Group, whereby the Trust loaned Selection Group funds for the acquisition of development lands in Ottawa, Ontario (see also Note 6, "Equity accounted investments") for a non-revolving term acquisition credit facility of \$2,850. This loan has been contributed by Selection Group to a joint venture with the Trust. This loan will mature at the earlier of (i) the date of the first disbursement of the construction financing and (ii) the date twelve months from the date of obtaining of an advance of the facility and bears interest at the prime rate of interest plus 2% per annum.

The following table illustrates the activity in loans receivable:

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Balance – beginning of period	217,432	33,407	131,119	19,949
Loans issued ⁽¹⁾	2,850	90,600	88,088	103,826
Advances	247	300	506	434
Interest accrued	790	738	1,606	836
Fair value adjustments	2,889	—	2,889	—
Repayments	(1,861)	—	(1,861)	—
Balance – end of period	222,347	125,045	222,347	125,045

- (1) For the six months ended June 30, 2020, the total amount of loans issued to Penguin was \$78,286 (December 31, 2019 – \$24,388), see footnote (3) above.

c) Notes receivable of \$2,979 (December 31, 2019 – \$2,979) have been granted to Penguin (see also Note 21, "Related party transactions"). As at June 30, 2020, these secured demand notes bear interest at the rate of 9.00% per annum (December 31, 2019 – 9.00%).

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 six months ended June 30, 2020 and year ended December 31, 2019:

	June 30, 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 (losses)	8,898	(956)	7,942	5,981	658	6,639
Distributions from operations	(1,000)	(144)	(1,144)	(6,621)	(576)	(7,197)
Financing Activities:						
Fair value adjustment on loan	2,449	—	2,449	(28,356)	—	(28,356)
Loan repayment	(1,000)	—	(1,000)	—	—	—
Investing Activities:						
Cash contribution	1,806	5,654	7,460	115,581	6,296	121,877
Property contribution	—	—	—	—	5,260	5,260
Acquisition and related costs ⁽¹⁾	(2,181)	53,353	51,172	123,608	9,217	132,825
Distributions from development activities	—	(1,150)	(1,150)	(31,978)	—	(31,978)
Investment – end of period	303,471	107,634	411,105	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	June 30, 2020	December 31, 2019	June 30, 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 three residential condominium towers and a related parking facility, 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 two additional residential condominium towers, located on the SmartVMC site.

In 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 available for development once Walmart has relocated to its new Applewood location.

Note that the limited partnerships involving residential condominium developments, as noted above, are hereinafter collectively referred to as "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 \$109,218 paid in cash, adjusted for other working capital amounts.

i) Summary of balance sheets

The following table summarizes the balance sheets for investment in associates:

As at,	June 30, 2020			December 31, 2019		
	PCVP	VMC Residences	Total	PCVP	VMC Residences	Total
Non-current assets	870,671	—	870,671	812,469	—	812,469
Current assets	20,085	659,553	679,638	14,995	505,286	520,281
Total assets	890,756	659,553	1,550,309	827,464	505,286	1,332,750
Non-current liabilities ⁽¹⁾	268,220	235,913	504,133	234,592	143,757	378,349
Current liabilities	58,520	343,924	402,444	50,475	283,693	334,168
Total liabilities	326,740	579,837	906,577	285,067	427,450	712,517
Net assets	564,016	79,716	643,732	542,397	77,836	620,233
Trust's share of net assets before adjustments	282,008	19,929	301,937	271,198	19,459	290,657
Fair value adjustment on loan	1,534	—	1,534	3,842	—	3,842
Trust's share of net assets	283,542	19,929	303,471	275,040	19,459	294,499

(1) Balance as at June 30, 2020 includes loan payable to the Trust of \$93,702 (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 June 30, 2020:

	Commitments	Trust's Share
PCVP	37,087	18,544
Residences LP	26,898	6,724
Residences LP III	43,317	10,829
East Block Residences LP	57,371	14,343
	164,673	50,440

ii) Summary of earnings (losses)

The following table summarizes the earnings (losses) for investment in associates:

	Three Months Ended June 30, 2020			Three Months Ended June 30, 2019		
	PCVP	VMC Residences	Total	PCVP	VMC Residences	Total
Revenue ⁽¹⁾	6,756	46	6,802	6,072	—	6,072
Operating expense	(2,631)	—	(2,631)	(2,292)	—	(2,292)
Revenue net of operating expense	4,125	46	4,171	3,780	—	3,780
Other sales and related costs	—	—	—	—	(614)	(614)
Fair value adjustment on revaluation of investment properties	7,538	—	7,538	53	—	53
Interest expense	(1,447)	—	(1,447)	(1,265)	—	(1,265)
Earnings (losses)	10,216	46	10,262	2,568	(614)	1,954
Trust's share of earnings (losses) before supplemental cost	5,108	12	5,120	1,284	(153)	1,131
Supplemental cost	(505)	—	(505)	(474)	—	(474)
Trust's share of earnings (losses)	4,603	12	4,615	810	(153)	657

(1) Includes office rental revenue from the Trust in the amount of \$652 for the three months ended June 30, 2020 (three months ended June 30, 2019 – \$650).

	Six Months Ended June 30, 2020			Six Months Ended June 30, 2019		
	PCVP	VMC Residences	Total	PCVP	VMC Residences	Total
Revenue ⁽¹⁾	14,309	1,881	16,190	10,943	—	10,943
Operating expense	(5,675)	—	(5,675)	(4,415)	—	(4,415)
Revenue net of operating expense	8,634	1,881	10,515	6,528	—	6,528
Other sales and related costs	—	—	—	—	(654)	(654)
Fair value adjustment on revaluation of investment properties	12,915	—	12,915	129	—	129
Interest expense	(2,889)	—	(2,889)	(2,388)	—	(2,388)
Earnings (losses)	18,660	1,881	20,541	4,269	(654)	3,615
Trust's share of earnings (losses) before supplemental cost	9,330	471	9,801	2,135	(163)	1,972
Supplemental cost	(903)	—	(903)	(762)	—	(762)
Trust's share of earnings (losses)	8,427	471	8,898	1,373	(163)	1,210

(1) Includes office rental revenue from the Trust in the amount of \$1,303 for the six months ended June 30, 2020 (six months ended June 30, 2019 – \$650).

In accordance with the Supplemental Development Fee Agreement, the Trust invoiced PCVP a net amount of \$1,806 related to associated development fees for the six months ended June 30, 2020 (six months ended June 30, 2019 – \$1,524).

iii) Summary of development credit facilities

The development financing relating to the PCVP, Residences LP, Residences III LP and East Block Residences 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.

	June 30, 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	(294,111)	(168,057)
Letters of credit – outstanding	(68,207)	(37,734)
	388,269	562,511
Trust's share of remaining unused development credit facilities	99,192	152,006

PCVP

As at June 30, 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 June 30, 2020, the Residences LP, Residences III LP and East Block Residences LP had the following credit facilities:

- one development credit facility totalling \$237,359 (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:

Business Focus	Joint Venture Partner	June 30, 2020		December 31, 2019	
		Number of Projects	Ownership Interest	Number of Projects	Ownership Interest
Retail investment properties		1	30 %	1	30 %
<i>Joint Venture: 1500 Dundas East LP</i>	<i>Fieldgate</i>				
Self-storage facilities		6	50 %	5	50 %
<i>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</i>	<i>SmartStop</i>				
Seniors' apartments		1	50 %	1	50 %
<i>Joint Ventures: Vaughan NW SA Propco LP</i>	<i>Revera</i>				
Retirement residences					
<i>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</i>	<i>Revera</i>	6	50 %	4	50 %
<i>Joint Ventures: Ottawa SW PropCo LP, Ottawa SW OpCo LP</i>	<i>Selection Group</i>	2	50 %	—	
Residential apartments		1	50 %	1	50 %
<i>Joint Venture: Laval C Apartments LP</i>	<i>Jadco</i>				
Residential apartments		1	75 %	—	N/A
<i>Joint Venture: Balliol/Pailton LP</i>	<i>Greenwin</i>				
Total		18		12	

Acquisitions completed in the period ended June 30, 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 high-rise apartment community, for a purchase price of \$48,000.

In April 2020, the Trust together with its joint venture partner Selection Group formed a 50:50 joint venture known as Ottawa SW PropCo LP, into which the Trust contributed development lands, through an Earnout transaction, located in Ottawa, Ontario, totalling 2.25 acres previously presented as property under development and Selection Group contributed land and cash, with the intention to develop two phases, including a retirement and seniors housing tower and a multi-residential rental tower (see also note 3, "Acquisitions and Earnouts").

i) Summary of balance sheets

The following table summarizes the balance sheets for investment in joint ventures:

As at,	June 30, 2020	December 31, 2019
Non-current assets	326,875	244,686
Current assets	2,293	5,158
Total assets	329,168	249,844
Non-current liabilities	112,575	109,029
Current liabilities	10,949	15,118
Total liabilities	123,524	124,147
Net assets	205,644	125,697
Trust's share of net assets	107,634	50,877

The joint ventures listed above have entered into various development construction contracts with existing commitments totalling \$13,914, of which the Trust's share is \$6,915.

ii) Summary of earnings (loss)

The following table summarizes the earnings (losses) for investment in joint ventures:

	Three Months Ended June 30	
	2020	2019
Revenue	2,218	2,586
Operating expense	(924)	(770)
Revenue net of operating expense	1,294	1,816
Fair value adjustments on revaluation of investment properties	(4,663)	684
Interest expense	(582)	(599)
Loss on sale of investment properties	(214)	—
Earnings (loss)	(4,165)	1,901
Trust's share of earnings (loss)	(1,370)	571

	Six Months Ended June 30	
	2020	2019
Revenue	5,013	5,180
Operating expense	(1,883)	(1,533)
Revenue net of operating expense	3,130	3,647
Fair value adjustments on revaluation of investment properties	(4,183)	38
Interest expense	(1,167)	(1,202)
Loss on sale of investment properties	(430)	—
Earnings (loss)	(2,650)	2,483
Trust's share of earnings (loss)	(956)	748

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, is presented as follows:

	June 30, 2020	December 31, 2019
Development facility – beginning of period ⁽¹⁾	35,417	35,417
Development facility – end of period ⁽¹⁾	35,417	35,417
Amount drawn on development facility	(29,171)	(24,292)
Remaining unused development facility	6,246	11,125
Trust's share of remaining unused development facility	3,123	5,563

(1) The development facility did not change during the six months ended June 30, 2020 and year ended December 31, 2019 because there was no new grant or expiry related to the development facility.

7. Other assets

The components of other assets are presented in the following table:

	June 30, 2020	December 31, 2019
Straight-line rent receivables	45,618	48,380
Tenant incentives	36,407	38,018
	82,025	86,398
Equipment	1,843	2,173
Right-of-use assets	363	452
	84,231	89,023

The following tables summarize the activity in other assets:

	December 31, 2019	Additions	Amortization and other adjustments	June 30, 2020
Straight-line rent receivables	48,380	4,352	(7,114)	45,618
Tenant incentives	38,018	1,598	(3,209)	36,407
	86,398	5,950	(10,323)	82,025
Equipment	2,173	113	(443)	1,843
Right-of-use assets	452	—	(89)	363
	89,023	6,063	(10,855)	84,231

8. Intangible assets

The components of intangible assets are included in the following table:

	June 30, 2020			December 31, 2019		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Intangible assets with finite lives:						
Key joint venture relationships	36,944	6,274	30,670	36,944	5,658	31,286
Trademarks	2,995	509	2,486	2,995	459	2,536
Total intangible assets with finite lives	39,939	6,783	33,156	39,939	6,117	33,822
Goodwill	13,979	—	13,979	13,979	—	13,979
	53,918	6,783	47,135	53,918	6,117	47,801

The total amortization expense recognized for the three months ended June 30, 2020 amounted to \$333 (three months ended June 30, 2019 – \$333). The total amortization expense recognized for the six months ended June 30, 2020 amounted to \$666 (six months ended June 30, 2019 – \$666).

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:

	June 30, 2020	December 31, 2019
Balance – beginning of period	24,564	23,429
Development costs	119	207
Capitalized interest	458	928
Balance – end of period	25,141	24,564

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

The components of amounts receivable and other, deferred financing costs and prepaid expenses and deposits are presented in the following table:

	June 30, 2020	December 31, 2019
Amounts receivable and other		
Tenant receivables	67,536	15,921
Unbilled other tenant receivables	18,986	7,649
Receivables from related party – excluding equity accounted investments	9,909	7,958
Receivables from related party – equity accounted investments	661	1,690
Other non-tenant receivables	2,172	1,482
Other	6,534	5,040
Allowance for expected credit loss	(18,861)	(3,061)
	86,937	36,679
Deferred financing costs	1,305	1,477
Prepaid expenses and deposits	14,018	5,247
	102,260	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 presented in the following table:

	June 30, 2020	December 31, 2019
Amounts receivable and other	105,798	39,740
Allowance for ECL	(18,861)	(3,061)
Amounts receivable and other – net of allowance for ECL	86,937	36,679

The reconciliation of changes in the allowance for ECL on amounts receivable is presented in the following table:

	Six Months Ended June 30	
	2020	2019
Balance – beginning of period	3,061	3,114
Additional allowance recognized as expense	16,025	345
Reversal of previous allowances	(203)	(41)
Net	15,822	304
Tenant receivables written off during the period	(22)	(123)
Balance – end of period	18,861	3,295

11. Debt

Debt balances are presented in the following table:

	June 30, 2020	December 31, 2019
Secured debt (a)	1,419,791	1,442,278
Unsecured debt (b)	3,475,360	2,783,655
Revolving operating facility (c)	—	—
	4,895,151	4,225,933
Current	835,072	115,385
Non-current	4,060,079	4,110,548
	4,895,151	4,225,933

a) Secured debt

Secured debt bears interest at a weighted average interest rate of 3.75% as at June 30, 2020 (December 31, 2019 – 3.81%). Total secured debt of \$1,419,791 includes \$1,362,466 (December 31, 2019 – \$1,385,278) at fixed interest rates and \$57,325 (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 presented in the following table:

	Instalment Payments	Lump Sum Payments at Maturity	Total
2020	23,195	69,685	92,880
2021	43,307	134,314	177,621
2022	41,116	220,306	261,422
2023	36,725	142,344	179,069
2024	31,759	118,674	150,433
Thereafter	54,014	506,163	560,177
	230,116	1,191,486	1,421,602
Unamortized acquisition date fair value adjustments			1,946
Unamortized financing costs			(3,757)
			1,419,791

b) Unsecured debt

The following table summarizes the components of unsecured debt:

	June 30, 2020	December 31, 2019
Unsecured debentures (i)	2,899,541	2,301,257
Credit facilities (ii)	412,050	399,102
Other unsecured debt (iii)	163,769	83,296
	3,475,360	2,783,655

i) Unsecured debentures

The following table summarizes the components of unsecured debentures:

Series	Maturity Date	Annual Interest Rate	Interest Payment Dates	June 30, 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
Series V	June 11, 2027	3.192%	June 11 and December 11	300,000	—
Series W	December 11, 2030	3.648%	June 11 and December 11	300,000	—
		3.225% ⁽²⁾		2,910,000	2,310,000
Less: Unamortized financing costs				(10,459)	(8,743)
				2,899,541	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 six months ended June 30, 2020**Issuance**

In June 2020, the Trust issued \$300,000 of 3.192% Series V senior unsecured debentures and \$300,000 of 3.648% Series W senior unsecured debentures (net proceeds of the two issuances in aggregate after issuance costs – \$597,690). The Series V debentures will mature on June 11, 2027 and the Series W debentures will mature on December 11, 2030. Both debentures have semi-annual payments due on June 11 and December 11 of each year, commencing on December 11, 2020. The proceeds from the issuances are being used to repay existing indebtedness and for general Trust purposes.

Unsecured debenture activities for the six months ended June 30, 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 June 2019, the Trust redeemed \$150,000 aggregate principal of 3.749% Series L senior unsecured debentures. In addition to paying accrued interest of \$2,065, the Trust paid a yield maintenance fee of \$4,035 in connection with the redemption. The redemption was funded by advances from the non-revolving credit facility (see Note 11(b)(ii)).

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

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 June 30, 2020.

ii) Credit facilities

The following table summarizes the activity for revolving and non-revolving unsecured credit facilities:

Issued In	Maturity Date	Annual Interest Rate	Facility Amount	June 30, 2020	December 31, 2019
Non-revolving:					
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
Revolving:					
May 2020 ⁽⁴⁾	May 11, 2021	BA + 1.45%	60,000	12,900	—
				412,900	400,000
			Less: Unamortized financing costs	(850)	(898)
				412,050	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.

(4) In May 2020, the Trust obtained \$60,000 of unsecured revolving facilities for the construction of self-storage facilities, bearing interest at a variable interest rate based on either bank prime rate plus 45 basis points or the banker's acceptance rate plus 145 basis points, which matures on May 11, 2021. The facility includes an undrawn accordion feature of \$60,000 whereby the Trust has an option to increase its facility amount with the lenders.

iii) Other unsecured debt

Other unsecured debt net of fair value adjustments totalling \$163,769 (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:

	June 30, 2020	December 31, 2019
PCVP ⁽¹⁾ (5.00% discount rate)	82,311	80,862
PCVP ⁽²⁾ (5.75% discount rate)	79,244	—
Laval C Apartment LP	2,214	2,214
Vaughan NW SAM LP	—	220
	163,769	83,296

(1) In connection with the 700 Applewood purchase, in December 2019, the Trust has a principal amount outstanding of \$108,218 (December 31, 2019 – \$109,218), is non-interest bearing, and is repayable at the end of 10 years. As at June 30, 2020, the loan balance of \$82,311 is net of a fair value adjustment totalling \$25,907.

(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 \$108,218, is non-interest bearing, and is repayable at the end of 10 years. As at June 30, 2020, the loan balance of \$79,244 is net of a fair value adjustment totalling \$28,974. 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. In addition, the Trust has 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:

	June 30, 2020	December 31, 2019
Revolving operating facility	500,000	500,000
Lines of credit – outstanding	—	—
Letters of credit – outstanding	(8,709)	(8,844)
Remaining operating facility	491,291	491,156

d) Interest expense

Interest expense is presented in the following table:

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Interest at stated rates	39,250	37,357	76,393	74,901
Amortization of acquisition date fair value adjustments on assumed debt	(223)	(525)	(449)	(1,058)
Amortization of deferred financing costs	1,044	1,005	2,006	1,875
	40,071	37,837	77,950	75,718
Less:				
Interest capitalized to properties under development	(4,767)	(4,577)	(9,301)	(9,026)
Interest capitalized to residential development inventory	(230)	(231)	(458)	(460)
	35,074	33,029	68,191	66,232
Yield maintenance on redemption of debt and related write-off of unamortized financing costs (Note 11(b))	—	4,340	—	7,865
	35,074	37,369	68,191	74,097
Distributions on vested deferred units and Units classified as liabilities	1,427	1,335	2,828	2,693
	36,501	38,704	71,019	76,790

The following table represents a reconciliation between the interest expense and the cash interest paid:

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Interest expense	36,501	38,704	71,019	76,790
Amortization of acquisition date fair value adjustments on assumed debt	223	525	449	1,059
Amortization of deferred financing costs	(1,044)	(1,005)	(2,006)	(1,875)
Distributions on vested deferred units and Units classified as liabilities	(1,427)	(1,335)	(2,828)	(2,693)
Change in accrued interest payable	2,359	(1,549)	(834)	4,612
Cash interest paid	36,612	35,340	65,800	77,893

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 \$41,347 of letters of credit outstanding with other financial institutions as at June 30, 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 presented in the following table:

	Note	June 30, 2020	December 31, 2019
Accounts payable		73,344	77,295
Accounts payable with Penguin	21	12,720	8,893
Tenant prepaid rent, deposits, and other payables		68,322	69,836
Accrued interest payable		17,764	16,929
Distributions payable		26,524	26,406
Realty taxes payable		31,214	3,443
Current portion of other payables		8,027	14,801
		237,915	217,603

Other payables that are classified as non-current liabilities are presented in the following table:

	Note	June 30, 2020	December 31, 2019
Future land development obligations with Penguin	12(a)	20,619	27,074
Lease liability – investment properties ⁽¹⁾		8,115	8,065
Lease liability – other		373	461
Long Term Incentive Plan liability	12(b)	645	645
Total other payables		29,752	36,245
Less: Current portion of other payables		(8,027)	(14,801)
Total non-current portion of other payables		21,725	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 2020 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 June 30, 2020, imputed interest of \$235 (three months ended June 30, 2019 – \$294) was capitalized to properties under development. For the six months ended June 30, 2020, imputed interest of \$517 (six months ended June 30, 2019 – \$576) was capitalized to properties under development.

b) Long Term Incentive Plan liability

The following table summarizes the activity in the LTIP:

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Balance – beginning of period	645	1,772	645	1,241
Accrual adjustment	—	(171)	—	360
Balance – end of period	645	1,601	645	1,601

13. Other financial liabilities

The components of other financial liabilities are presented in the following table:

	June 30, 2020	December 31, 2019
Units classified as liabilities (a)	43,921	65,436
Earnout options (b)	—	52
Deferred unit plan ("DUP") (c)	22,853	30,247
	66,774	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 – June 30, 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
Options exercised	—	4,886	—	—	—	—	4,886
Balance – June 30, 2019	311,022	4,886	260,417	1,248,140	132,881	137,109	2,094,455

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⁾	(3,204)	(47)	(2,683)	(12,856)	(1,368)	(1,434)	(21,592)
Balance – June 30, 2020	6,503	182	5,445	26,099	2,779	2,913	43,921
Balance – January 1, 2019	9,589	—	8,028	38,480	4,096	4,227	64,420
Options exercised	—	98	—	—	—	—	98
Change in carrying value	740	—	620	2,972	317	326	4,975
Balance – June 30, 2019	10,329	—	8,648	41,452	4,413	4,553	69,493

(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 for the six months ended June 30, 2020 was the result of the \$10.30 decline in the Trust's Unit price from \$31.21 at December 31, 2019, to \$20.91 at June 30, 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:

	Strike Price (\$)	Options Outstanding at January 1, 2020 (#)	Options Cancelled (#)	Options Exercised (#)	Options Outstanding at June 30, 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	—	(29,797)	569,116	644
August 2011	Market price	596,219	—	—	596,219	—
August 2013	Market price	560,071	—	(102,017)	458,054	2,624
September 2014	Market price	259,704	—	—	259,704	—
		2,014,907	—	(131,814)	1,883,093	3,268
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)	(135,636)	10,562,069	3,345

(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.

	Strike Price	Options Outstanding at January 1, 2019	Options Cancelled	Options Exercised	Options Outstanding at June 30, 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	—	(4,886)	680,227	98
		5,866,215	—	(4,886)	5,861,329	98
Options to acquire Class B Smart LP III Units⁽³⁾						
September 2010	Market price	617,932	—	—	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	(40,223)	—	499,777	—
		540,000	(40,223)	—	499,777	—
Total Earnout options		10,877,934	(66,573)	(57,888)	10,753,473	1,163

(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:

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Fair value – beginning of period	12	162	52	881
Trust options exercised	—	—	—	(567)
Fair value adjustment	(12)	(63)	(52)	(215)
Fair value – end of period	—	99	—	99

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 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	46,546	37,690	8,856
Vested	—	29,372	(29,372)
Redeemed for cash	(26,989)	(26,989)	—
Forfeited	(336)	—	(336)
Balance – June 30, 2020	1,179,982	1,002,011	177,971
Balance – January 1, 2019	1,007,929	876,870	131,059
Granted			
Trustees	55,424	55,424	—
Eligible associates	137,436	69,980	67,456
Reinvested units from distributions	28,839	24,732	4,107
Vested	—	15,672	(15,672)
Exchanged for Trust Units	(1,838)	(1,838)	—
Redeemed for cash	(190,309)	(190,309)	—
Forfeited	(29,345)	—	(29,345)
Balance – June 30, 2019	1,008,136	850,531	157,605

The following table summarizes the change in the carrying value of the deferred unit plan:

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Carrying value – beginning of period	20,065	31,229	30,247	29,683
Deferred units granted for trustee fees and bonuses	—	1,255	2,070	3,034
Reinvested distributions on vested deferred units	457	393	888	811
Compensation expense – reinvested distributions, amortization and fair value change on unvested deferred units	389	192	467	965
Exchanged for Trust Units	—	(37)	—	(61)
Redeemed for cash	(96)	(1,191)	(748)	(6,423)
Fair value adjustment – vested deferred units	2,038	(1,386)	(10,071)	2,446
Carrying value – end of period	22,853	30,455	22,853	30,455

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:

	June 30, 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	13,094	347,008	360,102	—	267,815	267,815
Tenant receivables	—	67,536	67,536	—	15,921	15,921
Financial liabilities						
Secured debt	—	1,419,791	1,419,791	—	1,476,880	1,476,880
Unsecured debt	—	3,475,360	3,475,360	—	2,834,406	2,834,406
Long Term Incentive Plan	—	645	645	—	645	645
Units classified as liabilities	43,921	—	43,921	65,436	—	65,436
Earnout options	—	—	—	52	—	52
Deferred unit plan	22,853	—	22,853	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 categorizes the inputs used in valuation techniques for the Trust's financial asset and financial liabilities measured under FVTPL:

	June 30, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Recurring measurements:						
Financial asset						
Loans receivable	—	—	13,094	—	—	—
Financial liabilities						
Units classified as liabilities	—	43,921	—	—	65,436	—
Earnout options	—	—	—	—	—	52
Deferred unit plan	—	22,853	—	—	30,247	—

Refer to Note 5(b) "Mortgages, loans and notes receivable" and Note 13, "Other financial liabilities", for a reconciliation of 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. 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.

	Note	Number of Units Issued and Outstanding			Carrying Value		
		Trust Units (#)	Smart LP Units (#)	Total Units (#)	Trust Units (\$)	Smart LP Units (\$)	Total (\$)
		(Table A)			(Table B)		
Balance – January 1, 2020		144,038,363	25,148,180	169,186,543	3,072,821	633,358	3,706,179
Options exercised ⁽¹⁾	4(d), 13(b)	—	180,382	180,382	—	3,268	3,268
Distribution reinvestment plan	15(b), 16	578,744	—	578,744	17,331	—	17,331
Balance – June 30, 2020		144,617,107	25,328,562	169,945,669	3,090,152	636,626	3,726,778
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)	1,838	—	1,838	61	—	61
Distribution reinvestment plan	15(b), 16	981,806	—	981,806	32,810	—	32,810
Unit issuance cost		—	—	—	(9,634)	—	(9,634)
Units issued for cash		7,360,000	—	7,360,000	230,000	—	230,000
Balance – June 30, 2019		142,895,043	25,128,877	168,023,920	3,035,937	632,737	3,668,674

(1) For the six months ended June 30, 2020, the carrying value of Trust Units issued includes the change in fair value of Earnout options on exercise of \$nil (six months ended June 30, 2019 – \$566).

Table A: Number of LP Units issued and outstanding

The following table represents the number of Units issued and outstanding:

Unit Type	Class and Series	Balance – January 1, 2020	Options Exercised (Note 13(b))	Balance – June 30, 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	33,469	701,897
Smart Limited Partnership III	Class B Series 5	572,337	—	572,337
Smart Limited Partnership III	Class B Series 6	449,375	146,913	596,288
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	180,382	25,328,562

Unit Type	Class and Series	Balance – January 1, 2019	Options Exercised (Note 13(b))	Balance – June 30, 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:

Unit Type	Class and Series	Balance – January 1, 2020	Value From Options Exercised (Note 13(b))	Balance – June 30, 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	644	17,112
Smart Limited Partnership III	Class B Series 5	15,356	—	15,356
Smart Limited Partnership III	Class B Series 6	11,720	2,624	14,344
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	3,268	636,626

Unit Type	Class and Series	Balance – January 1, 2019	Value From Options Exercised (Note 13(b))	Balance – June 30, 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 June 30, 2020, there were 27,420,324 (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:

Class A⁽¹⁾⁽²⁾	June 30, 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⁾	June 30, 2020	December 31, 2019
Classified as Equity		
Limited Partnership Units ⁽⁵⁾	25,328,562	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:

Class C ⁽¹⁾⁽²⁾	Series	June 30, 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⁾	569,116	598,913
Smart Limited Partnership III	Series 5 ⁽⁴⁾	596,219	596,219
Smart Limited Partnership III	Series 6 ⁽⁴⁾	458,054	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:

Unit type	Class and Series	June 30, 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 six months ended June 30, 2020, nil trust units were issued for cash (six months ended June 30, 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 six months ended June 30, 2020, the Trust did not purchase for cancellation any Trust Units under the NCIB.

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 are presented in the following table:

		Six Months Ended June 30	
Unit Type Subject to Distributions	Class and Series	2020	2019
Distributions on Units classified as equity:			
Trust Units	N/A	134,202	129,205
Distributions on Limited Partnership Units			
Smart Limited Partnership	Class B Series 1	13,644	13,272
Smart Limited Partnership	Class B Series 2	879	855
Smart Limited Partnership	Class B Series 3	666	648
Smart Limited Partnership II	Class B	700	681
Smart Limited Partnership III	Class B Series 4	623	598
Smart Limited Partnership III	Class B Series 5	529	515
Smart Limited Partnership III	Class B Series 6	484	404
Smart Limited Partnership III	Class B Series 7	402	391
Smart Limited Partnership III	Class B Series 8	1,571	1,528
Smart Limited Partnership IV	Class B Series 1	2,838	2,747
Smart Oshawa South Limited Partnership	Class B Series 1	657	639
Smart Oshawa Taunton Limited Partnership	Class B Series 1	346	337
Total distributions on Limited Partnership Units		23,339	22,615
Total distributions on Units classified as equity		157,541	151,820
Distributions on Units classified as liabilities:			
Smart Limited Partnership	Class D Series 1	288	280
Smart Limited Partnership	Class F Series 3	3	1
Smart Oshawa South Limited Partnership	Class D Series 1	241	234
ONR Limited Partnership	Class B	1,155	1,123
ONR Limited Partnership I	Class B Series 1	123	120
ONR Limited Partnership I	Class B Series 2	129	123
Total distributions on Units classified as liabilities		1,939	1,881
Distributions paid through DRIP ⁽¹⁾		17,331	32,810

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

On July 27, 2020, the Trust declared a distribution for the month of July 2020 of \$0.15417 per Unit, representing \$1.85 per Unit on an annualized basis, to Unitholders of record on July 31, 2020.

17. Rentals from investment properties and other

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

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Gross base rent	124,635	127,811	252,599	255,156
Less: Amortization of tenant incentives	(1,724)	(1,752)	(3,346)	(3,548)
Net base rent	122,911	126,059	249,253	251,608
Property tax and insurance recoveries	47,273	47,673	95,882	96,130
Property operating cost recoveries	16,537	16,710	42,759	42,596
Total recoveries	63,810	64,383	138,641	138,726
Miscellaneous revenue	1,465	3,920	4,310	8,042
Rentals from investment properties	188,186	194,362	392,204	398,376
Service and other revenues ⁽¹⁾	2,099	2,384	4,808	4,803
Rentals from investment properties and other	190,285	196,746	397,012	403,179

(1) For the three months ended June 30, 2020, service and other revenues included \$1,806 relating to the fees associated with the Development and Services Agreement with Penguin (three months ended June 30, 2019 – \$2,219). For the six months ended June 30, 2020, service and other revenues included \$4,190 relating to the fees associated with the Development and Services Agreement with Penguin (six months ended June 30, 2019 – \$4,421). 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:

	June 30, 2020	June 30, 2019
2019 ⁽¹⁾	—	251,730
2020 ⁽¹⁾	247,882	478,949
2021	468,289	426,991
2022	417,309	373,941
2023	341,116	297,905
2024	268,352	225,984
Thereafter	782,133	693,527

(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 June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Recoverable property operating costs ⁽¹⁾	65,511	66,482	143,604	143,898
Property management fees and costs	535	966	1,383	2,165
Non-recoverable costs	16,502	1,092	17,749	2,457
Property operating costs	82,548	68,540	162,736	148,520
Other expenses ⁽²⁾	2,099	2,424	4,811	4,866
Property operating costs and other	84,647	70,964	167,547	153,386

(1) Include 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:

		Three Months Ended June 30		Six Months Ended June 30	
	Note	2020	2019	2020	2019
Salaries and benefits		12,996	12,016	26,287	25,595
Master planning services fee – by Penguin	21	1,750	1,750	3,500	5,600
Professional fees		1,683	863	3,062	1,970
Public company costs		682	607	1,380	1,230
Rent and occupancy		659	463	1,324	1,075
Amortization of intangible assets	8	333	333	666	666
Other costs including information technology, marketing, communications, and other employee expenses		2,768	1,527	4,278	2,824
Total general and administrative expense before allocation		20,871	17,559	40,497	38,960
Less:					
Capitalized to properties under development, and other assets		(7,386)	(5,439)	(14,719)	(13,767)
Allocated to property operating costs		(3,749)	(3,542)	(7,719)	(7,370)
Amounts charged to Penguin and third parties		(2,099)	(3,711)	(4,808)	(6,594)
Total amounts capitalized, allocated, and charged		(13,234)	(12,692)	(27,246)	(27,731)
General and administrative expense, net		7,637	4,867	13,251	11,229

20. Supplemental cash flow information

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

		Three Months Ended June 30		Six Months Ended June 30	
	Note	2020	2019	2020	2019
Amounts receivable and other	10	(41,091)	(6,220)	(50,258)	(20,140)
Deferred financing costs	10	86	(327)	172	(654)
Prepaid expenses and deposits	10	3,101	(19,042)	(8,771)	(28,565)
Accounts payable	12	(1,831)	(2,190)	(123)	(5,829)
Realty taxes payable	12	12,710	(3,293)	27,771	11,958
Tenant prepaid rent, deposits, and other payables	12	6,815	18,828	(1,514)	11,358
Other working capital changes		(724)	1,136	538	2,676
		(20,934)	(11,108)	(32,185)	(29,196)

21. Related party transactions

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

At June 30, 2020, Penguin (the Trust's largest Unitholder) owned the Units presented in the following table, which in total represent approximately 21.0% of the issued and outstanding Units (December 31, 2019 – 20.7%):

Type	Class and Series	June 30, 2020	December 31, 2019
Trust Units	N/A	14,393,063	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	701,897	668,428
Smart Limited Partnership III	Class B Series 5	572,337	572,337
Smart Limited Partnership III	Class B Series 6	596,288	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
		36,097,947	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 June 30, 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 which resulted in proceeds are presented in the table as follows:

Unit Type	Class and Series	Three Months Ended June 30		Six Months Ended June 30	
		2020	2019	2020	2019
Trust Units	N/A	—	—	—	1,065
Smart Limited Partnership	Class F Series 3	—	98	77	98
Smart Limited Partnership III	Class B Series 4	644	—	644	—
Smart Limited Partnership III	Class B Series 6	2,624	—	2,624	—
		3,268	98	3,345	1,163

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

Type	Class and Series	June 30, 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	569,116	598,913
Smart Limited Partnership III	Class B Series 5	596,219	596,219
Smart Limited Partnership III	Class B Series 6	458,054	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
		9,397,499	9,535,103

At June 30, 2020, Penguin's ownership would increase to 24.9% (December 31, 2019 – 24.7%) if Penguin were to exercise all remaining Earnout options. Pursuant to its rights under the Declaration of Trust, at June 30, 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 the Trust's 2019 annual general meeting to be held in the fall of 2020. In return for those services, Penguin is entitled to annual master planning fees of \$3,500 pursuant to the 2015 Agreement.
- 3) Pursuant to various agreements between the Trust and Penguin Pick-up ("PPU"), a retail business wholly owned by Penguin to carry out merchandise pick-up service, PPU occupies various locations in the Trust's retail portfolio.

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:

		Three Months Ended June 30		Six Months Ended June 30	
	Note	2020	2019	2020	2019
Related party transactions with Penguin					
Revenues:					
Service and other revenues:					
Transition services fee revenue		333	667	833	1,417
Management fee and other services revenue pursuant to the Development and Services Agreement		1,266	1,370	2,940	2,621
Support services		207	182	417	383
	17	1,806	2,219	4,190	4,421
Interest income from mortgages and loans receivable		1,898	2,067	4,016	4,081
Rents and operating cost recoveries included in rentals from income properties (includes rental income from Penguin Pick-up)		217	235	440	470
		3,921	4,521	8,646	8,972
Expenses and other payments:					
Master planning services:					
Capitalized to properties under development	19	1,750	1,750	3,500	5,600
Development fees and interest expense (capitalized to investment properties)		—	—	10	11
Opportunity fees (capitalized to properties under development) ⁽¹⁾		742	701	1,473	1,385
Rent and operating costs (included in general and administrative expense and property operating costs)		—	(67)	—	397
Marketing, time billings and other administrative costs (included in general and administrative expense and property operating costs)		45	42	57	73
		2,537	2,426	5,040	7,466
Related party transactions with PCVP					
Revenues:					
Interest income from mortgages and loans receivable		639	553	1,274	553
Expenses and other payments:					
Rent and operating costs (included in general and administrative expense and property operating costs)		652	650	1,303	650

(1) These amounts and prepaid land costs will be offset with the purchase price of future Earnouts.

	Note	June 30, 2020	December 31, 2019
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable ⁽¹⁾	10	9,909	7,958
Mortgages receivable	5(a)	142,125	138,762
Loans receivable	5(b)	102,897	24,388
Notes receivable	5(c)	2,979	2,979
Total receivables		257,910	174,087
Payables and other accruals:			
Accounts payable	12	12,720	8,893
Future land development obligation	12	20,619	27,074
Secured debt		—	318
Total payables and other accruals		33,339	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	June 30, 2020	December 31, 2019
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable ⁽¹⁾		661	1,690
Loans receivable ⁽²⁾	5(b)	93,702	92,427
Amounts payable ⁽³⁾		2,015	2,024
Other unsecured debt	11(b)(iii)	163,769	83,296

(1) Amounts receivable includes Penguin's portion, which represents \$216 (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 \$46,851 (December 31, 2019 – \$46,214) relating to Penguin's 50% investment in the PCVP.

(3) Amounts payable includes Penguin's portion, which represents \$1,007 (December 31, 2019 – \$1,012) relating to Penguin's 50% investment in the PCVP.

Mortgages receivable

As at June 30, 2020, the weighted average interest rate associated with mortgages receivable from Penguin was 4.63% (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 2020 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 16 investment properties (see also Note 4, "Investment properties").

Other related party transactions:

The following table summarizes other related party transactions:

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Legal fees paid to a law firm in which a partner is a Trustee:				
Capitalized (adjustment) to investment properties	478	49	963	1,366
Included in general and administrative expense	650	86	720	382
	1,128	135	1,683	1,748

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 June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Salaries and other short-term employee benefits	764	531	1,529	1,062
Deferred unit plan	162	521	678	1,029
Long Term Incentive Plan	—	(171)	—	360
	926	881	2,207	2,451

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

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	2020	2019
Trustee fees	203	183	467	394
Deferred unit plan	203	183	467	394
	406	366	934	788

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 June 30, 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 25.4% of the Trust's annualized rentals from investment properties for the six months ended June 30, 2020 (six months ended June 30, 2019 – 25.5%).

24. Adjustments to fair value

The following table summarizes the adjustments to fair value:

		Three Months Ended June 30		Six Months Ended June 30	
	Note	2020	2019	2020	2019
Investment properties					
Income properties	4	(139,141)	4,261	(203,299)	15,778
Properties under development	4	(58,223)	(246)	(57,447)	(2,866)
Fair value adjustment on revaluation of investment properties		(197,364)	4,015	(260,746)	12,912
Financial instruments					
Units classified as liabilities ⁽¹⁾	13(a)	(4,348)	3,760	21,592	(4,975)
Earnout options	13(b)	12	63	52	215
Deferred unit plan – vested portion	13(c)	(2,038)	1,386	10,071	(2,446)
Loans receivable	5(b)	1,532	—	1,532	—
Fair value adjustment on financial instruments		(4,842)	5,209	33,247	(7,206)
Total adjustments to fair value		(202,206)	9,224	(227,499)	5,706

(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 for the six months ended June 30, 2020 was the result of the \$10.30 decline in the Trust's Unit price from \$31.21 at December 31, 2019, to \$20.91 at June 30, 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 June 30, 2020, approximately 6.54% (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 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 (loss) and comprehensive income (loss).

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 (loss) 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 (six months ended June 30, 2020 – 12.08% 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 (loss) of possible changes in interest rates on variable rate debt.

Change in interest rate of:	-0.50%	-0.25%	+0.25%	+0.50%
Net income increase (decrease)	1,601	801	(801)	(1,601)

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 and other, deferred financing costs, and prepaid expenses and deposits"). 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 and other, deferred financing costs, and prepaid expenses and deposits"). 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, \$1,072,987 of liabilities (including \$835,072 of secured and unsecured debt and \$237,915 of account and other payable amounts) will mature and will need to be settled by means of renewal or payment.

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

The key assumptions used in the Trust's estimates of future cash flows when assessing liquidity risk are: the renewal or replacement of the maturing revolving operating facility, secured debt and unsecured debentures, at reasonable terms and conditions in the normal course of business and no major bankruptcies of large tenants. Management believes that it has considered all reasonable facts and circumstances 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 June 30, 2020, the Trust had: a) cash and cash equivalents of \$532,078; b) the funds available from its \$500,000 operating facility and its \$250,000 accordion feature; c) project-specific financing arrangements; and d) approximately \$5,644,500 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 six months ended June 30, 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 June 30, 2020, the carrying value of these obligations and commitments included in properties under development was \$53,641 (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 \$22,854 (December 31, 2019 – \$23,178), and commitments relating to equity accounted investments that total \$178,587 (December 31, 2019 – \$250,294), of which the Trust's share is \$57,355 (December 31, 2019 – \$73,257) – see Note 6, "Equity accounted investments", that will be incurred in future periods.

The Trust entered into agreements with Penguin in which the Trust will lend funds in the form of mortgages receivable, as disclosed in Note 5(a), "Mortgages, loans and notes receivable". The maximum amount that may be provided under the agreements totals \$279,235 (December 31, 2019 – \$279,235) (see also Note 5, "Mortgages, loans and notes receivable"), of which \$142,125 has been provided as at June 30, 2020 (December 31, 2019 – \$138,762).

As at June 30, 2020, letters of credit totalling \$50,056 (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.

CORPORATE INFORMATION

TRUSTEES

Mitchell Goldhar²
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 Powell²
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

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