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

For The Three and Nine Months Ended September 30, 2020

FROM SHOPPING CENTRES TO CITY CENTRES

2020 Third Quarter Report

SMARTCENTRES®
REAL ESTATE INVESTMENT TRUST

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MESSAGE FROM THE EXECUTIVE CHAIRMAN AND THE PRESIDENT & CEO

MITCHELL GOLDHAR
Executive Chairman

PETER FORDE
President & CEO

Mixed-use Development Adds $30.0 Million in FFO in Third Quarter

In the third quarter, we achieved a turning point as our mixed-use development initiative produced approximately $30.0 million of FFO (FFO per Unit of $0.17). This is the result of closings in our Transit City 1 and 2 condominium phases at SmartVMC. By year-end, all 1,110 presold condominium units are expected to close, with FFO for the second half of 2020 expected to increase by more than $49.0 million. These closings are the beginnings of what we expect to continue to accrue over many years from our robust pipeline of 256 identified development projects. These include residential rental and condo buildings, retirement homes and self-storage facilities. Closings of the sold out 631-unit third phase of our Transit City project at SmartVMC are expected to follow in 2021, with the sold out fourth and fifth 1,026-unit phases expected to be completed in 2023, together with the expected completion of our first rental building at SmartVMC in 2023/24.

SmartCentres is best described as a fully integrated real estate company. We have substantial and reliable recurring income and are now adding an entire new revenue source through development of higher and better uses of our exceptional locations. The additional profits generated from condominium, townhouse and other developments will enhance our core business to ensure that we have strong liquidity and earnings levels. While we recognize the current unit price is based on a short-term outlook that is largely reflective of monthly rental income, we are confident that as our expertise in, and a track record of development, rezoning and mixed-use intensification continues to grow our bottom line, it will significantly improve our valuation.

While COVID-19 has added some challenges in the short term, it has not altered our long-term strategy and we remain intently focused on our initiatives to grow the business through mixed-use development. As past financial downturns have substantiated time and time again, real estate is resilient and prime real estate in economic downturns represents opportunity. In 2020, in addition to the closings and construction activity noted above at SmartVMC, we have:

- completed construction of our first 171-unit rental building in Laval (which is already 80% leased);
- completed construction of our first 1,000-unit SmartStop Self Storage facility in Leaside;
- commenced construction of four additional self-storage locations in the GTA;
- completed construction of a new Walmart store on the site of our former head office in Vaughan;
- received approvals to commence our first two retirement home communities in Barrie and Ottawa with Revera and Group Selection, respectively;
- received approval to commence development of a 179-unit townhome project in Vaughan with our partner, Fieldgate;
- received approval to commence construction of the next residential rental building in Laval;
- completed leasing of the PwC-YMCA mixed-use tower in Vaughan;
- completed development applications for entitlements for many more mixed-use initiatives; and
- received City of Cambridge Minister's Zoning Order to redevelop the Trust's 73-acre retail property with over 12.0 million square feet of various forms of residential, retail, office, institutional, and other commercial uses.

Our development initiatives have not been curtailed by, but accelerated, during the current pandemic.

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.

Our core business of owning and managing approximately 33.8 million square feet of predominately Walmart-anchored shopping centres was built for 'heavy weather'. During this pandemic period, Walmart Canada's sales levels have increased considerably. Walmart continues to demonstrate its industry-leading ability to drive high traffic levels to our shopping centres across Canada demonstrated by our industry-leading occupancy levels. When including committed deals, our overall occupancy level was 97.4% in Q3, which is extraordinary given the challenges that retailers have faced over the last seven months because of the pandemic. Once again, these metrics underscore the resilience and strength of our core portfolio. We remain positioned as the strategic provider of retail space in Walmart-anchored open-format shopping centres in Canada, and we are continuing discussions with prospective tenants that we expect will, over time, backfill much of our current vacant space.

We are continuing to work with each of our tenants to establish, where appropriate, mutually satisfactory arrangements that will allow for some relief of their rental obligations with the goal of helping these organizations re-establish their operations as Canadians begin to 'get back to' normalcy. These collaborative efforts have resulted in the following improving collection experience (up to October 23, 2020) over the last six months:

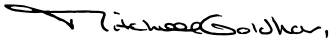
Month[1]	% of Gross Monthly Billings Collected Before Application of CECRA Related Arrangements	% of Gross Monthly Billings Collected After Application of CECRA Related Arrangements
April	75.7%	82.2%
May	73.6%	80.0%
June	78.2%	84.7%
July	86.7%	93.1%
August	89.0%	95.6%
September[2]	89.5%	96.1%

[1] As of October 23, 2020, the Trust collected 90.8% of gross monthly billings for October.
[2] The CECRA program ended on September 30, 2020.

During the third quarter, we have continued 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 over 1.0 million square feet of our built space, as well as our land, parking lots and signage to various levels of Canadian governments and health care authorities, to help support 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 frontline patient care efforts. 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 assist Canadian health authorities with their efforts to protect Canadians. Notwithstanding all of our other COVID-19-related efforts, we continue to be most proud of this initiative.

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 supporting us as we continue along our path to create a stronger and more diversified, growth-oriented real estate investment trust. We hope that you and your families continue to stay safe and healthy. 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 NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 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 nine months ended September 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 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. The Canadian dollar is the functional and reporting currency for purposes of preparing the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020.

This MD&A is dated November 11, 2020, which is the date of the press release announcing the Trust's results for the three and nine months ended September 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 Properties NOI", "Same Properties NOI excluding expected credit loss provision", "Interest Coverage", "Aggregate Assets", "Gross Book Value", Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), "Payout Ratio", "secured debt", "unsecured debt", and any related measure per Variable Voting Unit of the Trust (a "Trust Unit") and per unit of the Trust's subsidiary limited partnerships (an "LP Unit") (where management discloses the combination of Trust Units and LP Units, combined units are referred to as a "Unit" or "Units") are terms used by management to measure, compare and explain the operating results and financial performance of the Trust and do not have any standardized meaning prescribed under IFRS and, therefore, should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. These terms are defined in this MD&A and reconciled to the closest IFRS measure in the unaudited interim condensed consolidated financial statements of the Trust for the three and nine months ended September 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 how 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 "Risks 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", "Key Business Development, Financial and Operational Highlights for the Three Months Ended September 30, 2020", "Mixed-Use Development Initiatives", "Status of Current Development Initiatives", "Leasing Activities and Lease Expiries", "Amounts Receivable and Other, Deferred Financing Costs, and Prepaid Expenses and Deposits", "Future Retail Developments, Earnouts and Mezzanine Financing", "Uncommitted Retail Pipeline", "Capital Resources and Liquidity", "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", "potential", "propose", "schedule", "estimate", "intend", "project", "will", "may", "might", "vision", 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 and leasing risk; development and construction risk; joint venture risk; debt financing; interest and financing risk; liquidity risks; capital requirements; credit risk; general uninsured losses; competition for real property investments; environmental and climate change risk; cyber security risk; potential conflicts of interest; reliance on key personnel; litigation risk; tax-related risk factors and significant Unitholder 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 (the "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 within 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 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 33.8 million (September 30, 2019 – 34.0 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 and Earnout of completed and fully leased retail shopping centres, predominately with the anchor or Shadow Anchor (i.e., located on a nearby property not owned by SmartCentres) tenant being Walmart. Although the current pandemic has resulted in the closure of a limited number of tenants, 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 97.1% as at September 30, 2020 (June 30, 2020 – 97.6% and December 31, 2019 – 98.1%). The Trust's shopping centres are typically located close to major highways and other major arterial roadways, which, along with the anchor and Shadow 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.

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 large team of 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.

As at September 30, 2020, the Trust's portfolio includes an ownership interest in 166 properties, which includes: 148 shopping centres with total income-producing gross leasable area of approximately 33.8 million square feet, one office property, eight mixed-use properties (including 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.

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 of shopping centres 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 in this MD&A.

Retail Developments, Earnouts and Mezzanine Financing

Retail Developments, Earnouts and Mezzanine Financing continue to be components of the Trust's strategic plan, althought they are 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 in the "Mixed-Use Development Initiatives" section. "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)	**September 30, 2020**	December 31, 2019
Planned developments not subject to Earnouts	**2,297**	2,346
Planned developments subject to Earnouts	**169**	247
Future estimated retail development area	**2,466**	2,593
Lands under Mezzanine Financing	**597**	615
Potential gross leasable area	**3,063**	3,208

The Trust continues to revise its estimates and adjust its plans towards mixed-use development. Pursuant to the Transaction, which involved the acquisition of both a significant portfolio of real estate and the Penguin platform – 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 Developments and Earnouts.

Acquisitions

Subject to the availability of acquisition opportunities, the Trust also may 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, residential, and self-storage 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 97.1% at September 30, 2020 (June 30, 2020 – 97.6%) and a committed occupancy rate (that includes executed leases that have not commenced) of 97.4% at September 30, 2020 (June 30, 2020 – 97.8% and December 31, 2019 – 98.2%).

Outlook – Maximizing Our Transition to a Fully Integrated REIT While Managing and Leading 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 our focus on long-term strategic initiatives, while supporting our current operations, tenants and the communities in which we operate throughout Canada. During this pandemic, we have offered to provide over 1.0 million square feet of space to Canadian health organizations to support their needs. Included in this group are Trillium Health Partners and Hamilton Health Sciences which have taken space in our Etobicoke, Oakville and Stoney Creek shopping centres, respectively, to accommodate their immediate needs as a result of the pandemic. We are proud of the assistance that we have provided to Canadian health care organizations to date and continue to work with other healthcare organizations across Canada with the hope of helping many more with their needs for space during this period.

In the fall of 2019, 256 mixed-use development initiatives (representing approximately 27.9 million square feet) were identified to potentially be built on 94 of the Trust's properties. These mixed-use initiatives are expected to be developed primarily on underutilized lands currently owned by the Trust. We will also plan to judiciously purchase additional development lands or income-producing properties when they offer longer term strategic and economic opportunities. Our next five-year budgeting process is underway and initial indications are that the number of initiatives will be increased significantly from the previously identified 256. Mixed-use development initiatives enable us to leverage our existing portfolio of retail properties as a catalyst to assist future growth in the Trust's NAV and FFO.

From a development perspective at SmartVMC, we are pleased to confirm that our third quarter results include $30.0 million ($0.17 of FFO per Unit) emanating from the initial closings in the Transit City 1 & 2 condominiums that began in Q3. This is a milestone achievement as it represents the initial contributions to FFO from our robust pipeline of development opportunities, from which we expect to grow FFO and NAV for many years to come. The table below summarizes construction activity currently underway at SmartVMC:

Phase	# Storeys	# Units Released for Sale/ Available for Rent	# Units Sold	% of Units Sold to Date	Actual/ Estimated Completion Period
Transit City 1	55	551	551	100.0 %	2020
Transit City 2	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
Transit City 1 & 2 Townhomes	N/A	22	22	100.0 %	2021
Subtotal – SmartVMC Condos/ Townhomes		2,789	2,789	100.0 %	
Purpose-Built Residential Rental Apartment Tower	36	454	N/A	N/A	2023/2024
Total – SmartVMC Residential		3,243	2,789		

We are proud to confirm that the completion and profitability of our first three phases of condominium development at SmartVMC are coming in both ahead of schedule and ahead of budget. Closings in Transit City 1 & 2 began on August 5 and have continued as noted in the table below. The table below also provides details on expected closings for Transit City 3 and the Transit City 1 & 2 townhomes:

Month	Transit City 1 Closings	Transit City 2 Closings	Transit City 3 Closings	Transit City 1 & 2 Townhome Closings	Total Transit City Closings	As a % of Total Transit City 1, 2 & 3 Units
August	247	—	—	—	247	14 %
September	174	345	—	—	519	29 %
October	35	88	—	—	123	7 %
Closings to October 31, 2020	**456**	**433**	**—**	**—**	**889**	**50 %**
November	35	52	—	—	87	5 %
December	60	74	—	—	134	8 %
Total – 2020	**551**	**559**	**—**	**—**	**1,110**	**63 %**
Q2/Q3 2021	—	—	631	—	**631**	**36 %**
Q4 2021	—	—	—	22	**22**	**1 %**
Total – 2020 and 2021	**551**	**559**	**631**	**22**	**1,763**	**100 %**

SmartVMC is becoming a community, with approximately 3,000 new residents expected to occupy their new homes over the next 12 months. In addition, construction of Transit City 4 & 5 continues, along with our first purpose-built rental building at SmartVMC. Upon their completion, which is expected in 2023/2024, these new towers are expected to provide accommodation for over 2,000 additional residents to SmartVMC.

Also, at SmartVMC, the completion of the world-class YMCA space continues and the facility is now expected to be completed in Q2 of 2021. We are also now actively designing the next phase of office development at SmartVMC which is expected to be built in conjunction with two new residential towers adjacent to the SmartVMC Bus Terminal. In September, we sold 22 townhomes as part of the Transit City 1 & 2 phases. Commencement of construction of the townhomes is expected later this year and completion is scheduled for Q4 2021. In addition, the opening of the new Walmart store on the site of our former head office took place in October. This new store features leading edge omni-channel attributes for Walmart, and the significance of the new aligned off-ramp from Hwy 400 directly into the SmartVMC site cannot be overstated as it now permits Walmart customers access to the new store directly from the highway. Walmart's recent move has now provided 15.5 acres of additional development lands on the SmartVMC site. Subject to market conditions, we expect to announce future phases of high-rise residential development on these lands and other SmartVMC development initiatives over the next 12 months.

In addition to SmartVMC, our residential development initiatives are expected to continue to progress over the next six months, 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	167	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

In Laval, Quebec, with our partner, Jadco, construction of the first phase of the two-phase, purpose-built residential rental project was completed earlier in 2020 and initial occupancies in the 171-unit, 15-storey first phase commenced in Q2. Currently, approximately 80% of the rental units have now been leased. Economic stabilization of this first tower is expected in 2021 and construction of the second phase is now expected to commence within the next 6 months and be completed in 2022.

Earlier in 2020, together with our partner, Greenwin Developments Inc. ("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. Also, in the second half of 2019, together with our partner, 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 2019, together with Revera Inc. ("Revera"), we announced the execution of an overall agreement to develop and own new retirement living residences across Canada. (We 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, in Vaughan (two initiatives) and Oakville, Ontario which in aggregate will contain 536 units. 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. We closed on the purchase of our 50% interest in the Markham property in early November. 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 within the next six months with completion expected in Q1 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. It opened earlier this year and the facility is being very well received by the local community with current occupancy levels ahead of expectations. Construction is progressing on the next four SmartStop projects in Brampton, Vaughan NW, Oshawa, and Scarborough with completions expected within the next six months. These 4-storey self-storage facilities range in size up to 135,000 square feet and will each have approximately 1,000 units. Additional self-storage facilities have been approved by our Board for development on our existing properties including locations at Aurora, Whitby, 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 33.8 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 was 97.4% at the end of Q3 (September 30, 2019 – 98.2%) which reflects the impact of various tenants that have shuttered their businesses during the pandemic period. Prior to the pandemic, there was already a dearth of new retail space being constructed and the pandemic has resulted 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, safer open-format alternatives. We will likely have some additional vacant space resulting from this pandemic; however, we remain positioned as the strategic lower-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 as at September 30, 2020, we have renewed 68.8% of our expiring lease maturities (2019 – 82.6%) with rental increases, excluding anchor tenants averaging 4.3% (2019 – 4.0%).

Our experience with the collection of tenant billings has continued to improve since the commencement of the pandemic period. On April 21, 2020, we announced that our collection experience for April was 68% and as reflected in the table below, since that date, our actual collection experience (up to October 23, 2020) has continued to improve substantively.

Month[1]	% of Gross Monthly Billings Collected Before Application of CECRA Related Arrangements	% of Gross Monthly Billings Collected After Application of CECRA Related Arrangements
April	75.7 %	82.2 %
May	73.6 %	80.0 %
June	78.2 %	84.7 %
July	86.7 %	93.1 %
August	89.0 %	95.6 %
September[2]	89.5 %	96.1 %

(1) As of October 23, 2020, the Trust collected 90.8% of gross monthly billings for October.
(2) The CECRA program ended on September 30, 2020.

In May 2020, 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 which ended in September 2020. This program provided for federal rent subsidies to qualifying tenants of 50% of their rents for the period April – September 2020 and required participating landlords to 'forgive' 25% of the rent otherwise payable for the subject months. Qualifying tenants were, therefore, required to fund only 25% of their rents for this period, with the expectation that doings so would provide those tenants that had been significantly impacted by the pandemic the opportunity to stabilize their businesses. Since the inception of the CECRA program, we have worked with over 700 of our tenants that qualified for this program and filed applications for the federal subsidies for the period April – September 2020, on their behalf, all of which were received prior to September 30, 2020.

The table below provides the details associated with our involvement in the CECRA program:

(in thousands of dollars)	Total Tenant Gross Billings Eligible for the CECRA Program (A)	Government Funded Amounts (50% of A)	Amounts "Forgiven" by the Trust (25% of A)
Total for the Six Months Ended September 30, 2020[1]	30,824	15,412	7,706

(1) Net of sales tax.

In addition, we continue to work with those mid- to large-size tenants that did not qualify for the CECRA program, but whose businesses have been affected during this period to assist with their initiatives to stabilize their businesses.

The following table provides some additional details on the Trust's tenant billings, amounts received (up to October 23, 2020), expected recovery and related provisions for pandemic-impacted periods for the three months ended September 30, 2020 and June 30, 2020:

(in thousands of dollars)	Three Months Ended September 30, 2020	As a %	Three Months Ended June 30, 2020	As a %	Total for the Six Months Ended September 30, 2020	As a %
Total tenant billings	199,587	100.0	202,072	100.0	401,659	100.0
Less: Amounts received directly from tenants to date	176,434	88.4	153,241	75.8	329,675	82.1
Balance outstanding	23,153	11.6	48,831	24.2	71,984	17.9
Less:						
Recovery from governments for CECRA	7,706	3.9	7,706	3.8	15,412	3.8
Amounts forgiven by the Trust for CECRA	3,853	1.9	3,853	1.9	7,706	1.9
Sales tax on CECRA	1,488	0.7	1,488	0.7	2,976	0.7
Tenant rent deferral arrangements negotiated or near completion	2,680	1.3	20,269	10.0	22,949	5.7
Rents to be collected before expected credit loss ("ECL") provision	7,426	3.7	15,515	7.7	22,941	5.7
Less: ECL provision	5,564	2.8	7,920	3.9	13,484	3.4
Balance to be collected	1,862	0.9	7,595	3.8	9,457	2.4

In addition, there are a number of mid- and large-size tenants that did not qualify for the CECRA program, but have been required to close their operations during parts of the pandemic. These tenants include restaurants, fashion, toys, fitness, sportswear, furniture, and other retailers that certain governments deemend non-essential. While many of these larger tenants fulfilled their lease payment obligations during the period, a number of tenants required some flexibility to permit them to re-establish operations and begin to return to normalcy. Deferral rents negotiated or near completion amounted to 5.7% of total tenant billings for the six months ended September 30, 2020.

This pandemic has also resulted in a select 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 totalling $9.7 million being recorded during the third quarter. The table below represents a summary of the nature of bad debt and ECL provisions taken during the three months ended June 30, 2020, and the three and six months ended September 30, 2020:

(in thousands of dollars)	Three Months Ended September 30, 2020	Three Months Ended June 30, 2020	Total for the Six Months Ended September 30, 2020
Provisions for CECRA-Eligible Tenants	2,101	5,605	7,706
Provisions for Tenants Not Eligible for CECRA	646	1,408	2,054
	2,747	7,013	9,760
Provisions for Tenants Filing Under *CCAA* and similar bankruptcy restructurings	4,089	3,070	7,159
Provisions for additional ECL	2,875	5,401	8,276
	6,964	8,471	15,435
Total bad debt and ECL provisions	9,711	15,484	25,195

The retail portfolio's 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 on our properties and that we expect substantial future value increments to be derived from our proposed mixed-use development initiatives. For example, the potential for incremental value from future mixed-use development (once fully zoned and the site-plan is approved) at our Westside Mall property in Toronto alone is projected to add in excess of $100.0 million to this property's current IFRS value. This represents only one property in a portfolio of 166 properties that we expect will 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 following table identifies the impact to IFRS investment property values for the nine months ended September 30, 2020:

	Income Properties		Properties Under Development		Total	
(in thousands of dollars)	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 as 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	1,676		3,653		5,329	
Fair value adjustment on revaluation of investment properties in Q2 2020	(139,141)	(1.7)%	(58,223)	(9.7)%	(197,364)	(2.2)%
Fair value as at June 30, 2020	8,273,747		539,754		8,813,501	
Additional costs and other adjustments[(1)]	(14,146)		32,605		18,459	
Fair value adjustment on revaluation of investment properties in Q3 2020	745	0.0 %	1,489	0.3 %	2,234	0.0 %
Fair value as at September 30, 2020	**8,260,346**		**573,848**		**8,834,194**	
Year to date fair value adjustment on revaluation of investment properties	(202,554)	(2.5)%	(55,958)	(9.3)%	(258,512)	(2.9)%

(1) See the "Investment Properties" section for further details.

The pandemic 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 increased. 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 interest 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 67%/33% (September 30, 2019 – 53%/47%). This strategy permits us to continue to increase our unencumbered asset pool, which is currently valued at in excess of $5.8 billion (September 30, 2019 – $4.7 billion).

Liquidity and having the ability to fund obligations during challenging periods, such as the effects currently being experienced that result from the pandemic, 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 establishing 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 Morningstar. 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. Earlier in the year, 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. 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 being used to repay maturing and other debt over the balance of 2020 and into 2021.

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

a. Average interest rate of 3.37%
b. Average duration of unsecured debt of 5.0 years
c. Adjusted debt/Adjusted EBITDA of 8.5X
d. Debt/Total assets of 44.3%
e. Interest coverage ratio of 3.3X
f. Maturing secured debt during balance of 2020 of $17.1 million
g. 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, 32 of which are either underway or for which construction is expected to commence within the next two years. With the recognition of approximately $30.0 million in FFO ($0.17 per Unit) from the beginning of Transit City closings, our third quarter marks the beginning of a new SmartCentres into a fully integrated REIT. These substantial earnings are the first foundational indicators from our robust pipeline of opportunity from which we expect to see consistent and measured growth in both FFO and NAV.

Key Business Development, Financial and Operational Highlights for the Three Months Ended September 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 for the three and nine months ended September 30, 2020 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 both 55-storey Transit City 1 and 2 condo towers representing 1,110 residential units commenced on August 5th, with 766 units closed by the end of September and 100% of units expected to be closed by year-end. These closings contributed approximately $30.0 million in FFO ($0.17 in FFO per Unit) for the third quarter of 2020, and are expected to contribute over $49.0 million in FFO for the second half of 2020.[(2)] In addition, the 1,098 unit multi-level parking facility providing parking for both these condominium buildings and the neighbouring PwC/YMCA mixed-use facility is now fully functional.

- Construction of the 55-storey Transit City 3 condo tower representing 631 residential units continues to be on schedule and ahead of budget. The tower is now topped-off and closings are expected to commence in spring 2021.

- Construction is well underway on Transit City 4 (45 storeys) and 5 (50 storeys) condo towers, representing 1,026 sold residential units, with bulk excavation complete and tower cranes erected. Concrete and formwork for the multi-level underground parking garage is in progress.

- Construction is well underway on a 35-storey, 454-unit purpose-built residential rental building at SmartVMC, with the tower crane erected and concrete and formwork for the multi-level underground parking garage is in progress.

- Construction of the new Walmart store is complete, with Walmart's grand opening having taken place on October 22, 2020, allowing for the closing of the existing store on the SmartVMC site, and freeing up approximately 15.5 acres of valuable land for future mixed-use development close to the TTC subway station.

- Pre-sold 100% of the 22 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.

Other Business Development

- The completed first phase of the two-phase, purpose-built residential rental project in Laval, Quebec, which had initial move-ins by tenants commencing in March and, to date, approximately 80% of the 171-unit building has been leased. Construction of the next phase is expected in early 2021.

- The Trust completed construction of its first self-storage facility in Toronto (Leaside) which has been very well received by the local community with current occupancy levels ahead of expectations.

- Based on planning and rezoning work completed to date, the Trust expects to commence construction on two retirement home initiatives over the next six months with its joint venture partners, Revera and Selection Group in Barrie and Ottawa, respectively.

- Four additional self-storage facilities in Brampton, Vaughan, Oshawa, and Scarborough are currently under construction with completion expected later this year or in 2021. Additional self-storage facilities have been approved by the Board and we are in the process of obtaining municipal approvals in Aurora, Whitby, Toronto, Markham and an additional location in Brampton.

- With the newly issued Minister's Zoning Order, the Trust will immediately begin work to redevelop its 73-acre Cambridge retail property with various forms of residential, retail, office, institutional, and commercial uses to create a complete vibrant urban community representing over 12.0 million square feet.

- As described in detail in the "Mixed-Use Development Initiatives" section in this MD&A, during the COVID-19 "shutdown", the Trust has been aggressively pursuing final municipal approvals for mixed-use density on many of its shopping centres during the past few months.

Financial

- The Trust further improved its unsecured/secured debt ratio from 65%/35% to 67%/33%, as it repaid $63.2 million of secured debt and $13.4 million of unsecured debt and credit facilities this quarter, and is expected to repay the Series R unsecured floating-rate debentures with existing cash on hand when they mature on December 21, 2020.

- The Trust continues to add to its unencumbered pool of high-quality assets. As at September 30, 2020, its portfolio consisted of income properties valued at $5.8 billion (September 30, 2019 – $4.7 billion).

- Debt metrics continue to demonstrate the Trust's commitment to its balance sheet, including Debt to Total Assets of 44.3%, Interest Coverage multiple of 3.3X, Interest Coverage net of capitalized interest multiple of 3.8X, and Adjusted Debt to Adjusted EBITDA multiple of 8.5X.[(3)]

- Net income and comprehensive income was $111.0 million as compared to net income and comprehensive income of $95.1 million in the same period in 2019, representing an increase of $15.9 million. This increase was primarily attributed to earnings from equity accounted investment on the closings of Transit City 1 and 2 units of $31.8 million, partially offset by a $9.7 million increase in expected credit losses principally resulting from the impact of COVID-19.[(1)]

- FFO increased by $0.07 per Unit or $12.8 million to $110.1 million as compared to the same period in 2019, principally as a result of the Trust's share of profit on the closings of Transit City 1 and 2 units, which represented an increase in FFO per Unit of approximately $0.17.[(2)]

- ACFO increased by $14.7 million or 16.6% to $103.2 million as compared to the same period in 2019 principally as a result of distributions from equity accounted investment on the closings of Transit City 1 and 2 units of $29.2 million, partially offset by a $9.7 million increase in expected credit losses principally resulting from the impact of COVID-19.[(2)]

- ACFO exceeded both distributions declared and distributions paid by $23.6 million, as compared to the same period in 2019 of $11.3 million and $29.6 million, respectively. The change is primarily due to the Trust's share of profit on the closings of Transit City 1 and 2, partially offset by COVID-19 related expected credit loss provisions of $9.7 million and their associated impact on the Trust's cashflows from operations. Note also that the Trust suspended its DRIP program in April 2020.[(2)]

Operational

- Both committed and in-place occupancy rates maintained industry-leading levels of 97.4% and 97.1%, respectively, as at September 30, 2020, which are lower than the prior comparable quarter and reflect tenant closings during COVID-19.

- Rentals from investment properties and other was $186.3 million, as compared to $195.5 million in the same period in 2019, representing a decrease of $9.2 million or 4.7%. This decrease was primarily due to: i) lower CAM and realty tax recoveries as a result of lower recoverable costs incurred during the quarter, and ii) lower percentage rent, short-term rentals and other miscellaneous revenues as a result of the COVID-19 pandemic.

- Same Properties NOI for the three months ended September 30, 2020 decreased by $10.7 million or 8.3% 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 September 30, 2020 as a result of COVID-19. Excluding the higher expected credit losses of $9.7 million recorded in the three months ended September 30, 2020, Same Properties NOI would have been $127.5 million representing a decrease of $1.0 million or 0.8% as compared to the same period in 2019.[(2)]

(1) Represents a GAAP measure.
(2) Represents a non-GAAP measure. See "Presentation of Certain Terms Including Non-GAAP Measures" section.
(3) Net of cash-on-hand of $413.1 million as at September 30, 2020 for the purposes of calculating the ratios.

Selected Consolidated Operational, Development and Financial Information

Key consolidated operational, development and financial information shown in the table below includes the Trust's proportionate share of equity accounted investments:

(in thousands of dollars, except per Unit and other non-financial data)	**September 30, 2020**	December 31, 2019	September 30, 2019
Operational Information			
Total number of properties with an ownership interest	**166**	165	166
Gross leasable area including both retail and office space (in thousands of sq. ft.)	**34,051**	34,337	34,277
Occupied area including both retail and office space (in thousands of sq. ft.)	**33,076**	33,678	33,617
Vacant area including both retail and office space (in thousands of sq. ft.)	**975**	659	659
Committed occupancy rate	**97.4%**	98.2%	98.2%
In-place occupancy rate	**97.1%**	98.1%	98.1%
Average lease term to maturity (in years)	**4.7**	4.9	5.1
Net retail rental rate (per occupied sq. ft.)	**$15.45**	$15.49	$15.44
Net retail rental rate excluding Anchors (per occupied sq. ft.)	**$22.15**	$22.13	$22.04
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 in development planning stage	**256**	256	N/A(5)
Trust's share of estimated costs of future projects	**5,400,000**	5,500,000	N/A(5)
Financial Information			
Investment properties(2)(3)	**9,354,927**	9,466,501	9,280,212
Total assets(1)	**10,365,651**	9,928,467	9,704,677
Total unencumbered assets(2)	**5,763,400**	5,696,100	4,652,700
Debt(2)(3)	**4,908,808**	4,290,826	4,132,699
Debt to Aggregate Assets(2)(3)(4)	**44.3%**	42.3%	41.8%
Debt to Gross Book Value(2)(3)(4)	**49.8%**	49.0%	48.5%
Unsecured to Secured Debt Ratio(2)(3)(4)	**67%/33%**	63%/37%	55%/45%
Unencumbered assets to unsecured debt(2)(3)(4)	**1.9X**	2.1X	2.1X
Weighted average interest rate(2)(3)	**3.37%**	3.55%	3.66%
Weighted average term of debt (in years)	**4.9**	5.0	4.5
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	3.9X
Adjusted Debt to Adjusted EBITDA (net of cash)(2)(3)(4)	**8.5X**	8.0X	7.8X
Equity (book value)(1)	**5,197,315**	5,367,752	5,324,196
Weighted average number of units outstanding – diluted	**173,120,316**	171,858,434	171,255,329

(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 September 30, 2020, cash-on-hand of $413.1 million was excluded for the purposes of calculating the applicable ratios (December 31, 2019 – $37.0 million).
(5) N/A – information not available.

Quarterly Comparison to Prior Year

The following table presents key financial, per Unit, and payout ratio information for the three months ended September 30, 2020 and September 30, 2019:

(in thousands of dollars, except per Unit information)	**September 30, 2020**	September 30, 2019	Variance
	(A)	(B)	(A–B)
Financial Information			
Rentals from investment properties and other[1]	**186,344**	195,531	(9,187)
Net income and comprehensive income[1][3]	**111,033**	95,138	15,895
Net income and comprehensive income excluding fair value adjustments[2][3]	**105,214**	91,520	13,694
Cash flows provided by operating activities[1]	**79,100**	80,615	(1,515)
NOI[2]	**147,612**	128,645	18,967
FFO[2][3][4][5]	**110,107**	97,330	12,777
ACFO[2][3][4][5]	**103,200**	88,537	14,663
Distributions declared	**79,621**	77,264	2,357
Surplus of ACFO over distributions declared[2]	**23,579**	11,273	12,306
Surplus of ACFO over distributions paid[2]	**23,579**	29,647	(6,068)
Units outstanding[6]	**172,220,387**	170,689,152	1,531,235
Weighted average – basic	**172,112,821**	170,400,281	1,712,540
Weighted average – diluted[7]	**173,120,316**	171,255,329	1,864,987
Per Unit Information (Basic/Diluted)			
Net income and comprehensive income[1]	**$0.65/$0.64**	$0.56/$0.56	$0.09/$0.08
Net income and comprehensive income excluding fair value adjustments[2][3]	**$0.61/$0.61**	$0.54/$0.53	$0.07/$0.08
FFO[2][3][4][5]	**$0.64/$0.64**	$0.57/$0.57	$0.07/$0.07
Distributions declared	**$0.463**	$0.450	$0.013
Payout Ratio Information			
Payout ratio to FFO[2][3][4][5]	**72.3 %**	79.4 %	(7.1)%
Payout ratio to ACFO[2][3][4][5]	**77.2 %**	87.3 %	(10.1)%

(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 presents key financial, per Unit, and payout ratio information for the nine months ended September 30, 2020 and September 30, 2019:

(in thousands of dollars, except per Unit information)	**September 30, 2020**	September 30, 2019	Variance
	(A)	(B)	(A–B)
Financial Information			
Rentals from investment properties and other[1]	**583,356**	598,710	(15,354)
Net income and comprehensive income[1][3]	**41,560**	270,619	(229,059)
Net income and comprehensive income excluding fair value adjustments[2][3]	**258,017**	261,216	(3,199)
Cash flows provided by operating activities[1]	**204,611**	213,964	(9,353)
NOI[2]	**382,103**	382,630	(527)
FFO[2][3][4][5]	**281,270**	277,403	3,867
ACFO[2][3][4][5]	**269,407**	262,850	6,557
Distributions declared	**239,101**	230,969	8,132
Surplus of ACFO over distributions declared[2]	**30,306**	31,881	(1,575)
Surplus of ACFO over distributions paid[2]	**47,783**	84,330	(36,547)
Units outstanding[6]	**172,220,387**	170,689,152	1,531,235
Weighted average – basic	**171,890,163**	169,277,340	2,612,823
Weighted average – diluted[7]	**172,873,206**	170,151,053	2,722,153
Per Unit Information (Basic/Diluted)			
Net income and comprehensive income[1]	**$0.24/$0.24**	$1.60/$1.59	$-1.36/$-1.35
Net income and comprehensive income excluding fair value adjustments[2][3]	**$1.50/$1.49**	$1.54/$1.54	$-0.04/$-0.05
FFO[2][3][4][5]	**$1.64/$1.63**	$1.64/$1.63	$—/$—
Distributions declared	**$1.388**	$1.350	$0.038
Payout Ratio Information			
Payout ratio to FFO[2][3][4][5]	**85.0 %**	83.3 %	1.7 %
Payout ratio to ACFO[2][3][4][5]	**88.8 %**	87.9 %	0.9 %

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

The following table summarizes the 256 identified mixed-use development initiatives, which are included in this large development pipeline:

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	—	—	5	5
Subtotal – Recurring income initiatives	21	53	122	196
Condominium developments	9	12	25	46
Townhome developments	2	5	7	14
Subtotal – Development income initiatives	11	17	32	60
Total	**32**	**70**	**154**	**256**
Planning entitlements (#)	**31**	**31**	**77**	**139**
Project area (in thousands of sq. ft.) – at 100%				
Recurring income initiatives	7,400	6,100	23,300	36,800
Development income initiatives	5,100	8,500	8,900	22,500
Total project area (in thousands of sq. ft.) – at 100%	**12,500**	**14,600**	**32,200**	**59,300**
Trust's share of project area (in thousands of sq. ft.)				
Recurring income initiatives	3,500	5,000	12,500	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.)	**5,700**	**6,600**	**15,600**	**27,900**
Total estimated costs (in millions of dollars) – at 100% based on current planning budgets	**5,000**	**6,900**	**– (1)**	**11,900**
Trust's share of such estimated costs (in millions of dollars)	**2,300**	**3,100**	**– (1)**	**5,400**

(1) The Trust has not yet fully determined the costs attributable to future projects expected to commence after five years 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 among other things, 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 ("VMC"), 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 in Vaughan, Ontario contemplates approximately 11.0 million square feet of mixed-use development, anchored by over $3.0 billion in public transit infrastructure spending including the VMC subway station which opened in 2017. SmartVMC's share of that is planned to be 5.5 million sq ft. 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 fully occupied office space and community-use space, including a 113,000 square-foot world-class YMCA facility and municipal library, expected to open in 2021;
   iii) the new 140,000 square-foot Walmart store which opened 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	Actual/ Estimated Completion Period
Transit City 1	55	551	551	100.0 %	2020
Transit City 2	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
Transit City 1 & 2 Townhomes	N/A	22	22	100.0 %	2021
Subtotal – SmartVMC Condos/ Townhomes		2,789	2,789	100.0 %	
Purpose-Built Residential Rental Apartment Tower	36	454	N/A	N/A	2023/2024
Total – SmartVMC Residential		3,243	2,789		

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 (Complex/ Tower #2)	Office use	225,000 sq. ft. (1)	2019–2021	50 %
	Office (Tower #3)	Office	600,000 sq. ft.	2027	50 %
	Office (Tower #4)	Office	500,000 sq. ft.	2029	50 %
	Residential Rental	Apartments	451 units	2023–2024	50 %
Residences LP	Transit City 1	Condo	551 units	2020	25 %
	Transit City 2	Condo	559 units	2020	25 %
	Transit City 1 & 2 Townhomes	Townhomes	22 units	2021	25 %
Residences III LP	Transit City 3	Condo	631 units	2021	25 %
East Block Residences LP	Transit City 4 and 5	Condo	1,026 units	2023	25 %

(1) Includes 112,900 sq. ft. of YMCA, library, and community-use space.

SmartVMC, Residential and Other Development Initiatives

During the nine months ended September 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 Pumpernickel's.

ii) PwC-YMCA Complex:

The PwC-YMCA Complex is a 225,000 square foot mixed-use office complex located in the heart of SmartVMC, adjacent to the VMC subway station and bus terminal. The Trust, together with Penguin, each own a 50% interest in the new fully-leased office tower, which represents approximately 113,000 square feet of Class A office space. PwC opened its 77,000 square feet of office space at SmartVMC in November 2019. Scotiabank opened both its 23,000 square feet of office space on the 8th floor of the PwC-YMCA Complex and its lobby-level retail branch in July 2020.

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 September 30, 2020, and closings and occupancy of Transit City 1 and 2 are taking place in the third and fourth quarters of 2020 and of Transit City 3 are expected in the spring and summer of 2021. By September 30, 2020, 766 condo units had closed. Transit City 4 and 5 condo towers, which comprise 45 and 50 storeys, respectively, were sold out in the second quarter of 2019. Construction has begun on Transit City 4 and 5 condo towers as well as the 36-storey, 454-unit, purpose-built residential rental building. Furthermore, 22 townhomes in between the Transit City 1 and 2 towers were sold out in September 2020, with a planned construction start in late 2020. A Walmart store in the heart of SmartVMC was relocated and opened in October 2020 to enable the construction of these townhomes and future mixed-use development on the former Walmart site.

iv) Residential and Other Development Initiatives

In addition, the Trust is also working on the following development initiatives:

a. a two-phase 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 phase expected to begin in early 2021;

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 six months and be completed in 2023;

c. approximately 100,000 square-foot Leaside self-storage facility in Toronto, Ontario which is complete and opened in June 2020;

d. approximately 100,000 square-foot self-storage facility at the Trust's Bramport shopping centre in Brampton, Ontario where construction has resumed after a temporary suspension due to COVID-19-related restrictions, and is expected to be completed in late 2020;

e. approximately 100,000 square-foot self-storage facility at the Trust's Vaughan NW shopping centre in Vaughan, Ontario where construction has resumed after a temporary suspension due to COVID-19-related restrictions, and is expected to be completed in early 2021;

f. approximately 100,000 square-foot self-storage facility at the Trust's shopping centre in Oshawa (South), Ontario where construction has resumed after a temporary suspension due to COVID-19-related restrictions, and is expected to be completed in 2021;

g. approximately 100,000 square-foot self-storage facility at the Trust's Scarborough East shopping centre in Scarborough, Ontario where construction has begun and is expected to be completed in 2021; and

h. with the newly issued Minister's Zoning Order, the Trust will immediately begin work to redevelop its 73-acre Cambridge retail property with various forms of residential, retail, office, institutional, and commercial uses to create a complete vibrant urban community representing over 12.0 million square feet.

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 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 and a site plan application for the first four buildings totalling 1,742 units submitted in October 2020;

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 2020;

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 expected to be submitted in late fall 2020;

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 expected to be submitted in the late fall 2020;

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 townhomes, 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 six 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 Revera and townhomes;

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 1,800 units with Greenwin, in Barrie, Ontario, for which a zoning application was submitted in December 2019 and a phase one site plan submitted in August 2020;

j. the development of a high-rise purpose-built residential rental tower, on Balliol Street in midtown Toronto, Ontario, with applications submitted in September 2020;

k. the 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 expected to be submitted in the late fall 2020;

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 approved by municipal council 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 2020;

n. the development of four additional self-storage facilities with the Trust's partner, SmartStop, in Aurora, Brampton, Markham, and Whitby with zoning and/or site plan applications submitted in the last several months;

o. the development of residential density at the Trust's shopping centre at 1900 Eglinton in Scarborough with rezoning and site plan applications for the first two residential towers are expected to be submitted in late 2020;

p. the development of residential density at the Trust's shopping centre in Kirkland, Quebec, with zoning approvals expected in the late 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 expected to be submitted in early 2021;

r. the development of more than four million square feet (4,600 units) of residential density on the land at SmartVMC previously occupied by a Walmart store, with the rezoning and site plan applications to be submitted for phase one of 550,000 square feet later in 2020; 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 submitted in September 2020.

Results of Operations

Notwithstanding the challenges faced as a result of the COVID-19 pandemic and its adverse impact on the Trust's operating results for the three and nine months ended September 30, 2020, the Trust's real estate portfolio (excluding fair value adjustments) has continued to steadily perform, in part from Acquisitions, Developments and Earnouts, as compared to the three and nine months ended September 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 presents the proportionately consolidated balance sheets, which includes a reconciliation of the Trust's proportionate share of equity accounted investments:

(in thousands of dollars)	**September 30, 2020**			December 31, 2019		
	GAAP Basis	**Proportionate Share Reconciliation**	**Total Proportionate Share (Non-GAAP Basis)**	GAAP Basis	Proportionate Share Reconciliation	Total Proportionate Share (Non-GAAP Basis)
Assets						
Non-current assets						
Investment properties	**8,834,194**	**520,733**	**9,354,927**	9,050,066	416,435	9,466,501
Mortgages, loans and notes receivable	**224,625**	**(64,769)**	**159,856**	216,907	(46,214)	170,693
Equity accounted investments	**435,974**	**(435,974)**	**—**	345,376	(345,376)	—
Other assets	**83,913**	**7,470**	**91,383**	89,023	7,567	96,590
Intangible assets	**46,802**	**—**	**46,802**	47,801	—	47,801
	9,625,508	**27,460**	**9,652,968**	9,749,173	32,412	9,781,585
Current assets						
Residential development inventory	**25,523**	**109,848**	**135,371**	24,564	122,254	146,818
Current portion of mortgages, loans and notes receivable	**172,095**	**—**	**172,095**	55,953	—	55,953
Amounts receivable and other	**83,963**	**8,723**	**92,686**	36,679	3,616	40,295
Deferred financing costs	**1,339**	**12**	**1,351**	1,477	25	1,502
Prepaid expenses and deposits	**31,544**	**9,381**	**40,925**	5,247	1,134	6,381
Cash and cash equivalents	**425,679**	**54,431**	**480,110**	55,374	8,873	64,247
	740,143	**182,395**	**922,538**	179,294	135,902	315,196
Total assets	**10,365,651**	**209,855**	**10,575,506**	9,928,467	168,314	10,096,781
Liabilities						
Non-current liabilities						
Debt	**4,051,744**	**33,344**	**4,085,088**	4,110,548	62,678	4,173,226
Other payables	**16,431**	**—**	**16,431**	21,444	—	21,444
Other financial liabilities	**64,538**	**—**	**64,538**	95,735	—	95,735
	4,132,713	**33,344**	**4,166,057**	4,227,727	62,678	4,290,405
Current liabilities						
Current portion of debt	**769,951**	**53,769**	**823,720**	115,385	2,215	117,600
Accounts payable and current portion of other payables	**265,672**	**122,742**	**388,414**	217,603	103,421	321,024
	1,035,623	**176,511**	**1,212,134**	332,988	105,636	438,624
Total liabilities	**5,168,336**	**209,855**	**5,378,191**	4,560,715	168,314	4,729,029
Equity						
Trust Unit equity	**4,343,639**	**—**	**4,343,639**	4,492,678	—	4,492,678
Non-controlling interests	**853,676**	**—**	**853,676**	875,074	—	875,074
	5,197,315	**—**	**5,197,315**	5,367,752	—	5,367,752
Total liabilities and equity	**10,365,651**	**209,855**	**10,575,506**	9,928,467	168,314	10,096,781

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

The following tables present the proportionately consolidated statements of income and comprehensive income, 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 September 30, 2020**			Three Months Ended September 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	**186,344**	**4,652**	**190,996**	195,531	4,194	199,725
Condominium sales	**—**	**94,421**	**94,421**	—	—	—
Property operating costs and other	**(73,159)**	**(1,956)**	**(75,115)**	(69,047)	(2,033)	(71,080)
Condominium cost of sales	**—**	**(62,690)**	**(62,690)**	—	—	—
Net rental income and other	**113,185**	**34,427**	**147,612**	126,484	2,161	128,645
Other income and expenses						
General and administrative expense, net	**(7,665)**	**—**	**(7,665)**	(4,604)	—	(4,604)
Earnings from equity accounted investments	**33,880**	**(33,880)**	**—**	543	(543)	—
Fair value adjustment on revaluation of investment properties	**2,234**	**1,133**	**3,367**	1,575	—	1,575
Gain (loss) on sale of investment properties	**421**	**—**	**421**	(26)	—	(26)
Interest expense	**(37,506)**	**(1,161)**	**(38,667)**	(33,928)	(860)	(34,788)
Interest income	**4,032**	**19**	**4,051**	3,051	8	3,059
Supplemental costs	**—**	**(538)**	**(538)**	—	(766)	(766)
Fair value adjustment on financial instruments	**2,452**	**—**	**2,452**	2,043	—	2,043
Net income and comprehensive income	**111,033**	**—**	**111,033**	95,138	—	95,138

For the three months ended September 30, 2020, net income and comprehensive income (as noted in the table above) increased by $15.9 million as compared to the same period in 2019. This increase was primarily attributed to the following:

- $19.0 million increase in NOI (see further details in the "Net Operating Income" subsection);
- $1.8 million increase in fair value adjustments on revaluation of investment properties;
- $1.0 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;
- $0.5 million increase in fair value adjustment on financial instruments;
- $0.4 million increase in gain on sale of investment properties; and
- $0.2 million decrease in supplemental costs;

Partially offset by the following:

- $3.9 million increase in interest expense which was primarily due to the increase in average debt balance; and
- $3.1 million increase in net general and administrative expenses.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	**Nine Months Ended September 30, 2020**			Nine Months Ended September 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	**583,356**	**13,790**	**597,146**	598,710	11,220	609,930
Condominium sales	**—**	**94,421**	**94,421**	—	—	—
Property operating costs and other	**(240,706)**	**(5,809)**	**(246,515)**	(222,434)	(4,866)	(227,300)
Condominium cost of sales	**—**	**(62,949)**	**(62,949)**	—	—	—
Net rental income and other	**342,650**	**39,453**	**382,103**	376,276	6,354	382,630
Other income and expenses						
General and administrative expense, net	**(20,916)**	**—**	**(20,916)**	(15,834)	—	(15,834)
Earnings from equity accounted investments	**41,822**	**(41,822)**	**—**	2,499	(2,499)	—
Fair value adjustment on revaluation of investment properties	**(258,512)**	**6,356**	**(252,156)**	14,486	78	14,564
Gain on sale of investment properties	**419**	**—**	**419**	611	—	611
Interest expense	**(108,525)**	**(3,315)**	**(111,840)**	(110,719)	(2,429)	(113,148)
Interest income	**11,104**	**768**	**11,872**	8,461	23	8,484
Supplemental costs	**—**	**(1,440)**	**(1,440)**	—	(1,527)	(1,527)
Fair value adjustment on financial instruments	**35,699**	**—**	**35,699**	(5,161)	—	(5,161)
Acquisition-related costs	**(2,181)**	**—**	**(2,181)**	—	—	—
Net income and comprehensive income	**41,560**	**—**	**41,560**	270,619	—	270,619

For the nine months ended September 30, 2020, net income and comprehensive income (as noted in the table above) decreased by $229.1 million as compared to the same period last year. This decrease was primarily attributed to the following:

- $266.7 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;
- $5.1 million increase in general and administrative expenses (net);
- $2.2 million increase in acquisition-related costs;
- $0.5 million decrease in NOI (see further details in the "Net Operating Income" subsection); and
- $0.2 million decrease in gain on sale of investment properties;

Partially offset by the following:

- $40.9 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;
- $3.4 million increase in interest income which was principally due to the increase in average interest-bearing loan receivable balance and cash and cash equivalents; and
- $1.3 million net decrease in interest expense which was primarily due to $7.9 million of higher yield maintenance costs incurred as compared to the same period in 2019.

Net Operating Income

The following tables summarize 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 September 30, 2020**			Three Months Ended September 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	**123,233**	**2,812**	**126,045**	126,461	2,319	128,780	(2,735)
Property tax and insurance recoveries	**40,715**	**701**	**41,416**	44,096	541	44,637	(3,221)
Property operating cost recoveries	**17,971**	**685**	**18,656**	18,425	750	19,175	(519)
Miscellaneous revenue	**2,410**	**454**	**2,864**	4,369	584	4,953	(2,089)
Rentals from investment properties	**184,329**	**4,652**	**188,981**	193,351	4,194	197,545	(8,564)
Service and other revenues	**2,015**	**—**	**2,015**	2,180	—	2,180	(165)
Rentals from investment properties and other[2]	**186,344**	**4,652**	**190,996**	195,531	4,194	199,725	(8,729)
Recoverable CAM costs	**(17,311)**	**(628)**	**(17,939)**	(18,837)	(817)	(19,654)	1,715
Recoverable tax and insurance costs	**(43,504)**	**(622)**	**(44,126)**	(45,652)	(558)	(46,210)	2,084
Property management fees and costs[3]	**354**	**(155)**	**199**	(1,291)	(87)	(1,378)	1,577
Non-recoverable operating costs	**(10,683)**	**(216)**	**(10,899)**	(1,144)	(432)	(1,576)	(9,323)
Other property operating costs	**—**	**(335)**	**(335)**	—	—	—	(335)
Property operating costs	**(71,144)**	**(1,956)**	**(73,100)**	(66,924)	(1,894)	(68,818)	(4,282)
Other expenses	**(2,015)**	**—**	**(2,015)**	(2,123)	—	(2,123)	108
Property operating costs and other[2]	**(73,159)**	**(1,956)**	**(75,115)**	(69,047)	(1,894)	(70,941)	(4,174)
Net rental income and other	**113,185**	**2,696**	**115,881**	126,484	2,300	128,784	(12,903)
Condominium sales	**—**	**94,421**	**94,421**	—	—	—	94,421
Condominium cost of sales	**—**	**(62,671)**	**(62,671)**	—	—	—	(62,671)
Condominium marketing and selling costs – Transit City 1 & 2	**—**	**(14)**	**(14)**	—	(4)	(4)	(10)
Condominium marketing and selling costs – Others	**—**	**(5)**	**(5)**	—	(135)	(135)	130
Net profit on condominium sales	**—**	**31,731**	**31,731**	—	(139)	(139)	31,870
NOI[4]	**113,185**	**34,427**	**147,612**	126,484	2,161	128,645	18,967
Net rental income and other as a percentage of net base rent	**91.8%**	**95.9%**	**91.9%**	100.0%	99.2%	100.0%	(8.1)%
Net rental income and other as a percentage of rentals from investment properties	**61.4%**	**58.0%**	**61.3%**	65.4%	54.8%	65.2%	(3.9)%
Net rental income and other as a percentage of rentals from investment properties and other	**60.7%**	**58.0%**	**60.7%**	64.7%	54.8%	64.5%	(3.8)%
Recovery Ratio (including prior year adjustments)	**96.5%**	**110.9%**	**96.8%**	96.9%	93.9%	96.9%	(0.1)%
Recovery Ratio (excluding prior year adjustments)	**96.5%**	**110.9%**	**96.8%**	96.0%	93.9%	96.0%	0.8%

(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 nine months ended September 30, 2020 and September 30, 2019.
(2) As reflected under the column 'Trust portion excluding EAI' in the table above, this amount represents a GAAP measure.
(3) Includes an adjustment for the Canada Emergency Wage Subsidy of $0.9 million for the three months ended September 30, 2020 (three months ended September 30, 2019 – nil).
(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 September 30, 2020 increased by $19.0 million or 14.7% as compared to the same period last year. This increase was primarily attributed to the following:

- $31.8 million net profit on condominium unit sales was recognized during the quarter (421 units and 345 units in Transit City 1 and 2, respectively); and
- $1.6 million decrease in net CAM and realty tax recovery shortfall primarily due to lower operating expenses incurred;

Partially offset by the following factors, each of which represents the impact of COVID-19:

- $9.7 million increase in bad debt and expected credit losses (see the "Amounts Receivable and Other, Deferred Financing Costs, and Prepaid Expenses and Deposits" section for further discussion);
- $2.1 million decrease in percentage rent, short-term rental and other miscellaneous revenue;
- $1.9 million decrease in straight-line rent; and
- $0.7 million decrease in base rent.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	**Nine Months Ended September 30, 2020**			Nine Months Ended September 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	**372,486**	**8,018**	**380,504**	378,070	6,333	384,403	(3,899)
Property tax and insurance recoveries	**136,597**	**1,879**	**138,476**	140,226	1,452	141,678	(3,202)
Property operating cost recoveries	**60,730**	**2,272**	**63,002**	61,020	1,783	62,803	199
Miscellaneous revenue	**6,720**	**1,621**	**8,341**	12,411	1,652	14,063	(5,722)
Rentals from investment properties	**576,533**	**13,790**	**590,323**	591,727	11,220	602,947	(12,624)
Service and other revenues	**6,823**	**—**	**6,823**	6,983	—	6,983	(160)
Rentals from investment properties and other[2]	**583,356**	**13,790**	**597,146**	598,710	11,220	609,930	(12,784)
Recoverable CAM costs	**(59,703)**	**(2,088)**	**(61,791)**	(62,439)	(1,948)	(64,387)	2,596
Recoverable tax and insurance costs	**(144,716)**	**(1,809)**	**(146,525)**	(145,949)	(1,539)	(147,488)	963
Property management fees and costs[3]	**(1,029)**	**(428)**	**(1,457)**	(3,456)	(256)	(3,712)	2,255
Non-recoverable operating costs	**(28,432)**	**(649)**	**(29,081)**	(3,601)	(817)	(4,418)	(24,663)
Other property operating costs	**—**	**(835)**	**(835)**	—	—	—	(835)
Property operating costs	**(233,880)**	**(5,809)**	**(239,689)**	(215,445)	(4,560)	(220,005)	(19,684)
Other expenses	**(6,826)**	**—**	**(6,826)**	(6,989)	—	(6,989)	163
Property operating costs and other[2]	**(240,706)**	**(5,809)**	**(246,515)**	(222,434)	(4,560)	(226,994)	(19,521)
Net rental income and other	**342,650**	**7,981**	**350,631**	376,276	6,660	382,936	(32,305)
Condominium sales	**—**	**94,421**	**94,421**	—	—	—	94,421
Condominium cost of sales	**—**	**(62,671)**	**(62,671)**	—	—	—	(62,671)
Condominium marketing and selling costs – Transit City 1 & 2	**—**	**(175)**	**(175)**	—	(6)	(6)	(169)
Condominium marketing and selling costs – Others	**—**	**(103)**	**(103)**	—	(300)	(300)	197
Net profit on condominium sales	**—**	**31,472**	**31,472**	—	(306)	(306)	31,778
NOI[4]	**342,650**	**39,453**	**382,103**	376,276	6,354	382,630	(527)
Net rental income and other as a percentage of net base rent	**92.0%**	**99.5%**	**92.1%**	99.5%	105.2%	99.6%	(7.5)%
Net rental income and other as a percentage of rentals from investment properties	**59.4%**	**57.9%**	**59.4%**	63.6%	59.4%	63.5%	(4.1)%
Net rental income and other as a percentage of rentals from investment properties and other	**58.7%**	**57.9%**	**58.7%**	62.8%	59.4%	62.8%	(4.1)%
Recovery Ratio (including prior year adjustments)	**96.5%**	**106.5%**	**96.7%**	96.6%	92.8%	96.5%	0.2%
Recovery Ratio (excluding prior year adjustments)	**96.6%**	**106.6%**	**96.8%**	95.9%	94.5%	95.9%	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 nine months ended September 30, 2020 and September 30, 2019.
(2) As reflected under the column 'Trust portion excluding EAI' in the table above, this amount represents a GAAP measure.
(3) Includes an adjustment for the CEWS of $0.9 million for the nine months ended September 30, 2020 (nine months ended September 30, 2019 – nil).
(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 nine months ended September 30, 2020 decreased by $0.5 million or 0.1% as compared to the same period last year. This decrease was primarily attributed to the following:

- $31.8 million net profit on condominium unit sales were recognized year to date (421 units and 345 units in Transit City 1 and 2, respectively);
- $2.2 million net decrease in net CAM and realty tax recovery shortfall primarily due to lower operating expenses incurred; and
- $1.9 million increase in base rent, which was primarily due to the growth of the Trust's portfolio;

Partially offset by the following factors, each of which represents the impact of COVID-19:

- $24.9 million increase in bad debt and expected credit losses (see the "Amounts Receivable and Other, Deferred Financing Costs, and Prepaid Expenses and Deposits" section for further discussion);
- $5.8 million decrease in straight-line rent; and
- $5.7 million decrease in percentage rent, short-term rental and other miscellaneous revenue.

Same Properties NOI

NOI (a non-GAAP financial measure) from continuing operations represents: i) rentals from investment properties and other less property operating costs and other, and ii) net profit from condominium sales. 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

(in thousands of dollars)	**Three Months Ended September 30, 2020**	Three Months Ended September 30, 2019	Variance	Variance %
Net rental income	**113,185**	126,427	(13,242)	(10.5)%
Service and other revenues	**2,015**	2,180	(165)	(7.6)%
Other expenses	**(2,015)**	(2,123)	108	5.1 %
NOI[1]	**113,185**	126,484	(13,299)	(10.5)%
NOI from equity accounted investments[1]	**34,427**	2,161	32,266	N/R[2]
Total portfolio NOI before adjustments[1]	**147,612**	128,645	18,967	14.7 %
Adjustments:				
Royalties	**203**	269	(66)	(24.5)%
Straight-line rent	**1,191**	(738)	1,929	N/R[2]
Lease termination and other adjustments	**(2)**	(185)	183	98.9 %
Net profit on condominium sales	**(31,731)**	149	(31,880)	N/R[2]
Amortization of tenant incentives	**2,059**	1,939	120	6.2 %
Total portfolio NOI after adjustments[1]	**119,332**	130,079	(10,747)	(8.3)%
NOI sourced from:				
Acquisitions	**14**	3	11	N/R[2]
Earnouts and Developments	**(1,556)**	(1,586)	30	1.9 %
Same Properties NOI[1]	**117,790**	128,496	(10,706)	(8.3)%
Add back: bad debt expense and expected credit losses[3]	**9,711**	—	9,711	N/R[2]
Same Properties NOI excluding expected credit loss provision[1]	**127,501**	128,496	(995)	(0.8)%

(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.
(3) Amount for the three months ended September 30, 2020 reflects the impact of COVID-19.

"Same Properties" in the table above refer to those income properties that were owned by the Trust from July 1, 2019 to September 30, 2019 and from July 1, 2020 to September 30, 2020. The Same Properties NOI for the three months ended September 30, 2020 decreased by $10.7 million or 8.3% as compared to the same period in 2019, which was primarily due to the following:

- $8.1 million increase in property operating expenses, principally due to higher expected credit losses and vacancy costs;
- $2.1 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; and
- $0.5 million decrease in rental revenue, net of recoveries, principally due to lower CAM and realty tax shortfalls.

Excluding the higher expected credit losses of $9.7 million recorded in the three months ended September 30, 2020, Same Properties NOI would have been $127.5 million representing a decrease of $1.0 million or 0.8% as compared to the same period in 2019.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	**Nine Months Ended September 30, 2020**	Nine Months Ended September 30, 2019	Variance	Variance %
Net rental income	**342,653**	376,282	(33,629)	(8.9)%
Service and other revenues	**6,823**	6,983	(160)	(2.3)%
Other expenses	**(6,826)**	(6,989)	163	2.3 %
NOI[1]	**342,650**	376,276	(33,626)	(8.9)%
NOI from equity accounted investments[1]	**39,453**	6,354	33,099	N/R[2]
Total portfolio NOI before adjustments[1]	**382,103**	382,630	(527)	(0.1)%
Adjustments:				
Royalties	**592**	727	(135)	(18.6)%
Straight-line rent	**3,811**	(2,000)	5,811	N/R[2]
Lease termination and other adjustments	**(1,006)**	(2,188)	1,182	54.0 %
Condominium sales profit	**(31,472)**	313	(31,785)	N/R[2]
Amortization of tenant incentives	**5,740**	5,767	(27)	(0.5)%
Total portfolio NOI after adjustments[1]	**359,768**	385,249	(25,481)	(6.6)%
NOI sourced from:				
Acquisitions	**(145)**	3	(148)	N/R[2]
Dispositions	**—**	(17)	17	N/R[2]
Earnouts and Developments	**(5,798)**	(4,945)	(853)	(17.2)%
Same Properties NOI[1]	**353,825**	380,290	(26,465)	(7.0)%
Add back: bad debt expense and expected credit losses[3]	**25,196**	—	25,196	N/R[2]
Same Properties NOI excluding expected credit loss provision[1]	**379,021**	380,290	(1,269)	(0.3)%

(1) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of Certain Terms Including Non-GAAP Measures" section in this MD&A.
(2) N/R – Not representative.
(3) Amount for the nine months ended September 30, 2020 reflects the impact of COVID-19.

"Same Properties" in the table above refer to those income properties that were owned by the Trust from January 1, 2019 to September 30, 2019 and from January 1, 2020 to September 30, 2020. The Same Properties NOI for the nine months ended September 30, 2020 decreased by $26.5 million or 7.0% as compared to the same period in 2019, which was primarily due to the following:

- $22.4 million increase in property operating expenses, principally due to higher expected credit losses and vacancy costs; and
- $4.9 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:

- $0.8 million increase in rental revenue and CAM recoveries.

Excluding the higher expected credit losses of $25.2 million recorded in the nine months ended September 30, 2020, Same Properties NOI would have been $379.0 million representing a decrease of $1.3 million or 0.3% as compared to the same period in 2019.

Due to the various uncertainties pertaining to the COVID-19 pandemic, management is currently unable to reliably and accurately predict the impact it 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 presents a reconciliation of net income and comprehensive income to Adjusted EBITDA:

(in thousands of dollars)	**12 Months Ended September 30, 2020**	12 Months Ended September 30, 2019	Variance
Net income and comprehensive income[1]	**114,635**	373,199	(258,564)
Add (deduct) the following items:			
Interest expense	**147,020**	141,703	5,317
Interest income	**(14,311)**	(10,725)	(3,586)
Yield maintenance costs	**12,647**	7,865	4,782
Amortization of equipment and intangible assets	**2,114**	2,079	35
Amortization of tenant improvements	**7,440**	7,486	(46)
Fair value adjustment on revaluation of investment properties	**233,159**	(31,436)	264,595
Fair value adjustment on financial instruments	**(39,541)**	6,219	(45,760)
Adjustment for supplemental contribution	**3,108**	1,816	1,292
Gain on sale of investment properties	**(431)**	(786)	355
Transition costs[2]	**—**	(348)	348
Gain on sale of land to co-owners (Transactional FFO)	**2,955**	607	2,348
Acquisition-related costs	**2,479**	453	2,026
Adjusted EBITDA[1]	**471,274**	498,132	(26,858)

(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 September 30, 2020 (12 months ended September 30, 2019 – $0.3 million).

Leasing Activities and Lease Expiries

Leasing Activities

Occupancy
The third quarter has experienced a marked improvement over the prior quarter with almost every tenant re-opening for business, albeit not yet at full sales volumes. The Trust's continued strong, industry-leading occupancy performance levels achieved 97.4% for the third quarter inclusive of executed deals for future occupancies (97.1% without such future occupancies). While there are some adjustments to the operations of tenants to ensure the safety of all staff and customers, the Trust continued to support its tenants both financially and operationally to assist in their return to normalcy, with a significant focus to those most in need. Tenant rent collection improved significantly in the quarter compared to the prior quarter, with the Trust and government working together to extend commercial rental assistance into September (see details in the "Amounts Receivable and Other, Deferred Financing Costs, and Prepaid Expenses and Deposits" section).

Occupancy

	September 30, 2020	September 30, 2019	Variance
Total Leasable Area (in sq. ft.)	**34,051,210**	34,276,552	(225,342)
In-place Occupancy Rate	**97.1 %**	98.1 %	(1.0)%
Committed Occupancy Rate	**97.4 %**	98.2 %	(0.8)%

New leasing activity
The Trust has, over the past three months, entered into discussions with a number of tenants seeking expansion and new locations owing to the high traffic generation of the Trust's food and pharmacy-anchored centres. The open-format nature of the Trust's portfolio as well as the presence in all major markets coast to coast in Canada bodes well for new entrants into the market. The Trust continues to expand its retail offering to each community with medical services, pharmacies, pet stores, liquor, financial services, and, of course, grocery expansion. During the current quarter, the Trust executed approximately 160,000 square feet of new leasing. Also during the quarter, several retailers, including SAIL, filed under *Companies' Creditors Arrangement Act* ("*CCAA*"), with restructuring plans to strengthen their business models going forward.

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

(in square feet)	**Vacant Area**	**Occupied Area**	**Leasable Area**	**In-place Occupancy Level (%)**
Beginning balance – July 1, 2020	**816,043**	**33,352,593**	**34,168,636**	**97.6 %**
New vacancies	**489,937**	**(489,937)**	**—**	
New leases	**(160,268)**	**160,268**	**—**	
Subtotal	**1,145,712**	**33,022,924**	**34,168,636**	
Transferred from properties under development to income properties	**—**	**53,233**	**53,233**	
Transferred from income properties to properties under development	**(170,782)**	**—**	**(170,782)**	
Other including unit area remeasurements	**—**	**123**	**123**	
Ending balance – September 30, 2020	**974,930**	**33,076,280**	**34,051,210**	**97.1 %**

The following table presents a continuity of the Trust's in-place occupancy level for the nine months ended September 30, 2020:

(in square feet)	**Vacant Area**	**Occupied Area**	**Leasable Area**	**In-place Occupancy Level (%)**
Beginning balance – January 1, 2020	**658,964**	**33,678,387**	**34,337,351**	**98.1 %**
New vacancies	**994,573**	**(994,573)**	**—**	
New leases	**(288,648)**	**288,648**	**—**	
Subtotal	**1,364,889**	**32,972,462**	**34,337,351**	
Transferred from properties under development to income properties	**—**	**102,864**	**102,864**	
Transferred from income properties to properties under development	**(389,944)**	**—**	**(389,944)**	
Other including unit area remeasurements	**(15)**	**954**	**939**	
Ending balance – September 30, 2020	**974,930**	**33,076,280**	**34,051,210**	**97.1 %**

Renewal Activity

For the nine months ended September 30, 2020, the Trust achieved a retention rate of 68.8% (September 30, 2019 – 82.6%) for renewing tenants.

Renewal Summary

	September 30, 2020	September 30, 2019	Variance
Expiring (in sq. ft.)	**4,096,297**	3,577,358	518,939
Total renewed and near completion (in sq. ft.)	**2,818,732**	2,954,405	(135,673)
Retention rate	**68.8 %**	82.6 %	(13.8)%
Renewed rental rate (in dollars per sq. ft.) – including Anchors	**13.20**	13.83	(0.63)
Renewed rental rate (in dollars per sq. ft.) – excluding Anchors	**18.79**	20.91	(2.12)
Renewed rent growth (including Anchors)	**3.4 %**	3.3 %	0.1 %
Renewed rent growth (excluding Anchors)	**4.3 %**	4.0 %	0.3 %

The Trust's 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	104	22,825	71.6 %	75.5 %	96.8 %
Primary	32	6,561	16.8 %	14.1 %	97.1 %
Secondary	30	4,665	11.6 %	10.4 %	98.6 %
Total	**166**	**34,051**	**100.0 %**	**100.0 %**	**97.1 %**

Tenant Categories

The portfolio is represented by strong individual shopping 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 September 30, 2020

Category	**Total**	**Greater-VECTOM**	**Primary**	**Secondary**
General merchandise including stores with grocery & pharmacy	28.7 %	24.2 %	35.1 %	46.9 %
Apparel	15.8 %	16.4 %	14.8 %	13.9 %
Home improvement & housewares	9.7 %	10.2 %	9.1 %	7.0 %
Restaurant	9.0 %	10.0 %	6.9 %	5.9 %
Standalone grocery & liquor	8.7 %	9.2 %	7.5 %	7.6 %
Pharmacy & personal services	6.8 %	7.9 %	5.2 %	2.7 %
Leisure (sporting goods, toys)	6.7 %	6.9 %	7.6 %	4.5 %
Specialty (fitness, electronics, pet)	5.7 %	5.5 %	6.5 %	5.4 %
Financial services	4.4 %	4.8 %	3.9 %	2.6 %
Other	4.5 %	4.9 %	3.4 %	3.5 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

Top 25 Tenants

The 25 largest tenants (by annualized gross rental revenue) accounted for 63.2% of portfolio revenue for the nine months ended September 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	202.4	25.6 %	14,097,599	41.4 %
2	Canadian Tire, Mark's, FGL Sports	73	37.7	4.8 %	1,411,202	4.1 %
3	Winners, HomeSense, Marshalls	57	35.3	4.5 %	1,419,874	4.2 %
4	Loblaws, Shoppers Drug Mart	24	22.1	2.8 %	899,056	2.6 %
5	Sobeys	17	17.2	2.2 %	733,421	2.2 %
6	Lowes, RONA	8	16.1	2.0 %	898,146	2.6 %
7	Dollarama	53	13.8	1.7 %	501,776	1.5 %
8	Best Buy	19	12.4	1.6 %	451,226	1.3 %
9	LCBO	34	12.2	1.5 %	326,970	1.0 %
10	Michaels	24	11.9	1.5 %	467,059	1.4 %
11	Recipe Unlimited	55	11.5	1.5 %	277,213	0.8 %
12	Staples	21	10.2	1.3 %	449,599	1.3 %
13	Reitmans[(2)]	60	10.1	1.3 %	321,044	0.9 %
14	Gap Inc.	26	9.3	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	1.0 %	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	6.8	0.9 %	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	GoodLife Fitness Clubs	11	6.4	0.8 %	249,432	0.7 %
24	PetSmart	15	6.1	0.8 %	199,598	0.6 %
25	Home Depot	3	5.7	0.7 %	261,661	0.8 %
		816	499.2	63.2 %	25,102,562	73.7 %

(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 a full assortment of food. The Trust also has another 14 shopping centres with Walmart as Shadow Anchors, all of which are Supercentres.

(2) Reitmans commenced proceedings under the *CCAA* in May 2020, disclaiming leases and ceased to rent with respect to 24 of its locations situated within the Trust's portfolios.

Leasing Expiries

The following table presents total retail and office lease expiries for the portfolio as at September 30, 2020:

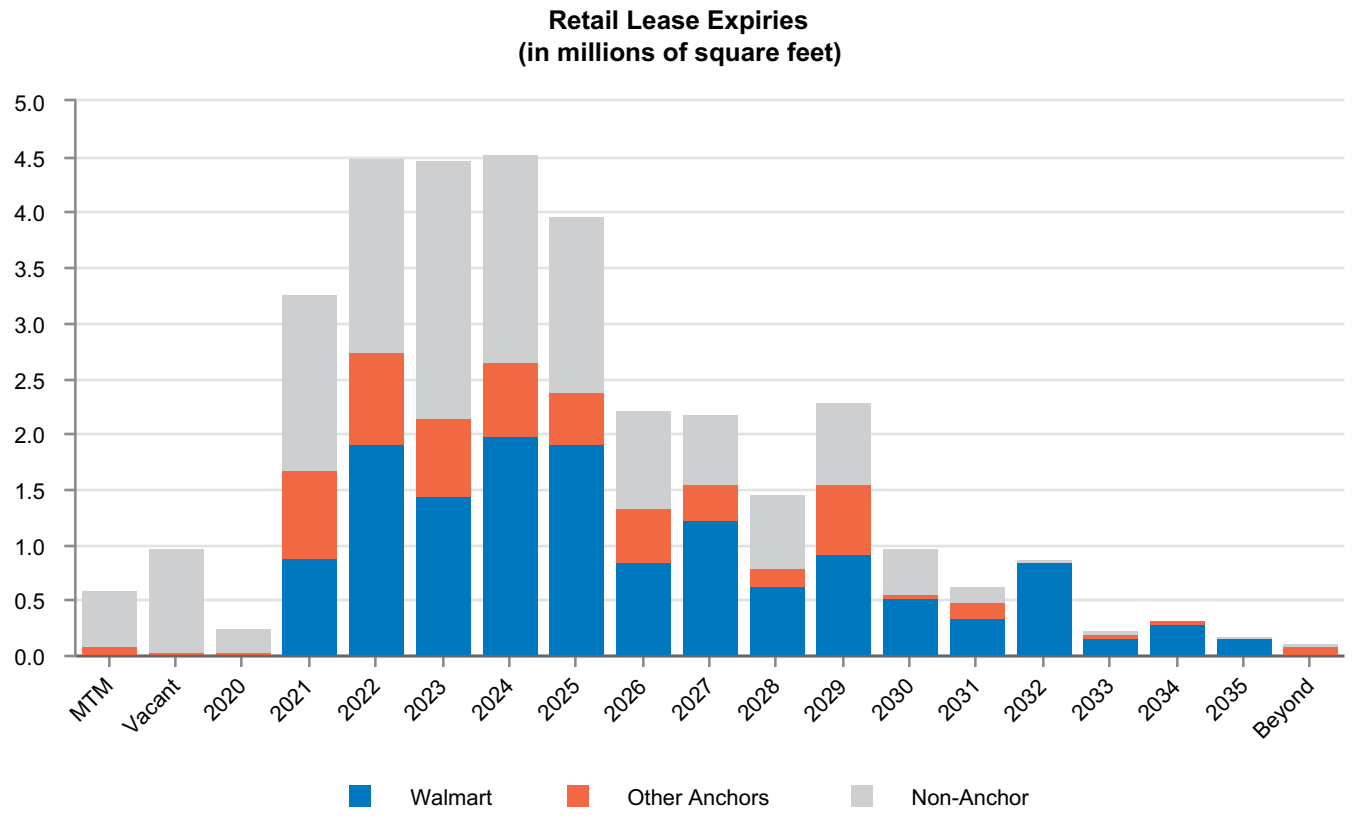
Year of Expiry	Total Area (sq. ft.)	Percentage of Total Area (%)	Annualized Base Rent ($000s)	Average Base Rent psf[1] ($)
Month-to-month and holdovers	600,558	1.8 %	13,282	22.12
2020	259,003	0.8 %	4,786	18.48
2021	3,263,001	9.6 %	46,547	14.27
2022	4,491,997	13.2 %	63,691	14.18
2023	4,434,163	13.0 %	76,048	17.15
2024	4,536,350	13.3 %	70,376	15.51
2025	3,976,846	11.7 %	51,534	12.96
2026	2,215,508	6.5 %	33,721	15.22
2027	2,161,940	6.3 %	31,259	14.46
2028	1,427,745	4.2 %	26,571	18.61
2029	2,271,390	6.7 %	38,216	16.83
2030	967,239	2.8 %	18,768	19.40
Beyond	2,219,182	6.5 %	32,342	14.57
Vacant	974,930	2.9 %	—	—
Total retail	33,799,852	99.3 %	507,141	15.45
Total office	251,358	0.7 %		
Total retail and office	34,051,210	100.0 %		

(1) The total average base rent per square foot excludes vacant space of 974,930 square feet.

The following table presents total retail and office lease expiries for the portfolio excluding Anchor tenants as at September 30, 2020:

Year of Expiry	Total Area (excluding Anchor tenants) (sq. ft.)	Percentage of Total Area (excluding Anchor tenants) (%)	Percentage of Area (excluding Anchor tenants) (%)	Annualized Base Rent ($000s)	Average Base Rent psf[1] ($)
Month-to-month and holdovers	513,348	1.5%	3.6%	12,055	23.48
2020	227,028	0.7%	1.6%	4,260	18.76
2021	1,588,028	4.7%	11.0%	29,403	18.52
2022	1,740,134	5.1%	12.1%	37,633	21.63
2023	2,321,927	6.8%	16.1%	53,542	23.06
2024	1,891,623	5.6%	13.1%	43,773	23.14
2025	1,590,556	4.7%	11.0%	31,644	19.90
2026	886,850	2.6%	6.2%	19,409	21.89
2027	616,691	1.8%	4.3%	13,806	22.39
2028	660,979	1.9%	4.6%	16,656	25.20
2029	724,183	2.1%	5.0%	19,476	26.89
2030	404,042	1.2%	2.8%	10,111	25.02
Beyond	241,254	0.7%	1.7%	5,225	21.66
Vacant	940,479	2.8%	6.5%	—	—
Total retail	14,347,122	42.2%	99.6%	296,993	22.15
Total office	54,510	0.2%	0.4%		
Total retail and office	14,401,632	42.4%	100.0%		

(1) The total average base rent per square foot excludes vacant space of 940,479 square feet.



Other Measures of Performance

The following measures of performance are sometimes used by Canadian REITs as indicators of financial performance. Management uses these measures to analyze operating performance. Because one of the factors that may be considered relevant by prospective investors is the cash distributed by the Trust relative to the price of the Units, management believes these measures are useful supplemental measures that may assist prospective investors in assessing an investment in Units. The Trust analyzes its cash distributions against these measures to assess the stability of the monthly cash distributions to Unitholders. Because these measures are not standardized as prescribed by IFRS, they may not be comparable to similar measures presented by other REITs. These measures are not intended to represent operating profits for the year; nor should they be viewed as an alternative to net income and comprehensive income, cash flows from operating activities or other measures of financial performance calculated in accordance with IFRS. The calculations are derived from the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and September 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 and comprehensive income 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 nine months ended September 30, 2020 and September 30, 2019, vested deferred units are added back to the weighted average Units outstanding because they are dilutive.

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

	Three Months Ended September 30			Nine Months Ended September 30		
(number of Units)	**2020**	2019	Variance	**2020**	2019	Variance
Trust Units	**144,617,162**	143,175,140	1,442,022	**144,518,225**	142,055,511	2,462,714
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**	4,886	3,822	**8,303**	2,774	5,529
Class B LP II Units	**756,525**	756,525	—	**756,525**	756,525	—
Class B LP III Units	**4,005,091**	3,818,542	186,549	**3,924,734**	3,818,542	106,192
Class B LP IV Units	**3,067,593**	3,052,811	14,782	**3,067,593**	3,052,607	14,986
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 Boxgrove LP Units	**64,674**	—	64,674	**21,715**	—	21,715
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**	138,611	691	**139,302**	137,615	1,687
Total Exchangeable LP Units	**27,495,659**	27,225,141	270,518	**27,371,938**	27,221,829	150,109
Total Units – Basic	**172,112,821**	170,400,281	1,712,540	**171,890,163**	169,277,340	2,612,823
Vested deferred units	**1,007,495**	855,048	152,447	**983,043**	873,713	109,330
Total Units and vested deferred units – Diluted	**173,120,316**	171,255,329	1,864,987	**172,873,206**	170,151,053	2,722,153

Funds From Operations

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

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

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

Adjusted Cashflow From Operations

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

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

Determination of Distributions

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

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

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

Cash Flows from Operating Activities and Distributions Declared

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

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

	Three Months Ended September 30		**Nine Months Ended September 30**	
(in thousands of dollars)	**2020**	2019	**2020**	2019
Cash flows provided by operating activities	**79,100**	80,615	**204,611**	213,964
Add:				
Normalizing adjustments, actual sustaining expenditures adjustments and other[1]	**24,100**	7,922	**64,796**	48,886
ACFO[2]	**103,200**	88,537	**269,407**	262,850
Distributions declared	**79,621**	77,264	**239,101**	230,969
Surplus of ACFO over distributions declared	**23,579**	11,273	**30,306**	31,881
Distributions for Units classified as equity	**78,650**	76,321	**236,191**	228,144
Distributions for Units classified as liabilities	**971**	943	**2,910**	2,825
Total Distributions declared	**79,621**	77,264	**239,101**	230,969

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

Quarterly Comparison to Prior Year

(in thousands of dollars, except per Unit amounts)	**Three Months Ended September 30, 2020**	Three Months Ended September 30, 2019	Variance	Variance %
Net income and comprehensive income	**111,033**	95,138	15,895	16.7 %
Add (deduct):				
Fair value adjustment on revaluation of investment properties[1]	**(2,234)**	(1,575)	(659)	41.8 %
Fair value adjustment on financial instruments[2]	**(3,846)**	(2,043)	(1,803)	88.3 %
Gain on sale of investment properties	**(421)**	33	(454)	N/R[6]
Amortization of intangible assets	**333**	333	—	— %
Amortization of tenant improvement allowance and other	**1,893**	1,792	101	5.6 %
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	**1,436**	1,327	109	8.2 %
Salaries and related costs attributed to leasing activities[3]	**1,415**	1,296	119	9.2 %
Adjustments relating to equity accounted investments:				
Rental revenue adjustment – tenant improvement amortization	**103**	85	18	21.2 %
Indirect interest with respect to the development portion[4]	**1,691**	179	1,512	N/R[6]
Adjustment to indirect interest with respect to Transit City condo closings[4]	**(700)**	—	(700)	N/R[6]
Fair value adjustment on revaluation of investment properties	**(1,133)**	—	(1,133)	N/R[6]
Adjustment for supplemental contribution	**537**	765	(228)	(29.8)%
FFO[5]	**110,107**	97,330	12,777	13.1 %

(1) Fair value adjustment on revaluation of investment properties is described in the "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. 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 nine months ended September 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 $1.4 million were incurred in the three months ended September 30, 2020 (three months ended September 30, 2019 – $1.3 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 and residential development inventory 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 September 30, 2020, FFO increased by $12.8 million or 13.1% to $110.1 million. This increase was primarily attributed to:

- $19.0 million increase in NOI (see further details in the "Net Operating Income" subsection);
- $1.5 million increase in add back for indirect interest incurred in respect of equity accounted development projects which was primarily due to the development property acquisitions completed subsequent to Q3 2019;
- $1.0 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
- $0.2 million increase in FFO add back for both salaries and related costs attributed to leasing activities, and distributions on Units classified as liabilities;

Partially offset by:

- $3.9 million net increase in interest expense;
- $3.1 million net increase in net general and administrative expense;
- $1.2 million net decrease in changes in fair value of financial instruments and other adjustments; and
- $0.7 million decrease in adjustment of indirect interest incurred in respect of equity accounted development projects which was principally due to the Transit City condominium closings in 2020.

The following table presents per unit FFO (non-GAAP measures):

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Variance	Variance %
Per Unit – basic/diluted[1]:				
FFO[2]	**$0.64/$0.64**	$0.57/$0.57	$0.07/$0.07	12.3%/12.3%
Payout Ratio:				
FFO[2]	**72.3 %**	79.4 %	(7.1)%	(8.9)%

(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 September 30, 2020, 1,007,495 vested deferred units are added back to the weighted average Units outstanding (three months ended September 30, 2019 – 855,048 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.

Year-to-Date Comparison to Prior Year

(in thousands of dollars, except per Unit amounts)	**Nine Months Ended September 30, 2020**	Nine Months Ended September 30, 2019	Variance	Variance %
Net income and comprehensive income	**41,560**	270,619	(229,059)	N/R[6]
Add (deduct):				
Fair value adjustment on revaluation of investment properties[1]	**258,512**	(14,486)	272,998	N/R[6]
Fair value adjustment on financial instruments[2]	**(35,561)**	5,161	(40,722)	N/R[6]
Gain on sale of investment properties	**(419)**	(794)	375	(47.2)%
Amortization of intangible assets	**999**	999	—	— %
Amortization of tenant improvement allowance and other	**5,258**	5,354	(96)	(1.8)%
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	**4,264**	4,020	244	6.1 %
Salaries and related costs attributed to leasing activities[3]	**4,653**	4,264	389	9.1 %
Acquisition-related costs	**2,181**	—	2,181	N/R[6]
Adjustments relating to equity accounted investments:				
Rental revenue adjustment – tenant improvement amortization	**294**	229	65	28.4 %
Indirect interest with respect to the development portion[4]	**5,145**	588	4,557	N/R[6]
Adjustment to indirect interest with respect to Transit City condo closings[4]	**(700)**	—	(700)	N/R[6]
Fair value adjustment on revaluation of investment properties	**(6,356)**	(78)	(6,278)	N/R[6]
Adjustment for supplemental contribution	**1,440**	1,527	(87)	(5.7)%
FFO[5]	**281,270**	277,403	3,867	1.4 %

(1) Fair value adjustment on revaluation of investment properties is described in the "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. 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 nine months ended September 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 $4.7 million were incurred in the nine months ended September 30, 2020 (nine months ended September 30, 2019 – $4.3 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 and residential development inventory 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 nine months ended September 30, 2020, FFO increased by $3.9 million or 1.4% to $281.3 million. This increase was primarily attributed to:

- $4.6 million increase in add back for indirect interest incurred in respect of equity accounted development projects which was primarily due to the development property acquisitions completed subsequent to Q3 2019;
- $3.4 million increase in interest income, which was principally due to the increase in average interest-bearing loan receivable balance and cash and cash equivalents as compared to the same period in 2019;
- $1.3 million net decrease in interest expense; and
- $0.4 million increase in FFO add back for salaries and related costs attributed to leasing activities;

Partially offset by:

- $5.1 million increase in net general and administrative expense; and
- $0.7 million decrease in add back for indirect interest incurred in respect of equity accounted development projects which was principally due to the Transit City condominium closings in 2020.

The following table presents per unit FFO (non-GAAP measures):

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Variance	Variance %
Per Unit – basic/diluted[1]:				
FFO[2]	**$1.64/$1.63**	$1.64/$1.63	$—/$—	—%/—%
Payout Ratio:				
FFO[2]	**85.0 %**	83.3 %	1.7 %	2.0 %

(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 nine months ended September 30, 2020, 983,043 vested deferred units are added back to the weighted average Units outstanding (nine months ended September 30, 2019 – 873,713 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.

Reconciliation of ACFO

The tables and analyses 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 September 30, 2020**	Three Months Ended September 30, 2019	Variance	Variance %
Cash flows provided by operating activities	**79,100**	80,615	(1,515)	(1.9)%
Adjustments to working capital items that are not indicative of sustainable cash available for distribution[1]	**1,961**	9,584	(7,623)	(79.5)%
Distributions from condominium closings[2]	**29,177**	—	29,177	N/R[5]
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	**1,436**	1,327	109	8.2 %
Notional interest capitalization[3]	**1,691**	179	1,512	N/R[5]
Expenditures on direct leasing costs and tenant incentives	**1,802**	1,667	135	8.1 %
Expenditures on tenant incentives for properties under development	**1,247**	449	798	N/R[5]
Actual sustaining capital expenditures	**(2,682)**	(5,947)	3,265	(54.9)%
Actual sustaining leasing commissions	**(210)**	(682)	472	N/R[5]
Actual sustaining tenant improvements	**(1,627)**	(983)	(644)	65.5 %
Non-cash interest expense	**(11,972)**	(963)	(11,009)	N/R[5]
Non-cash interest income	**2,533**	2,684	(151)	(5.6)%
Gain on sale of land to co-owners	**744**	607	137	22.6 %
ACFO[4]	**103,200**	88,537	14,663	16.6 %
Distributions declared	**79,621**	77,264	2,357	3.1 %
Surplus of ACFO over distributions declared	**23,579**	11,273	12,306	N/R[5]
Payout Ratio:				
ACFO[4]	**77.2 %**	87.3 %	(10.1)%	(11.6)%

(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) Amount represents distributions from the closings during the three months ended September 30, 2020 of Transit City 1 & 2 condominiums and was received subsequent to the quarter-end.
(3) See the "Indirect interest with respect to the development portion" line items as presented in the "Reconciliation of FFO" subsection above for more information.
(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.
(5) N/R – Not representative.

For the three months ended September 30, 2020, ACFO increased by $14.7 million or 16.6% to $103.2 million compared to the same period in 2019, which was primarily due to the items previously identified (see "Results of Operations" section).

The Payout Ratio relating to ACFO for the three months ended September 30, 2020 decreased to 77.2% as compared to the same period in 2019, which was largely the result of distributions from condominium closings of $29.2 million and the other items previously identified.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	**Nine Months Ended September 30, 2020**	Nine Months Ended September 30, 2019	Variance	Variance %
Cash flows provided by operating activities	**204,611**	213,964	(9,353)	(4.4)%
Adjustments to working capital items that are not indicative of sustainable cash available for distribution[1]	**35,960**	43,879	(7,919)	(18.0)%
Distributions from condominium closings[2]	**29,177**	—	29,177	N/R[5]
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	**4,264**	4,020	244	6.1 %
Notional interest capitalization[3]	**5,145**	588	4,557	N/R[5]
Expenditures on direct leasing costs and tenant incentives	**3,284**	4,177	(893)	(21.4)%
Expenditures on tenant incentives for properties under development	**2,283**	2,041	242	11.9 %
Actual sustaining capital expenditures	**(3,759)**	(9,764)	6,005	(61.5)%
Actual sustaining leasing commissions	**(994)**	(1,231)	237	N/R[5]
Actual sustaining tenant improvements	**(2,363)**	(3,343)	980	(29.3)%
Non-cash interest expense	**(16,462)**	1,576	(18,038)	N/R[5]
Non-cash interest income	**7,517**	6,336	1,181	18.6 %
Gain on sale of land to co-owners	**744**	607	137	22.6 %
ACFO[4]	**269,407**	262,850	6,557	2.5 %
Distributions declared	**239,101**	230,969	8,132	3.5 %
Surplus of ACFO over distributions declared	**30,306**	31,881	(1,575)	N/R[5]
Payout Ratio:				
ACFO[3]	**88.8 %**	87.9 %	0.9 %	1.0 %

(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) Amount represents distributions from the closings during the nine months ended September 30, 2020 of Transit City 1 & 2 condominiums and was received subsequent to the quarter-end.
(3) See the "Indirect interest with respect to the development portion" as presented in the "Reconciliation of FFO" subsection above for more information.
(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.
(5) N/R – Not representative.

For the nine months ended September 30, 2020, ACFO increased by $6.6 million or 2.5% to $269.4 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 nine months ended September 30, 2020 increased by 0.9% to 88.8% as compared to the same period in 2019, which was primarily due to the items previously identified.

Distributions and ACFO Highlights

	Three Months Ended September 30			Nine Months Ended September 30		
(in thousands of dollars)	**2020**	2019	Variance	**2020**	2019	Variance
Cash flows provided by operating activities	**79,100**	80,615	(1,515)	**204,611**	213,964	(9,353)
Distributions declared	**79,621**	77,264	2,357	**239,101**	230,969	8,132
Distributions paid	**79,621**	58,890	20,731	**221,624**	178,520	43,104
ACFO[(1)]	**103,200**	88,537	14,663	**269,407**	262,850	6,557
Surplus of ACFO over distributions declared	**23,579**	11,273	12,306	**30,306**	31,881	(1,575)
Surplus of ACFO over distributions paid	**23,579**	29,647	(6,068)	**47,783**	84,330	(36,547)
Surplus (shortfall) of cash flows provided by operating activities over distributions declared[(2)]	**(521)**	3,351	(3,872)	**(34,490)**	(17,005)	(17,485)
Surplus (shortfall) of cash flows provided by operating activities over distributions paid[(2)]	**(521)**	21,725	(22,246)	**(17,013)**	35,444	(52,457)

(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) Amounts for the three months and nine months ended September 30, 2020 do not reflect net profits of $31.8 million recognized on the closings of Transit City 1 and 2 units.

For the nine months ended September 30, 2020, the shortfall of cash flows provided by operating activities over distributions declared of $34.5 million was primarily due to: i) a $32.4 million increase in net rent receivables for the six months ended September 30, 2020. These rent receivable amounts are expected to be collected from tenants with whom the Trust is currently working on rent deferral or similar payment arrangements and ii) a $2.1 million increase in other net working capital changes. This shortfall was funded by a combination of issuing Units under the DRIP (prior to April 1, 2020) and the Trust's operating facility.

For the nine months ended September 30, 2020, the shortfall of cash flows provided by operating activities over distributions paid of $17.0 million was primarily due to the $34.5 million shortfall of cash flows provided by operating activities over distributions declared, discussed above, partially offset by the distributions paid through DRIP totalling $17.3 million.

Notwithstanding these results, the following table illustrates the annualized surplus of cash flows provided by operating activities over distributions declared for the 12 months ended September 30, 2020 and September 30, 2019:

	12 Months Ended	
(in thousands of dollars)	**September 30, 2020**	September 30, 2019
Cash flows provided by operating activities	**336,258**	345,439
Distributions declared	**318,783**	304,119
Surplus of cash provided by operating activities over distributions declared	**17,475**	41,320

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 following table presents the components of amounts receivable and other, deferred financing costs, and prepaid expenses and deposits:

(in thousands of dollars)	**September 30, 2020**	December 31, 2019	Variance
Amounts receivable and other			
Tenant receivables	**71,229**	15,921	55,308
Unbilled other tenant receivables	**10,973**	7,649	3,324
Receivables from related party – excluding equity accounted investments	**10,912**	7,958	2,954
Receivables from related party – equity accounted investments	**829**	1,690	(861)
Other non-tenant receivables	**2,904**	1,482	1,422
Other	**7,178**	5,040	2,138
	104,025	39,740	64,285
Allowance for ECL	**(20,062)**	(3,061)	(17,001)
Amounts receivable and other, net of ECL	**83,963**	36,679	47,284
Deferred financing costs	**1,339**	1,477	(138)
Prepaid expenses and deposits	**31,544**	5,247	26,297
	116,846	43,403	73,443

As at September 30, 2020, total amounts receivable and other, net of ECL increased by $47.3 million as compared to December 31, 2019. This increase was primarily attributed to the following:

- $38.3 million increase in tenant receivables, which is net of an increase in the allowance for ECL of $17.0 million, and was primarily due to the rent deferral arrangements for non-CECRA-qualifying tenants;
- $3.6 million increase in other non-tenant receivables and other;
- $3.3 million increase in unbilled other tenant receivables primarily representing timing differences on realty tax billings to tenants; and
- $2.1 million net increase in related party receivables.

As at September 30, 2020, prepaid expenses and deposits increased by $26.3 million as compared to December 31, 2019. This increase was primarily attributed to timing differences associated with realty tax payments which are expected to be charged to tenants over the remainder of the year.

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 tenants that have been deemed to be operating "non-essential" businesses by various governments and have been most effected during the pandemic period offering its support through rent deferral arrangements and potential rental relief to be granted by the Trust under the Canadian federal government's CECRA program which ended in September 2020. Tenants that operate essential businesses and national/regional tenants that have been determined by governments to be "non-essential" businesses for the purposes of the COVID-19 pandemic-related restrictions represent approximately 94% of the Trust's contractual rent. During the period from March 2020 through June 2020, most Canadian businesses deemed "non-essential" were required to close. Given the value-focused origins of the SmartCentres portfolio, the Trust has a strong and stable tenant base, the majority comprised of stable 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 or shadow anchor in over 70% of the Trust's properties, and represents over 25% of the Trust's rental income. Approximately 60% of the Trust's tenant base is comprised of businesses deemed to be offering essential services, and which have been largely permitted to operate throughout the March 2020 to June 2020 period, supplying local communities with everyday groceries, pharmaceuticals, general merchandise, medical assistance, banking, telecom and other essential needs.

The following table presents a summary of the Trust's portfolio, inclusive of rent collection experience for 2020 billings for the Q2 and Q3 2020 periods (as at October 23, 2020):

Category	Category as a % of Q3 2020's Tenant Billings	Collection of Tenant Billings for Q3 2020	Category as a % of Q2 2020's Tenant Billings	Collection of Tenant Billings for Q2 2020
Unenclosed Retail	90.0 %	94.2 %	89.6 %	86.7 %
Enclosed Malls	4.7 %	92.4 %	4.7 %	90.8 %
Office	1.6 %	96.8 %	1.6 %	97.1 %
Total Excluding Two Premium Outlets	**96.3 %**	**94.1 %**	**95.9 %**	**87.1 %**
Two Premium Outlets	3.7 %	64.7 %	4.1 %	23.0 %
	100.0 %	93.0 %	100.0 %	84.5 %

In order to determine ECL, 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) actual or expected insolvency filings, and ii) other rent deferral or similar arrangements.

The Trust continues to monitor rent collections from its portfolio of tenants and for the nine months ended September 30, 2020 has reflected an additional allowance for expected credit loss of $17.0 million, net of: i) the reversals of previous allowances, and ii) tenant receivables written off during the period. Primarily as a result of COVID-19, during the three months and nine months ended September 30, 2020, the Trust recorded additional ECL of $9.7 million and $25.4 million, respectively. This ECL amount was recorded based on a forward-looking nature of assessment. The Trust's estimates and judgments could also be further 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.

The following table provides some additional details on the Trust's tenant billings, amounts received (up to October 23, 2020), expected recovery and related provisions for the three months ended September 30, 2020 and June 30, 2020:

(in thousands of dollars)	Three Months Ended September 30, 2020	As a %	Three Months Ended June 30, 2020	As a %	Total for the Six Months Ended September 30, 2020	As a %
Total tenant billings	199,587	100.0	202,072	100.0	401,659	100.0
Less: Amounts received directly from tenants to date	176,434	88.4	153,241	75.8	329,675	82.1
Balance outstanding	23,153	11.6	48,831	24.2	71,984	17.9
Less:						
Recovery from governments for CECRA	7,706	3.9	7,706	3.8	15,412	3.8
Amounts forgiven by the Trust for CECRA	3,853	1.9	3,853	1.9	7,706	1.9
Sales tax on CECRA	1,488	0.7	1,488	0.7	2,976	0.7
Tenant rent deferral arrangements negotiated or near completion	2,680	1.3	20,269	10.0	22,949	5.7
Rents to be collected before ECL provision	7,426	3.7	15,515	7.7	22,941	5.7
Less: ECL provision	5,564	2.8	7,920	3.9	13,484	3.4
Balance to be collected	1,862	0.9	7,595	3.8	9,457	2.4

Mortgages, Loans and Notes Receivable, and Interest Income

The following table summarizes mortgages, loans and notes receivable:

(in thousands of dollars)	**September 30, 2020**	December 31, 2019	Variance
Mortgages, loans and notes receivable			
Mortgages receivable (Mezzanine Financing)	**143,743**	138,762	4,981
Loans receivable[1]	**249,998**	131,119	118,879
Notes receivable	**2,979**	2,979	—
	396,720	272,860	123,860

(1) Includes $107.3 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 in favour of the Trust to acquire an interest in the mortgaged property once a certain level of development and leasing is achieved. As at September 30, 2020, the Trust had total commitments of $279.0 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 following table presents the details of the mortgages receivable (by maturity date) provided to Penguin:

(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.)**
Innisfil, ON[2][3]	21,827	26,070	7,711	December 2020	6.75 %	— %	—
Salmon Arm, BC[2][4]	15,509	19,719	15,509	January 2021	4.15 %	— %	—
Aurora (South), ON	17,523	30,543	17,523	March 2022	3.45 %	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	30,373	68,664	30,373	November 2023	3.86 %	50 %	36,950
Vaughan (7 & 427), ON	18,645	52,277	18,645	December 2023	5.97 %	50 %	150,820
Caledon (Mayfield), ON	10,267	14,033	10,267	April 2024	3.71 %	50 %	101,865
Toronto (StudioCentre), ON[2]	29,599	43,759	29,599	June 2024	3.69 %	25 %	227,831
	143,743	279,048	129,627		4.51 %[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 September 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 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%.
(4) The maturity date for this loan was extended from October 2020 to January 2021 on October 1, 2020. Monthly variable rate based on a fixed rate of 6.35% on loans outstanding up to $7.2 million and the banker's acceptance rate plus 1.75% on any additional loans above $7.2 million.
(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 $114.7 million (December 31, 2019 – $110.6 million); and (ii) at fixed rates of 6.35% to 7.50% on mortgages receivable of $29.1 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 $59.8 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, $129.6 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	1	21,827
2021	1	15,509
2022	3	17,523
2023	2	49,018
2024	2	39,866
	9	143,743

The following table illustrates the interest accrued and repayments:

	Three Months Ended September 30		Nine Months Ended September 30	
(in thousands of dollars)	**2020**	2019	**2020**	2019
Balance – beginning of period	**142,125**	136,194	**138,762**	134,221
Interest accrued	**1,618**	1,859	**5,169**	5,525
Interest payments	**—**	—	**(74)**	(850)
Principal repayments	**—**	—	**(114)**	(843)
Balance – end of period	**143,743**	138,053	**143,743**	138,053

Loans Receivable

The following table presents the details of loans receivable (by maturity date):

(in thousands of dollars)

Issued to	Committed	Maturity Date	Interest Rate	Note	September 30, 2020	December 31, 2019
Penguin[1]	19,148	November 2020	Variable	21	**9,307**	10,215
Penguin[2]	N/A	January 2021	Interest-free	21	**3,460**	—
Penguin[3]	26,227	June 2021	Variable	21	**14,487**	14,173
Penguin[4]	N/A	December 2029	Interest-free	21, 11 b) iii)	**80,054**	—
Total loans issued to Penguin					**107,308**	24,388
PCVP[5]	N/A	June 2021	2.76%	21	**94,353**	92,427
Self-storage facilities[6]	60,000	July 2023	Variable		**35,185**	—
Total loans issued to equity accounted investments					**129,538**	92,427
Vaughan NW Residence Inc.[7]	N/A	November 2020	6.25%		**9,804**	9,804
Other[8]	N/A	March 2021	5.00%		**498**	—
Selection Group[9]	N/A	April 2021	Variable		**2,850**	—
Greenwin[10]	11,694	September 2024	Variable		**—**	4,500
Greenwin[11]	1,280	January 2025	Variable		**—**	—
Total loans issued to unrelated parties					**13,152**	14,304
					249,998	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 August 2020, this non-interest bearing, unsecured loan was issued to the holders of Class G Series 1 Units of Smart Boxgrove LP in the amount of $3.5 million pursuant to the amended and restated Smart Boxgrove Limited Partnership agreement. Such loan shall have limited recourse up to the amount of $3.5 million and will be due and payable on or before the fifth business day after year-end, at which time Smart Boxgrove LP will make a distribution to the holders of Class G Series 1 Units in an amount equal to the outstanding loan amount, which shall be set-off to repay the aggregate amount of loans issued.

(3) In March 2019, the Trust entered into a loan agreement with Penguin for a non-revolving principal advance facility of $13.2 million and a non-revolving construction facility of $13.0 million, which combine for a total loan facility of $26.2 million, bearing interest accruing at a fixed rate of 2.76% and a variable rate based on banker's acceptance rate plus 150 basis points, respectively. The loan security includes a first or second charge on the property, assignments of rents and leases and general security agreements, and is guaranteed by Penguin. The principal advance facility was advanced in full in March 2019. Unless prepaid in accordance with the terms of the loan agreement, principal and any accrued and unpaid interest in respect of the loan receivable shall be repaid in full in June 2021.

(4) This loan receivable relates to the acquisition of a parcel of land in Vaughan, Ontario through PCVP in December 2019 ("700 Applewood purchase"). In March 2020, the Trust assumed this loan receivable from Penguin in regards to 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

September 30, 2020, the loan balance of $80.1 million is net of a fair value adjustment totalling $28.2 million. See also the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 (Note.11.b.iii) reflecting the corresponding loan payable amount.

(5) 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 nine months ended September 30, 2020.

(6) In July 2020, the Trust entered into a loan agreement with its partner SmartStop to provide funding for the development of self-storage facilities. The loan agreement matures in July 2023 and bears interest at a variable rate based on banker's acceptance rate plus 245 basis points. See further details in Note 6.b) "Equity accounted investments" in the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020.

(7) In 2017, a loan receivable of $9.8 million was provided pursuant to an agreement 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.

(8) In September 2020, the Trust entered into a vendor take back loan agreement pursuant to the disposition of a land parcel in London (Fox Hollow), Ontario, and the loan includes a first charge on the land for 50.0% of the purchase price.

(9) In April 2020, the Trust entered into a loan agreement, 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 an advance of the facility and bears interest at the prime rate of interest plus 2% per annum.

(10) In September 2019, the Trust entered into a loan agreement with Greenwin to use in acquiring a 50% interest in development lands in Barrie, Ontario. As at September 30, 2020, the total remaining credit facility was $11.7 million. The loan security includes a first charge on the development lands and is guaranteed by Greenwin. This loan matures 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. In August 2020, Greenwin repaid this loan in advance of the maturity date.

(11) In January 2020, the Trust entered into a loan agreement, Greenwin, whereby the Trust assisted Greenwin to fund its 25% interest in development lands in Toronto, Ontario (see also Note 6, "Equity accounted investments"). As at September 30, 2020, the total remaining non-revolving term acquisition credit facility was $1.3 million. The loan agreement also includes 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 matures 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. In August 2020, Greenwin repaid this loan in advance of the maturity date.

The following table illustrates the activity in loans receivable:

	Three Months Ended September 30		**Nine Months Ended September 30**	
(in thousands of dollars)	**2020**	2019	**2020**	2019
Balance – beginning of period	**222,347**	125,045	**131,119**	19,949
Loans issued[(1)]	**34,065**	4,500	**122,153**	108,326
Advances	**5,031**	577	**5,537**	1,011
Interest accrued	**952**	826	**2,558**	1,662
Fair value adjustments	**(621)**	—	**2,268**	—
Repayments	**(11,776)**	—	**(13,637)**	—
Balance – end of period	**249,998**	130,948	**249,998**	130,948

(1) For the nine months ended September 30, 2020, the total amount of loans issued to Penguin was $81.7 million (December 31, 2019 – $24.4 million) see footnotes (2) and (4) 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%).

Certain amendments to the Mezzanine Loans have been agreed to by SmartCentres and Mitchell Goldhar but are not yet effective. See the Trust's management information circular dated November 6, 2020 for more details.

Interest Income

The following table summarizes the components of interest income:

	Three Months Ended September 30			**Nine Months Ended September 30**		
(in thousands of dollars)	**2020**	2019	Variance	**2020**	2019	Variance
Interest income						
Mortgage interest	**1,618**	1,859	(241)	**5,169**	5,525	(356)
Loan interest	**1,232**	999	233	**3,456**	2,123	1,333
Note receivable interest	**68**	68	—	**201**	201	—
Bank interest	**1,114**	125	989	**2,278**	612	1,666
	4,032	3,051	981	**11,104**	8,461	2,643

For the nine months ended September 30, 2020, interest income increased by $2.6 million as compared to the nine months ended September 30, 2019. This increase was primarily attributed to:

- $1.7 million increase in bank interest as a result of the increase in cash and cash equivalents as compared to the period ended September 30, 2019; and
- $1.3 million increase in loan interest as a result of the increase in the average loans receivable balance outstanding between both periods;

Partially offset by:

- $0.4 million decrease in mortgage interest as a result of a reduction in variable interest rates during the period ended September 30, 2020.

General and Administrative Expense

The following tables summarize general and administrative expense before allocation, general and administrative expense, net (as presented in the unaudited interim condensed consolidated statements of income and comprehensive income for the three and nine months ended September 30, 2020) 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 September 30, 2020**	Three Months Ended September 30, 2019	Variance
Salaries and benefits			**12,898**	12,357	541
Master planning services fee – by Penguin	21		**2,035**	1,750	285
Professional fees			**831**	525	306
Public company costs			**526**	684	(158)
Rent and occupancy			**668**	665	3
Amortization of intangible assets	8		**333**	333	—
Other costs including information technology, marketing, communications and other employee expenses			**1,575**	1,755	(180)
Subtotal			**18,866**	18,069	797
Previously capitalized G&A costs – Transit City 1 & 2			**1,236**	—	1,236
Total general and administrative expense before allocation		**(A)**	**20,102**	18,069	2,033
Less:					
Allocated to property operating costs			**(2,815)**	(3,821)	1,006
Capitalized to properties under development and other assets			**(7,606)**	(7,530)	(76)
Total amounts allocated and capitalized		**(B)**	**(10,421)**	(11,351)	930
Transition services charged to Penguin	21		**—**	(500)	500
Time billings, leasing, management fees, development fees and other fees	21		**(1,847)**	(1,421)	(426)
Shared service costs charged to Penguin	21		**(169)**	(193)	24
Total amounts charged		**(C)**	**(2,016)**	(2,114)	98
Total amounts allocated, capitalized and charged		**(D = B + C)**	**(12,437)**	(13,465)	1,028
General and administrative expense, net		**(E = A + D)**	**7,665**	4,604	3,061
Less:					
Salaries and related costs attributed to leasing activities[2]		**(F)**	**(1,415)**	(1,296)	(119)
General and administrative expense excluding internal leasing expense		**(G = E + F)**	**6,250**	3,308	2,942
General and administrative expense, net		**(E)**	**7,665**	4,604	3,061
Rental revenue from investment properties including rental revenue from equity accounted investments		**(H)**	**188,981**	197,545	(8,564)
As a percentage of rentals from investment properties		**(I = E / H)**	**4.1%**	2.3%	1.8%

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

(2) Salaries and related costs attributed to leasing activities of $1.4 million were incurred in the three months ended September 30, 2020 (three months ended September 30, 2019 – $1.3 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 September 30, 2020, total general and administrative expense before allocation was $20.1 million, representing an increase of $2.0 million or 11.3% as compared to the same period in 2019. This increase can be attributed primarily to:

- $1.2 million increase in previously capitalized expenses on completed condo developments relating to VMC residences (equity accounted investments); and
- $1.1 million increase in salaries and benefits, Penguin's master planning services fee, and professional fees.

Total amounts allocated, capitalized and charged

For the three months ended September 30, 2020, total amounts allocated, capitalized and charged to Penguin and others was $12.4 million, representing a decrease of $1.0 million or 7.6% as compared to the same period in 2019. This decrease can be attributed primarily to:

- $1.0 million decrease in amounts allocated to property operating costs principally as a result of the Canada Emergency Wage Subsidy ("CEWS"); and
- $0.5 million decrease in transition fees charged to Penguin as a result of Penguin Services Agreement (fee related to Related Party Transactions);

Partially offset by:

- $0.5 million increase in time billings, leasing, management fees, development fees and other fees, and other capitalized costs.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	Note[1]		**Nine Months Ended September 30, 2020**	Nine Months Ended September 30, 2019	Variance
Salaries and benefits			**39,185**	37,951	1,234
Master planning services fee – by Penguin	21		**5,535**	7,350	(1,815)
Professional fees			**3,893**	2,495	1,398
Public company costs			**1,906**	1,914	(8)
Rent and occupancy			**1,992**	1,740	252
Amortization of intangible assets	8		**999**	999	—
Other costs including information technology, marketing, communications and other employee expenses			**5,853**	4,578	1,275
Subtotal			**59,363**	57,027	2,336
Previously capitalized G&A costs – Transit City 1 & 2			**1,236**	—	1,236
Total general and administrative expense before allocation		**(A)**	**60,599**	57,027	3,572
Less:					
Allocated to property operating costs			**(10,534)**	(11,189)	655
Capitalized to properties under development and other assets			**(22,325)**	(23,087)	762
Total amounts allocated and capitalized		**(B)**	**(32,859)**	(34,276)	1,417
Transition services charged to Penguin	21		**(833)**	(1,917)	1,084
Time billings, leasing, management fees, development fees and other fees	21		**(5,405)**	(4,424)	(981)
Shared service costs charged to Penguin	21		**(586)**	(576)	(10)
Total amounts charged		**(C)**	**(6,824)**	(6,917)	93
Total amounts allocated, capitalized and charged		**(D = B + C)**	**(39,683)**	(41,193)	1,510
General and administrative expense, net		**(E = A + D)**	**20,916**	15,834	5,082
Less:					
Salaries and related costs attributed to leasing activities[2]		**(F)**	**(4,653)**	(4,264)	(389)
General and administrative expense excluding internal leasing expense		**(G = E + F)**	**16,263**	11,570	4,693
General and administrative expense, net		**(E)**	**20,916**	15,834	5,082
Rental revenue from investment properties including rental revenue from equity accounted investments		**(H)**	**590,323**	602,947	(12,624)
As a percentage of rentals from investment properties		**(I = E / H)**	**3.5%**	2.6%	0.9%

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

(2) Salaries and related costs attributed to leasing activities of $4.7 million were incurred in the nine months ended September 30, 2020 (nine months ended September 30, 2019 – $4.3 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 nine months ended September 30, 2020, total general and administrative expense before allocation was $60.6 million, representing an increase of $3.6 million or 6.3% as compared to the same period in 2019. This increase can be attributed primarily to:

- $2.9 million increase in professional fees, salaries and benefits, and rent and occupancy costs;
- $1.3 million increase in other costs including information technology, marketing, communications and other employee expenses; and
- $1.2 million increase in previously capitalized expenses on completed condo developments relating to VMC residences (equity accounted investments);

Partially offset by:

- $1.8 million decrease in master planning services fee, as a result of additional master planning services fee being accrued in the nine months ended September 30, 2019.

Total amounts allocated, capitalized and charged
For the nine months ended September 30, 2020, total amounts allocated, capitalized and charged to Penguin and others was $39.7 million, representing a decrease of $1.5 million or 3.7% as compared to the same period in 2019. This decrease can be attributed primarily to:

- $1.1 million decrease in transition services charged to Penguin as a result of Penguin Services Agreement (fee related to Related Party Transactions);
- $0.8 million decrease in amounts capitalized to properties under development and other assets; and
- $0.7 million decrease in amounts allocated to property operating costs principally as a result of the Canada Emergency Wage Subsidy;

Partially offset by:

- $1.1 million increase in time billings, leasing, management fees, development fees and other fees.

Earnouts and Developments Completed on Existing Properties

For the three months ended September 30, 2020, $36.5 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 approximate 100,000 square foot Leaside self-storage facility in Toronto, Ontario, as compared to $20.8 million in the same period in 2019.

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Area (sq. ft.)	**Investment ($ millions)**	**Annualized Yield (%)**	Area (sq. ft.)	Investment ($ millions)	Annualized Yield (%)
Earnouts[1]	**—**	**7.5**	**— %**	5,481	1.7	7.1 %
Developments	**53,233**	**18.5**	**5.6 %**	46,402	16.6	5.7 %
Developments – equity accounted investments	**49,304**	**10.5**	**7.0 %**	2,743	2.5	5.2 %
	102,537	**36.5**	**6.3 %**	54,626	20.8	5.8 %

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

For the nine months ended September 30, 2020, $80.4 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 171-unit residential rental building in Laval, Quebec and approximate 100,000 square foot Leaside self-storage facility in Toronto, Ontario, as compared to $77.0 million in the same period in 2019.

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Area (sq. ft.)	**Investment ($ millions)**	**Annualized Yield (%)**	Area (sq. ft.)	Investment ($ millions)	Annualized Yield (%)
Earnouts[1]	**1,936**	**14.0**	**7.4 %**	26,143	9.6	7.0 %
Developments	**100,928**	**34.9**	**5.7 %**	122,859	40.3	5.8 %
Developments – equity accounted investments	**129,232**	**31.5**	**6.1 %**	47,392	27.1	5.4 %
	232,096	**80.4**	**5.9 %**	196,394	77.0	5.8 %

(1) The Earnouts for the nine months ended September 30, 2020 included three land parcel sales totalling $13.4 million of investment and as a result the area and annualized yield information for these parcel sales are not reflected in the table above.

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 (see also the "Earnouts and Developments Completed on Existing Properties" section of the MD&A) 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 present 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.

	Three Months Ended September 30			**Nine Months Ended September 30**		
(in thousands of dollars, except per Unit and other Unit amounts)	**2020**	2019	Variance	**2020**	2019	Variance
Adjusted salaries and related costs attributed to leasing	**1,415**	1,296	119	**4,653**	4,264	389
Actual sustaining leasing commissions	**210**	682	(472)	**994**	1,231	(237)
Actual sustaining tenant improvements	**1,627**	983	644	**2,363**	3,343	(980)
Total actual sustaining leasing and related costs	**3,252**	2,961	291	**8,010**	8,838	(828)
Actual sustaining capital expenditures (recoverable and non-recoverable)	**2,682**	5,947	(3,265)	**3,759**	9,764	(6,005)
Total actual sustaining leasing costs and capital expenditures	**5,934**	8,908	(2,974)	**11,769**	18,602	(6,833)
Weighted average number of units outstanding – diluted	**173,120,316**	171,255,329	1,864,987	**172,873,206**	170,151,053	2,722,153
Per Unit – diluted	**$0.03**	$0.05	-$0.02	**$0.07**	$0.11	-$0.04

For the three months ended September 30, 2020, the total sustaining leasing costs and capital expenditures were $5.9 million, as compared to $8.9 million in the same period in 2019, representing a decrease of $3.0 million. This decrease is primarily due to the following:

- $3.3 million decrease in both recoverable and non-recoverable capital expenditures;

Partially offset by:

- $0.3 million net increase in leasing and related costs.

For the nine months ended September 30, 2020, the total sustaining leasing costs and capital expenditures were $11.8 million, as compared to $18.6 million in the same period in 2019, representing a decrease of $6.8 million. This decrease is due to the following:

- $6.0 million decrease in both recoverable and non-recoverable capital expenditures which primarily relate to the costs associated with parking lot resurfacing, roof replacement, paving and HVAC improvements. These capital expenditures were incurred to sustain rental revenue from income properties and may vary widely from period to period and from year to year; and
- $0.8 million net decrease in leasing and related costs.

Investment Properties

The portfolio consists of 34.1 million square feet of gross leasable retail and office area and 2.5 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 seeks to attract high-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 nine months ended September 30, 2020 and the year ended December 31, 2019:

	Nine Months Ended September 30, 2020			Year Ended December 31, 2019		
(in thousands of dollars)	**Income Properties**	**Properties Under Development**	**Total Investment Properties**	Income Properties	Properties Under Development	Total Investment Properties
Investment properties						
Balance – beginning of period	**8,488,669**	**561,397**	**9,050,066**	8,404,513	500,544	8,905,057
Additions (deductions):						
Acquisitions, Earnouts, and related adjustments of investment properties	**—**	**13,616**	**13,616**	1,641	16,752	18,393
Transfer to income properties from properties under development	**33,385**	**(33,385)**	**—**	66,306	(66,306)	—
Transfer from income properties to properties under development	**(64,198)**	**64,198**	**—**	(43,400)	43,400	—
Transfer from properties under development to equity accounted investments	**—**	**(6,125)**	**(6,125)**	—	—	—
Earnout Fees on properties subject to development management agreements	**291**	**—**	**291**	5,311	—	5,311
Capital expenditures	**3,759**	**—**	**3,759**	17,665	—	17,665
Leasing costs	**994**	**—**	**994**	1,789	—	1,789
Development expenditures	**—**	**35,172**	**35,172**	—	69,387	69,387
Capitalized interest	**—**	**13,996**	**13,996**	—	18,956	18,956
Dispositions	**—**	**(19,063)**	**(19,063)**	(95)	(15,868)	(15,963)
Fair value adjustment on revaluation of investment properties	**(202,554)**	**(55,958)**	**(258,512)**	34,939	(5,468)	29,471
Balance – end of period	**8,260,346**	**573,848**	**8,834,194**	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
Additions (deductions):						
Acquisitions	**—**	**48,003**	**48,003**	17,852	111,399	129,251
Transfer to income properties from properties under development	**31,484**	**(31,484)**	**—**	30,844	(30,844)	—
Transfer from the Trust	**—**	**6,125**	**6,125**	—	—	—
Capital expenditures	**94**	**—**	**94**	835	—	835
Development expenditures	**—**	**42,919**	**42,919**	—	64,949	64,949
Capitalized interest	**—**	**801**	**801**	—	1,073	1,073
Dispositions	**—**	**—**	**—**	—	(29,154)	(29,154)
Fair value adjustment on revaluation of investment properties	**6,238**	**118**	**6,356**	(655)	18	(637)
Balance – end of period	**224,020**	**296,713**	**520,733**	186,204	230,231	416,435
Total balance (including investment properties classified as equity accounted investments) – end of period	**8,484,366**	**870,561**	**9,354,927**	8,674,873	791,628	9,466,501

Valuation Methodology

From October 1, 2017 to September 30, 2020, the Trust has had approximately 62.3% (by value) or 51.7% (by number of properties) of its operating portfolio appraised externally by independent national real estate appraisal firms with representation and expertise across Canada.

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

The remaining portfolio is valued internally by management utilizing valuation methodologies that are consistent with the external appraisals. Management performed these valuations by updating cash flow information reflecting current leases, renewal terms, 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 nine months ended September 30, 2020 for further discussion).

Fair values were primarily determined through the discounted cash flows 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, and downtime on lease expiries, among others, as a result of the impact of COVID-19.

For the nine months ended September 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 $1,518.1 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 $7,316.1 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 September 30, 2020 was 5.70% using a weighted average discount rate of 6.46% (December 31, 2019 – weighted average capitalization rate of 5.79% using a weighted average discount rate of 6.20%).

The following tables summarize the discount/capitalization rates used along with corresponding fair values for the nine months ended September 30, 2020 and year ended December 31, 2019:

		September 30, 2020				
			Terminal Capitalization Rate		Discount Rate	
Class	**Valuation Technique**	**Carrying Value**	**Weighted Average**	**Range**	**Weighted Average**	**Range**
Income properties	Discounted cash flow	**8,260,346**	**5.95 %**	**4.25% – 7.79%**	**6.46 %**	**4.65% – 8.54%**

Class	**Valuation Technique**	**Carrying Value**	**Weighted Average Capitalization Rate**
Properties under development	Direct income capitalization	**140,147**	**6.50%**
	Land, development and construction costs recorded at market value	**433,701**	**N/A**
		573,848	
Balance – end of period		**8,834,194**	

		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 construction costs recorded at market value	461,515	N/A
		561,397	
Balance – end of year		9,050,066	

The effect of the COVID-19 pandemic 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 the pandemic'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 of $258.5 million, of which $202.5 million related to income properties and $56.0 million related to properties under development (excluding investment properties recorded in equity accounted investments) for the nine months ended September 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.

Acquisitions of Investment Properties

Acquisitions completed in the nine month period ended September 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.

In August 2020, the Trust completed an Earnout event, ultimately resulting in the disposition of a 40% interest in approximately 11.0 acres of land in Markham, Ontario for a purchase price of $7.5 million.

See also Note 3, "Acquisitions and Earnouts", in the Trust's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020.

Properties Under Development

As at September 30, 2020, the fair value of properties under development including properties under development recorded in equity accounted investments totalled $870.6 million as compared to $791.6 million at December 31, 2019, resulting in a net increase of $78.9 million (for details on the factors influencing this change, see the "Investment Properties" section) presented in the table as follows:

(in thousands of dollars)	**September 30, 2020**	December 31, 2019	Variance
Developments	**519,802**	513,034	6,768
Earnouts subject to option agreements[1]	**54,046**	48,363	5,683
Total	**573,848**	561,397	12,451
Equity accounted investments	**296,713**	230,231	66,482
Total including equity accounted investments (Non-GAAP)	**870,561**	791,628	78,933

(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 nine months ended September 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 3.1 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.

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

(in thousands of square feet)	**Committed**	**Years 0–2**	**Years 3–5**	**Beyond Year 5**	**Total[1]**
Developments	220	862	367	848	**2,297**
Earnouts	36	12	71	50	**169**
	256	874	438	898	**2,466**
Mezzanine Financing	—	80	517	—	**597**
	256	954	955	898	**3,063**

(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 September 30, 2020, the future retail properties under development pipeline decreased by 0.3 million square feet to a total of 2.5 million square feet. The change is summarized in the following table:

(in thousands of square feet)	**Total Area**
Future retail properties under development pipeline – June 30, 2020	2,759
Add:	
Properties transferred from investment properties to properties under development	171
Less:	
Net adjustment to project densities	(361)
Completion of Earnouts and Developments	(103)
Net change	(293)
Future retail properties under development pipeline – September 30, 2020	**2,466**

Committed Retail Pipeline

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

(in thousands of dollars)	**Square Feet (in thousands)**	**Total Cost**	**Costs Incurred**	**Estimated Future Development Costs**
Developments	220	68,000	29,000	39,000
Earnouts	36	14,000	3,000	11,000
	256	82,000	32,000	50,000

The completion of these committed Earnouts and Developments as currently scheduled is expected to have an average estimated yield of 6.1% in 2020 and 5.5% 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	241,000	142,000	334,000	717,000	460,000	257,000
Earnouts	4,000	22,000	13,000	39,000	11,000	28,000
	245,000	164,000	347,000	756,000	471,000	285,000

(1) Properties under development totalled $870.6 million (including equity accounted investments of $296.7 million) which primarily consists of costs of $471.0 million in the uncommitted pipeline, costs of $32.0 million in the committed pipeline, costs of $167.8 million in potential land/parcel sales and costs of $296.7 million of future development land recorded in equity accounted investments plus $230.6 million of non-cash development costs relating to future land development and cumulative fair value loss on revaluation of properties under development.

Approximately 6.3% of the retail properties under development, representing a proportion of gross investment cost (committed and uncommitted) relating to Earnouts ($53.0 million, divided by total potential future development pipeline of $838.0 million), representing 169,000 square feet are lands that are under contract by vendors to develop and lease 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 2.3 million square feet of future space will be developed as the Trust leases space and finances the related construction costs.

Residential Development Inventory

Vaughan NW Townhome Development

From a consolidated perspective as recorded in the Trust's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 (GAAP basis) 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 nine months ended September 30, 2020 and year ended December 31, 2019:

(in thousands of dollars)	September 30, 2020	December 31, 2019
Balance – beginning of period	**24,564**	23,429
Development costs	**275**	207
Capitalized interest	**684**	928
Balance – end of period	**25,523**	24,564

SmartVMC Residential Development

From a proportionately consolidated perspective which considers the Trust's proportionate share in equity accounted investments (Non-GAAP) residential development inventory refers to the residential development concerning Transit City condominium units, which are recorded as equity accounted investments (investment in associates) in the Trust's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 (see Note 6.a)). As disclosed earlier in 2020, the Trust and its partners, Penguin and CentreCourt, have made significant progress with the residential development at Transit City. As such, the following summarizes the status of condominium closings at Transit City 1 and 2 for the period ended September 30, 2020:

	Transit City 1	Transit City 2	Total
Total units available/sold	551	559	1110
Total units closed	421	345	766
Total remaining units expected to close before 2020 year end	130	214	344
% of units closed	76.4 %	61.7 %	69.0 %

The following table summarizes the net profits from the closings of Transit City 1 and 2 units for the period ended September 30, 2020:

(in thousands of dollars)	Total	Trust's share
Condominium sales revenue	360,966	90,241
Cost of goods sold	(250,685)	(62,671)
Marketing and selling expenses	(700)	(175)
Other	1,419	355
NOI before additional partnership profit	111,000	27,750
Additional partnership profit[1]	—	4,179
NOI	111,000	31,929
General and administrative expenses[2]	—	(1,236)
Net profit	**111,000**	**30,693**

(1) Additional profit allocated to the Trust for Transit City 1 and 2 closings pursuant to the development agreement and limited partnership agreement.
(2) See the "General and Administrative Expense" section for further details.

The following tables summarize the impact of the Transit City 1 and 2 closings to FFO for the period ended September 30, 2020, at the Trust's share:

(in thousands of dollars)	Trust's share
Net profit	30,693
Adjustments:	
Capitalized interest adjustment associated with closings	(700)
FFO	**29,993**

	Nine Months Ended September 30, 2019
Per Unit – basic/diluted[1]:	
FFO	$0.17/$0.17

(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 nine months ended September 30, 2020, 983,043 vested deferred units are added back to the weighted average Units outstanding.

Equity Accounted Investments

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

	September 30, 2020			December 31, 2019		
(in thousands of dollars)	**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)	**42,581**	**(759)**	**41,822**	5,981	658	6,639
Distributions from operations	**(1,000)**	**(297)**	**(1,297)**	(6,621)	(576)	(7,197)
Financing Activities:						
Fair value adjustment on loan	**3,181**	**—**	**3,181**	(28,356)	—	(28,356)
Loan repayment	**(1,000)**	**—**	**(1,000)**	—	—	—
Investing Activities:						
Cash contribution	**2,881**	**7,012**	**9,893**	115,581	6,296	121,877
Property contribution	**—**	**2,036**	**2,036**	—	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	**—**	**(15,209)**	**(15,209)**	(31,978)	—	(31,978)
Investment – end of period	**338,961**	**97,013**	**435,974**	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 for the three and nine months ended September 30, 2020:

	Principal Intended Activity	**September 30, 2020**	December 31, 2019	September 30, 2019
PCVP	Own, develop and operate investment properties	**50 %**	50 %	50 %
Residences LP	Own, develop and sell two residential condominium towers and twenty-two townhomes (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 Penguin-Calloway Vaughan Partnership ("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 which is available for development now that Walmart has relocated and opened in October 22, 2020 at its new Applewood location.

Note that the limited partnerships involving residential condominium developments, as noted in the above table: Residences LP, Residences III LP, and East Block Residences LP, 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 $109.2 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 for the three and nine months ended September 30, 2020:

		September 30, 2020		December 31, 2019	
Business Focus	Joint Venture Partner	**Number of Projects**	**Ownership Interest**	Number of Projects	Ownership Interest
Retail investment properties		**1**	**30 %**	1	30 %
Joint Venture: 1500 Dundas East LP	*Fieldgate*				
Self-storage facilities		**7**	**50 %**	5	50 %
Joint Ventures: Leaside SAM LP, Oshawa South Self Storage LP, Bramport SAM LP, Vaughan NW SAM LP, Dupont Self Storage LP, Aurora Self Storage LP and Scarborough East Self Storage LP	*SmartStop*				
Seniors' apartments		**1**	**50 %**	1	50 %
Joint Venture: Vaughan NW SA Propco LP	*Revera*				
Retirement residences					
Joint Ventures: Vaughan NW RR (Propco and Opco LP's), Hopedale RR (Propco and Opco LP's)	*Revera*	**6**	**50 %**	4	50 %
Joint Ventures: Ottawa SW (PropCo and OpCo LP's)	*Selection Group*	**2**	**50 %**	—	N/A
Residential apartments					
Joint Venture: Laval C Apartments LP	*Jadco*	**1**	**50 %**	1	50 %
Joint Venture: Balliol/Pailton LP	*Greenwin*	**1**	**75 %**	—	N/A
Total		**19**		12	

Acquisitions completed during the nine months ended September 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.

In August 2020, the Trust together with its joint venture partner SmartStop formed a 50:50 joint venture known as Scarborough East Self Storage LP, into which the Trust contributed development lands located in Scarborough, Ontario, totalling 1.16 acres and SmartStop contributed cash, with the intention to develop, construct and operate a self-storage facility.

See also Note 3, "Acquisitions and Earnouts", and Note 4, "Investment properties", in the Trust's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020.

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 be issued additional special voting Units of the Trust ("Special Voting Units") so that he would 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 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 annual meetings of Unitholders. 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 additional 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 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 on December 9, 2020. See the Trust's management information circular dated November 6, 2020 for further details.

As at September 30, 2020, Penguin owned 21.4% 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 25.1% 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 September 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.

    On November 5, 2020, the Trust entered into a supplement to the Development Services Agreement which provides that the Trust will no longer be the service provider and will no longer receive development fees for certain projects (most of which the Trust has no ownership interest in) and Penguin will instead provide such services and receive such fees. Penguin may utilize employees of the Trust to provide such services and will compensate the Trust for the estimated cost, including the compensation of any employees it uses. The supplement to the Development Services Agreement is being held in escrow and will not be effective until it is released. See the Trust's management information circular dated November 6, 2020 for further details.

2) Pursuant to the amended and restated services agreement entered into on November 5, 2020 (the "Penguin Services Agreement"), Penguin provides services to the Trust in connection with the development of its projects. In return for those services, Penguin is entitled to receive (i) a fixed fee which is paid on a quarterly basis and (ii) an annual variable fee that is based on the achievement of certain annual targets primarily related to the Trust's development projects. The Penguin Services Agreement is being held in escrow and will not be effective until it is released. See the Trust's management information circular dated November 6, 2020 for more details.

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 for the three and nine months ended September 30, 2020 (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 tables summarize 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 September 30		Nine Months Ended September 30	
(in thousands of dollars)	Note[1]	**2020**	2019	**2020**	2019
Related party transactions with Penguin					
Revenues:					
Service and other revenues:					
Transition services fee revenue		**—**	500	**833**	1,917
Management fee and other services revenue pursuant to the Development and Services Agreement		**1,426**	1,073	**4,366**	3,408
Support services		**169**	193	**586**	576
	17	**1,595**	1,766	**5,785**	5,901
Interest income from mortgages and loans receivable		**1,827**	2,117	**5,843**	6,198
Rents and operating cost recoveries included in rentals from income properties (includes rental income from Penguin Pick-Up)		**401**	218	**841**	688
		3,823	4,101	**12,469**	12,787
Expenses and other payments:					
Master planning services:					
Capitalized to properties under development	19	**2,035**	1,750	**5,535**	7,350
Development fees and interest expense (capitalized to investment properties)		**—**	—	**10**	11
Opportunity fees (capitalized to properties under development)[2]		**761**	720	**2,234**	2,105
Rent and operating costs (included in general and administrative expense and property operating costs)		**—**	—	**—**	397
Marketing, time billings and other administrative costs (included in general and administrative expense and property operating costs)		**21**	28	**78**	101
Expenditures on tenant inducement		**72**	—	**72**	—
		2,889	2,498	**7,929**	9,964
Related party transactions with PCVP					
Revenues:					
Interest income from mortgages and loans receivable		**651**	635	**1,925**	1,188
Expenses and other payments:					
Rent and operating costs (included in general and administrative expense and property operating costs)		**651**	651	**1,954**	1,301

(1) Relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three and nine months ended September 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]	**September 30, 2020**	December 31, 2019
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable[2]	10	**10,912**	7,958
Mortgages receivable	5(a)	**143,743**	138,762
Loans receivable	5(b)	**107,308**	24,388
Notes receivable	5(c)	**2,979**	2,979
Total receivables		**264,942**	174,087
Payables and other accruals:			
Accounts payable	12	**1,685**	88
Accrued liabilities	12	**13,307**	8,805
Future land development obligation	12	**18,273**	27,074
Secured debt		**—**	318
Total payables and other accruals		**33,265**	36,285

(1) The Note reference relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020.
(2) Excludes amounts receivable presented below as part of balances with equity accounted investments.

If the various agreements entered into between the Trust and Mitchell Goldhar become effective (see the Trust's management information circular dated November 6, 2020 for more details), certain numbers disclosed in the tables above will change.

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

	Note[1]	**September 30, 2020**	December 31, 2019
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable[2]	10	**829**	1,690
Loans receivable[3]	5(b)	**129,538**	92,427
Amounts payable[4]		**2,666**	2,024
Other unsecured debt	11(b)(iii)	**165,736**	83,296

(1) The Note reference relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020.
(2) Amounts receivable includes Penguin's portion, which represents $0.4 million (December 31, 2019 – $0.8 million) relating to Penguin's 50% investment in PCVP and 25% investment in Residences LP.
(3) Loans receivable includes Penguin's portion, which represents $47.2 million (December 31, 2019 – $46.2 million) relating to Penguin's 50% investment in PCVP.
(4) Amounts payable includes Penguin's portion, which represents $1.3 million (December 31, 2019 – $1.0 million) relating to Penguin's 50% investment in PCVP.

Mortgages receivable

As at September 30, 2020, the weighted average interest rate associated with mortgages receivable from Penguin was 4.51% (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 the three and nine months ended September 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 for the three and nine months ended September 30, 2020).

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 for the three and nine months ended September 30, 2020).

Other related party transactions:
The following table summarizes other related party transactions:

	Three Months Ended September 30		Nine Months Ended September 30	
(in thousands of dollars)	**2020**	2019	**2020**	2019
Legal fees incurred from a law firm in which a partner is a Trustee:				
Capitalized to investment properties	**1,006**	151	**1,969**	1,517
Included in general and administrative expense	**490**	74	**1,210**	456
	1,496	225	**3,179**	1,973

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 that pertain to the potential impact of the COVID-19 pandemic.

The following table presents the Trust's capital resources available:

(in thousands of dollars)	**September 30, 2020**	December 31, 2019	Variance
Cash and cash equivalents	**425,679**	55,374	370,305
Remaining operating facility[(1)]	**491,311**	491,156	155
	916,990	546,530	370,460
Operating facility – Accordion feature	**250,000**	250,000	—
	1,166,990	796,530	370,460

(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) funds received from the closings of mixed-use development initiatives, including condominium and townhouse sales, (iii) a mix of mortgage debt secured by investment properties, operating facilities, issuance of equity and unsecured debentures, (iv) repayments of mortgages receivable, and (v) the sale of non-core assets. The Trust's ability to meet these future obligations may be impacted by the liquidity risk associated with receiving repayments of its mortgages, loans, and notes receivable, amounts receivable and other, deposits, and cash equivalents on time and in full, and infrequently, the realization of fair value on the disposition of the Trust's 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 September 30, 2020, the Trust's cash and cash equivalents increased by $370.3 million as compared to December 31, 2019, which is primarily due to the following:

- $1,071.5 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, $460.0 million of lines of credit from the revolving operating facility, and $13.8 million relating to the proceeds of other unsecured debt;
- $204.6 million of cash provided by operating activities; and
- $19.5 million of net proceeds from sale of investment properties;

Partially offset by the following:

- $559.5 million representing repayment of debt, which is principally due to the $460.0 million repayment of the Trust's revolving operating facility, $86.1 million repayment of secured debt and other debt, and $13.4 million repayment of unsecured debt;
- $221.6 million of distributions paid on Trust Units, non-controlling interests and Units classified as liabilities;
- $108.5 million representing net additions to investing activities including investment properties, equity accounted investments, Earnouts, and equipment; and
- $35.7 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 September 30, 2020 is 49.8% (December 31, 2019 – 49.0%). Including the Trust's capital resources as at September 30, 2020, the Trust could invest an additional $1,631.6 million (December 31, 2019 – $1,688.8 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%.

Future obligations total $5.0 billion, as identified in the following table. Other than contractual maturity dates, the timing of payment of these obligations is management's best estimate based on assumptions with respect to the timing of leasing, construction completion, occupancy and Earnout dates at September 30, 2020.

The following table presents the estimated amount and timing of certain of the Trust's future obligations including development obligations as at September 30, 2020:

(in thousands of dollars)	**Total**	**2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**
Secured debt	1,358,376	29,201	177,896	261,417	179,064	150,501	560,297
Unsecured debt	3,475,736	250,000	352,639	300,000	200,000	420,000	1,953,097
Mortgage receivable advances (repayments)(1)	135,304	2,705	8,482	9,392	1,487	(1,999)	115,237
Development obligations (commitments)(2)	26,572	26,572	—	—	—	—	—
Total	4,995,988	308,478	539,017	570,809	380,551	568,502	2,628,631

(1) Mortgages receivable of $143.7 million at September 30, 2020, and further forecasted commitments of $135.3 million, mature over a period extending to 2024 if the Trust does not exercise its option to acquire the investment properties. Refer to the "Mortgages, Loans and Notes Receivable, and Interest Income" section for timing of principal repayments.

(2) The Trust is in the process of refining its estimates of development obligations for the years subsequent to 2020. This total does not include commitments associated with equity accounted investments, nor does this total include expected costs associated with the Trust's mixed-use development initiatives except for current amounts outstanding for active projects currently underway.

The following table presents the estimated amount and timing of certain of the equity accounted investment's future obligations including development obligations as at September 30, 2020:

(in thousands of dollars)	**Total**	**2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**
Secured and unsecured debt	424,305	40,857	68,964	124,843	27,923	6,220	155,498
Development obligations (commitments)(1)	193,112	52,786	60,798	49,384	30,144	—	—
Total	617,417	93,643	129,762	174,227	58,067	6,220	155,498

(1) The Trust is in the process of refining its estimates of development obligations for the years subsequent to 2020. This total does not include expected costs associated with the Trust's mixed-use development initiatives except for current amounts outstanding for active projects currently underway.

The following table presents the estimated amount and timing of certain of the Trust's proportionate share of equity accounted investment's future obligations including development obligations as at September 30, 2020:

(in thousands of dollars)	**Total**	**2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**
Secured and unsecured debt	172,795	20,320	34,034	41,029	7,983	2,596	66,833
Development obligations (commitments)(1)	63,911	16,929	20,905	16,779	9,298	—	—
Total Trust's share	236,706	37,249	54,939	57,808	17,281	2,596	66,833

(1) The Trust is in the process of refining its estimates of development obligations for the years subsequent to 2020. This total does not include expected costs associated with the Trust's mixed-use development initiatives except for current amounts outstanding for active projects currently underway.

The following table presents the Trust's net working capital surplus (deficiency):

(in thousands of dollars)	**September 30, 2020**	December 31, 2019
Current assets	**740,143**	179,294
Less: Current liabilities	**(1,035,623)**	(332,988)
Working capital deficiency	**(295,480)**	(153,694)
Less: Current portion of debt	**(769,951)**	(115,385)
Net working capital surplus (deficiency)	**474,471**	(38,309)

As at September 30, 2020 the Trust experienced a working capital deficiency of $295.5 million (December 31, 2019 – $153.7 million). This deficiency includes mortgages, unsecured debentures and operating lines of credit of $770.0 million (December 31, 2019 – $115.4 million) that have maturity dates within 12 months of the balance sheet date. It is management's intention to either repay or refinance these maturing liabilities with cash and cash equivalents, newly issued secured or unsecured debt, equity or, in certain circumstances not expected to occur frequently, the disposition of certain assets. Without mortgages, unsecured

debentures and operating lines of credit, the Trust maintained a net working capital surplus of $474.5 million as at September 30, 2020 (December 31, 2019 – $38.3 million deficiency).

It is management's intention to repay $250.0 million in maturing Series R debentures and approximately $17.1 million of maturing secured debt in the remainder of 2020. The Trust has an unencumbered asset pool with an approximate fair value totalling $5.8 billion, which could generate gross financing proceeds on income properties of approximately $3.7 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:

	September 30, 2020			December 31, 2019		
(in thousands of dollars)	**Balance**	**Weighted Average Term of Debt (in years)**	**Weighted Average Interest Rate of Debt (%)**	Balance	Weighted Average Term of Debt (in years)	Weighted Average Interest Rate of Debt (%)
Secured debt	**1,356,576**	**4.0**	**3.69 %**	1,442,278	4.6	3.75 %
Unsecured debt	**3,299,383**	**5.0**	**3.33 %**	2,700,359	4.9	3.42 %
Unsecured loan from equity accounted investments[1]	**165,736**	**N/A**	**— %**	83,296	N/A	— %
Revolving operating facility	**—**	**—**	**— %**	—	—	— %
Total debt before equity accounted investments	**4,821,695**	**N/A**	**— %**	4,225,933	N/A	— %
Less: Unsecured loan from equity accounted investments[1]	**(85,682)**	**N/A**	**— %**	(83,296)	N/A	— %
Subtotal	**4,736,013**	**4.8**	**3.38 %**	4,142,637	4.8	3.54 %
Share of secured debt (equity accounted investments)	**130,307**	**11.7**	**3.39 %**	136,039	12.2	3.90 %
Share of unsecured debt (equity accounted investments)	**42,488**	**0.9**	**2.10 %**	12,150	1.3	3.38 %
Share of debt classified as equity accounted investments	**172,795**	**9.1**	**3.07 %**	148,189	11.3	3.86 %
Total debt including equity accounted investments	**4,908,808**	**4.9**	**3.37 %**	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 nine months ended September 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	**605**	**612,900**	**460,000**	**80,554**	**53,470**	**1,207,529**
Scheduled amortization	**(33,142)**	**—**	**—**	**—**	**(1,635)**	**(34,777)**
Repayments	**(53,189)**	**(12,900)**	**(460,000)**	**(500)**	**(27,098)**	**(553,687)**
Amortization of acquisition fair value adjustments, net of additions	**(666)**	**—**	**—**	**—**	**(141)**	**(807)**
Financing costs incurred, net of additions	**690**	**(976)**	**—**	**—**	**10**	**(276)**
Balance – September 30, 2020	**1,356,576**	**3,299,383**	**—**	**80,054**	**172,795**	**4,908,808**

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.

The following table summarizes future principal payments as a percentage of secured debt:

(in thousands of dollars)	Instalment Payments	Lump Sum Payments at Maturity	Total ($)	Total (%)	Weighted Average Interest Rate of Maturing Debt (%)
2020	12,129	17,072	29,201	2 %	5.01 %
2021	43,302	134,594 (1)	177,896	13 %	3.49 %
2022	41,111	220,306	261,417	19 %	3.35 %
2023	36,720	142,344	179,064	13 %	4.47 %
2024	31,755	118,746	150,501	11 %	3.63 %
Thereafter	54,014	506,283	560,297	42 %	3.64 %
Total	219,031	1,139,345	1,358,376	100 %	3.69 %
Acquisition date fair value adjustment			1,729		
Unamortized financing costs			(3,529)		
			1,356,576		3.69 %

(1) Includes construction loan in the amount of $57.6 million, which bears interest at banker's acceptance rate plus 120 basis points.

Unsecured Debt

The following table summarizes the components of unsecured debt:

(in thousands of dollars)	September 30, 2020	December 31, 2019
Unsecured debentures (a)	**2,900,128**	2,301,257
Credit facilities (b)	**399,255**	399,102
	3,299,383	2,700,359
Other unsecured debt (c)	**165,736**	83,296
	3,465,119	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	September 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**	—
		3.220 % (2)	**2,910,000**	2,310,000
		Unamortized financing costs	**(9,872)**	(8,743)
			2,900,128	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 nine months ended September 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 nine months ended September 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 September 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**	**September 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%		**—**	—
				400,000	400,000
		Less: Unamortized financing costs		**(745)**	(898)
				399,255	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 May 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 $165.7 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)	**September 30, 2020**	December 31, 2019
PCVP[1] (5.00% discount rate)	**83,043**	80,862
PCVP[2] (5.75% discount rate)	**80,054**	—
Laval C Apartment LP	**1,764**	2,214
Scarborough East Self Storage LP	**875**	—
Vaughan NW SAM LP	**—**	220
	165,736	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 September 30, 2020, the loan balance of $83.0 million is net of a fair value adjustment totalling $25.2 million.

(2) In connection with the 700 Applewood purchase, in March 2020, the Trust assumed a loan payable to PCVP from Penguin. The loan has a principal amount outstanding of $108.2 million, is non-interest bearing, and is repayable at the end of 10 years. As at September 30, 2020, the loan balance of $80.1 million is net of a fair value adjustment totalling $28.2 million. See also Note 5.b) in the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 reflecting offsetting loan receivable amount.

Revolving Operating Facility

As at September 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)	**September 30, 2020**	December 31, 2019
Revolving operating facility	**500,000**	500,000
Letters of credit – outstanding	**(8,689)**	(8,844)
Remaining unused operating facility	**491,311**	491,156
Operating facility – accordion feature (undrawn)	**250,000**	250,000
	741,311	741,156

In addition to the letters of credit outstanding on the Trust's revolving operating facility (see above), the Trust also has $21.9 million of letters of credit outstanding with other financial institutions as at September 30, 2020 (December 31, 2019 – $26.5 million).

Unencumbered Assets

As at September 30, 2020, the Trust had $5.8 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 59.8% 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 $304.5 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 September 30			Nine Months Ended September 30		
(in thousands of dollars)	**2020**	2019	Variance	**2020**	2019	Variance
Interest at stated rates	**40,171**	37,238	2,933	**116,564**	112,139	4,425
Amortization of acquisition date fair value adjustments on assumed debt	**(217)**	(514)	297	**(666)**	(1,571)	905
Amortization of deferred financing costs	**1,037**	984	53	**3,043**	2,859	184
	40,991	37,708	3,283	**118,941**	113,427	5,514
Less:						
Interest capitalized to properties under development	**(4,695)**	(4,873)	178	**(13,996)**	(13,899)	(97)
Interest capitalized to residential development inventory	**(226)**	(234)	8	**(684)**	(694)	10
	36,070	32,601	3,469	**104,261**	98,834	5,427
Yield maintenance costs on early redemption of unsecured debentures	**—**	—	—	**—**	7,865	(7,865)
	36,070	32,601	3,469	**104,261**	106,699	(2,438)
Distributions on vested deferred units and Units classified as liabilities	**1,436**	1,327	109	**4,264**	4,020	244
Total interest expense	**37,506**	33,928	3,578	**108,525**	110,719	(2,194)
Capitalized interest as a percentage of total interest expense	**11.6%**	13.1%	(1.5)%	**11.9%**	11.6%	0.3%

For the three months ended September 30, 2020, interest expense totalled $37.5 million, representing an increase of $3.6 million as compared to the same period in 2019, which was primarily due to the following:

- $3.6 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 September 30, 2020 as compared to the same period in 2019, in large part due to the $600.0 million of debentures issued in June 2020, which are expected to be principally used to repay debt and finance the growth in the Trust's vast pipeline of mixed-use development initiatives.

For the nine months ended September 30, 2020, interest expense totalled $108.5 million, representing a decrease of $2.2 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 nine months ended September 30, 2020;

Partially offset by the following:

- $5.7 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 nine months ended September 30, 2020, as noted above.

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 following table presents ratios which the Trust monitors. These ratios are either requirements stipulated by the Declaration of Trust or significant financial covenants pursuant to the terms of revolving operating facilities and other credit facilities or indentures, or indicators monitored by the Trust to manage an acceptable level of leverage. These ratios are not considered measures in accordance with IFRS; nor is there an equivalent IFRS measure. See the "Presentation of Certain Terms Including Non-GAAP Measures" section.

Ratios	Threshold	**September 30, 2020**	December 31, 2019
Interest coverage[3]	≥ 1.65X	**3.3X**	3.5X
Interest coverage (net of capitalized interest expense)[4]	N/A[6]	**3.8X**	4.0X
Fixed charge coverage[2]	≥ 1.5X	**2.5X**	2.4X
Debt to aggregate assets[1][2][5]	≤ 65%	**44.3 %**	42.3 %
Debt to Gross Book Value (excluding convertible debentures)[1][3][5]	≤ 60%	**49.8 %**	49.0 %
Debt to Gross Book Value (including convertible debentures)[1][3][5]	≤ 65%	**49.8 %**	49.0 %
Secured debt to aggregate assets[2][5]	≤ 40%	**14.6 %**	15.7 %
Unsecured to Secured debt ratio[4][5]	N/A[6]	**67%/33%**	63%/37%
Unencumbered assets to unsecured debt[2][5]	≥ 1.3X	**1.9X**	2.1X
Adjusted Debt to Adjusted EBITDA[4][5]	N/A[6]	**8.5X**	8.0X
Unitholders' equity (in thousands)[2][3]	≥ $2,000,000	**$5,197,315**	$5,367,752

(1) This ratio is stipulated by the Declaration of Trust.
(2) This ratio is a significant financial covenant pursuant to the terms of revolving operating facilities and other credit facilities.
(3) This ratio is required by the Trust's indentures.
(4) This ratio is disclosed for informational purposes only.
(5) As at September 30, 2020, cash-on-hand of $413.1 million (December 31, 2019 – $37.0 million) was excluded for the purposes of calculating the ratios.
(6) Not applicable.

For the nine months ended September 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**	**September 30, 2020**	December 31, 2019	Variance
Trust Units	N/A	**144,617,832**	144,038,363	579,469
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	**705,420**	668,428	36,992
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	—
Smart Boxgrove Limited Partnership	Class B Series 1	**170,000**	—	170,000
Total Units classified as equity		**170,119,917**	169,186,543	933,374
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		**172,220,387**	171,283,191	937,196

As of November 11, 2020, the Trust has 170,119,917 Units outstanding which are classified as equity, and 2,100,470 Units outstanding which are classified as liabilities.

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

(in thousands of dollars)	**Three Months Ended September 30, 2020**	**Nine Months Ended September 30, 2020**	Year Ended December 31, 2019
Unitholders' Equity – beginning of period	**5,161,337**	**5,367,752**	5,008,331
Issuance of Trust Units	**—**	**17,331**	299,693
Deferred Units exchanged for Trust Units	**15**	**15**	63
Issuance of LP Units classified as equity	**3,580**	**6,848**	621
Net income and comprehensive income	**111,033**	**41,560**	374,203
Distributions	**(78,650)**	**(236,191)**	(307,155)
Unitholders' Equity – end of period	**5,197,315**	**5,197,315**	5,367,752

Distributions
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 September 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 September 30, 2019 – $77.3 million, $76.3 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 September 30, 2019 – $0.4500 per Unit).

For the three months ended September 30, 2020, the Trust paid $79.6 million in cash distributions (for the three months ended September 30, 2019 – $59.0 million in cash distributions and the balance of $18.3 million by issuing 561,534 Trust Units under the DRIP).

The following table summarizes declared distributions and declared distributions net of DRIP:

	Three Months Ended September 30		**Nine Months Ended September 30**	
(in thousands of dollars)	**2020**	2019	**2020**	2019
Distributions declared on:				
Trust Units	**66,886**	65,014	**201,088**	194,219
LP Units	**11,764**	11,307	**35,103**	33,925
Distributions on Units classified as equity	**78,650**	76,321	**236,191**	228,144
Distributions on Units classified as liabilities	**971**	943	**2,910**	2,825
Total distributions declared	**79,621**	77,264	**239,101**	230,969
Distributions reinvested through DRIP	**—**	(18,297)	**(17,331)**	(51,107)
Total distributions declared, net of DRIP	**79,621**	58,967	**221,770**	179,862
DRIP as a percentage of total distributions declared	**—%**	23.7%	**7.2%**	22.1%

DRIP Suspension
Effective April 13, 2020, the Trust suspended its DRIP. Beginning with the April 2020 distribution, plan participants receive distributions in cash. As such, no distributions were reinvested through DRIP for the three months ended September 30, 2020.

Normal Course Issuer Bid
The Trust commenced a normal course issuer bid ("NCIB") program on March 31, 2020 with acceptance by the Toronto Stock Exchange. The NCIB program 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 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. All Trust Units purchased by the Trust will be cancelled.

During the nine months ended September 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)

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net income (loss) and comprehensive income (loss)[1]	**111,033**	(133,674)	64,201	103,584	95,138	95,513	79,973	102,580
Per Unit								
Basic	**$0.65**	$-0.78	$0.37	$0.61	$0.56	$0.56	$0.48	$0.64
Diluted	**$0.64**	$-0.78	$0.37	$0.60	$0.56	$0.56	$0.47	$0.63
Net base rent[1][2]	**126,045**	125,558	128,901	129,921	128,780	128,261	127,361	126,654
Rentals from investment properties[1][2]	**188,981**	192,607	208,735	209,001	197,545	198,174	207,227	200,545
NOI[1][2]	**147,612**	108,094	126,397	131,418	128,645	128,217	125,924	127,105
FFO[2]	**110,107**	75,199	95,964	88,037	97,330	91,781	88,296	93,139
Per Unit								
Basic	**$0.64**	$0.44	$0.56	$0.51	$0.57	$0.54	$0.53	$0.58
Diluted[3]	**$0.64**	$0.43	$0.56	$0.51	$0.57	$0.54	$0.52	$0.57
Cash flows provided by operating activities	**79,100**	46,349	79,162	131,647	80,615	80,767	55,863	131,475
Distributions declared	**79,621**	79,562	79,918	79,682	77,264	76,988	76,716	73,151
Units outstanding[4]	**172,220,387**	172,046,139	171,865,757	171,283,191	170,689,152	170,118,375	169,609,625	161,716,843
Weighted average Units outstanding								
Basic	**172,112,821**	171,988,473	171,566,750	170,992,873	170,400,281	169,858,745	167,541,581	161,471,118
Diluted	**173,120,316**	172,980,866	172,515,723	171,858,434	171,255,329	170,718,814	168,448,169	162,341,647
Total assets	**10,365,651**	10,382,902	10,430,793	9,928,467	9,704,677	9,676,090	9,608,647	9,459,632
Total unencumbered assets	**5,763,400**	5,644,500	5,647,800	5,696,100	4,652,700	4,499,700	4,451,600	4,250,800
Debt[1]	**4,908,808**	5,000,070	4,841,249	4,290,826	4,132,699	4,127,264	4,139,682	4,236,364
In-place occupancy rate[1]	**97.1 %**	97.6 %	97.8 %	98.1 %	98.1 %	97.8 %	97.8 %	98.0 %

(1) Includes the Trust's share of earnings from equity accounted investments.
(2) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to the "Presentation of 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 in this MD&A, acquisition, Earnout, development and disposition activities and COVID-19 (for 2020 specifically) 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) in Q3 2020 surpassed each of the previous seven quarters, largely due to the $31.9 million profit on condominium closings of Transit City 1 and 2 units recognized during the quarter. It previously decreased in Q1 2020 and 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 three quarters of 2020.

Rentals from investment properties declined in Q2 and Q3 of 2020 primarily due to lower CAM and realty tax recoveries as a result of lower operating costs. In addition, the Trust recognized lower percentage rents, short-term rentals, and other miscellaneous revenues, due to 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 Q3 2020, FFO increased significantly as a result of the earnings from condominium closings included in equity accounted investments, which was offset by the increased ECL provisions during the quarter associated with COVID-19. In Q2 2020, FFO decreased primarily due to ECL 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 decreased in Q3 2020 as a result of a reduction in cash and cash equivalents principally from the repayment of secured and unsecured debt. They 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 decreased in Q3 2020 from Q2 2020 principally as a result of repayment of secured, but increased from Q4 2019 principally due to the $600.0 million issuance of Series V and Series W unsecured debentures in Q2 2020.

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 reduced over the last eight quarters, ranging from a low of 97.1% in the third quarter of 2020 to a high of 98.1% in Q4 2019, and Q3 2019. The primary reason for the reduction in occupancy rate in the second and third quarters 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 September 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 September 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 for the three and nine months ended September 30, 2020, 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 nine months ended September 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 September 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.

Condominium sales
During the three months ended September 30, 2020, the Trust's equity accounted investments generated revenue from condominium sales. The Trust's equity accounted investments have adopted the accounting policy which requires that the revenue generated from contracts with customers on the sale of residential condominium units is recognized at a point in time when control of the asset (i.e., condominium unit) has transferred to the purchaser (i.e., generally, when the purchaser takes possession of the condominium unit) as the purchaser has the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. The amount of revenue recognized is based on the transaction price included in the purchasers' contracts. Any funds received prior to the purchasers taking possession of their respective assets are recognized as deferred revenue (contractual liability).

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 for the three and nine months ended September 30, 2020 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

The ability for the Trust to meet its performance targets are dependent on its success in mitigating the various forms of risks that it has identified. For a more comprehensive list of risks and uncertainties pertinent to the Trust, please see the additional factors disclosed in the Trust's Annual Information Form for the year ended December 31, 2019 under the headings "Risks and Uncertainties" and "Risk Factors", respectively.

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 impacting 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; (vii) the ability of our tenants to enter into new leasing transactions or to satisfy rental payments under existing leases; and (viii) the impact to the Trust's financial covenants.

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 which are discussed in the Trust's Annual Information Form for the year ended December 31, 2019 under the heading "Risks and Uncertainties" and "Risk Factors".

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 for the three and nine months ended September 30, 2020.

Glossary of Terms

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

Glossary of Terms (continued)

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

Glossary of Terms (continued)

Term	Definition
Penguin	Penguin refers to entities controlled by Mitchell Goldhar, a Trustee, executive chairman and significant Unitholder of the Trust.
Proportionate Share Reconciliation	Certain disclosures in the MD&A are presented on a GAAP basis and on a total proportionate share basis (non-GAAP). References made to a "total proportionate share" or "the Trust's proportionate share of 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 how the Trust and its partners manage the net assets and operating performance for each of the Trust's co-owned properties. The Trust accounts for its investments in both associates and joint ventures using the equity method of accounting.
Recovery Ratio	Defined as property operating cost recoveries divided by recoverable costs.
Same Properties NOI	To facilitate a more meaningful comparison of NOI between periods, Same properties NOI (a non-GAAP financial measure) amounts are calculated as the NOI attributable to those income properties that were owned by the Trust during the current period and the same period in the prior year. Any NOI from properties either acquired, Earnouts, developed or disposed of, outside of these periods, are excluded from Same Properties NOI.
Shadow Anchor	A shadow anchor is a store or business that satisfies the criteria for an anchor tenant, but which may be located at an adjoining property or on a portion.
SIFT	The *Tax Act* imposes a special taxation regime (referred to as the "SIFT Rules") for specified investment flow-through trusts ("SIFT"). A SIFT includes a trust resident in Canada with publicly traded units that holds one or more "non-portfolio properties". "Non-portfolio properties" (as defined in the *Tax Act*) include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada. Under the SIFT Rules, a SIFT is subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (as defined in the *Tax Act*; generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties", which does not include certain investments in non-Canadian entities), at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income. The SIFT Rules are not applicable to a SIFT that meets certain specified criteria relating to the nature of its revenues and investments in order to qualify as a real estate investment trust for purposes of the *Tax Act*.
The Transaction	On May 28, 2015, the Trust completed the acquisition of the SmartCentres' platform from Mitchell Goldhar as part of a $1,171.2 million transaction that transformed the Trust into a fully integrated real estate developer and operator by adding the SmartCentres' platform of development, leasing, planning, engineering, architecture, and construction capabilities. The Transaction also included the acquisition of interests in a portfolio of 22 properties located principally in Ontario and Quebec, including 20 open-format Walmart Supercentre-anchored or shadow-anchored shopping centres owned by Mitchell Goldhar and joint venture partners, including Walmart, for $1,116.0 million.

Glossary of Terms (continued)

Term	Definition
Transactional FFO	Transactional FFO is a non-GAAP financial measure that represents the net financial/economic gain resulting from a partial sale of an investment property. 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 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 on December 9, 2020.

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands of Canadian dollars)

As at,	Note	**September 30, 2020**	December 31, 2019
Assets			
Non-current assets			
Investment properties	4	**8,834,194**	9,050,066
Mortgages, loans and notes receivable	5	**224,625**	216,907
Equity accounted investments	6	**435,974**	345,376
Other assets	7	**83,913**	89,023
Intangible assets	8	**46,802**	47,801
		9,625,508	9,749,173
Current assets			
Residential development inventory	9	**25,523**	24,564
Current portion of mortgages, loans and notes receivable	5	**172,095**	55,953
Amounts receivable and other	10	**83,963**	36,679
Deferred financing costs	10	**1,339**	1,477
Prepaid expenses and deposits	10	**31,544**	5,247
Cash and cash equivalents		**425,679**	55,374
		740,143	179,294
Total assets		**10,365,651**	9,928,467
Liabilities			
Non-current liabilities			
Debt	11	**4,051,744**	4,110,548
Other payables	12	**16,431**	21,444
Other financial liabilities	13	**64,538**	95,735
		4,132,713	4,227,727
Current liabilities			
Current portion of debt	11	**769,951**	115,385
Accounts payable and current portion of other payables	12	**265,672**	217,603
		1,035,623	332,988
Total liabilities		**5,168,336**	4,560,715
Equity			
Trust Unit equity		**4,343,639**	4,492,678
Non-controlling interests		**853,676**	875,074
		5,197,315	5,367,752
Total liabilities and equity		**10,365,651**	9,928,467

Commitments and contingencies (Note 26)

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

Approved by the Board of Trustees.

Michael Young
Trustee

Garry Foster
Trustee

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in thousands of Canadian dollars)

		Three Months Ended September 30		Nine Months Ended September 30	
	Note	**2020**	2019	**2020**	2019
Net rental income and other					
Rentals from investment properties and other	17	**186,344**	195,531	**583,356**	598,710
Property operating costs and other	18	**(73,159)**	(69,047)	**(240,706)**	(222,434)
Net rental income and other		**113,185**	126,484	**342,650**	376,276
Other income and expenses					
General and administrative expense, net	19	**(7,665)**	(4,604)	**(20,916)**	(15,834)
Earnings from equity accounted investments	6	**33,880**	543	**41,822**	2,499
Fair value adjustment on revaluation of investment properties	24	**2,234**	1,575	**(258,512)**	14,486
Gain (loss) on sale of investment properties		**421**	(26)	**419**	611
Interest expense	11(d)	**(37,506)**	(33,928)	**(108,525)**	(110,719)
Interest income		**4,032**	3,051	**11,104**	8,461
Fair value adjustment on financial instruments	24	**2,452**	2,043	**35,699**	(5,161)
Acquisition-related costs		**—**	—	**(2,181)**	—
Net income and comprehensive income		**111,033**	95,138	**41,560**	270,619
Net income and comprehensive income attributable to:					
Trust Units		**93,297**	79,857	**34,703**	226,859
Non-controlling interests		**17,736**	15,281	**6,857**	43,760
		111,033	95,138	**41,560**	270,619

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 September 30		Nine Months Ended September 30	
	Note	**2020**	2019	**2020**	2019
Cash provided by (used in)					
Operating activities					
Net income and comprehensive income for the period		**111,033**	95,138	**41,560**	270,619
Add (deduct):					
Fair value adjustments	24	**(4,686)**	(3,618)	**222,813**	(9,325)
(Gain) loss on sale of investment properties		**(421)**	26	**(419)**	(611)
Earnings from equity accounted investments, net of distributions	6	**(33,727)**	253	**(40,525)**	4,844
Acquisition-related costs		**—**	—	**2,181**	—
Interest expense	11(d)	**37,506**	33,928	**108,525**	110,719
Other financing costs		**(100)**	(546)	**(829)**	(1,983)
Interest income		**(4,032)**	(3,051)	**(11,104)**	(8,461)
Amortization of other assets and intangible assets		**3,723**	2,076	**11,027**	6,010
Lease obligation interest		**140**	137	**414**	405
Deferred unit compensation expense, net of redemptions	13(c)	**1,160**	334	**879**	(5,123)
Long Term Incentive Plan accrual adjustment	12(b)	**345**	(514)	**345**	(154)
Cash interest paid	11(d)	**(25,432)**	(32,419)	**(91,232)**	(110,312)
Interest received		**1,499**	366	**3,587**	2,125
Expenditures on direct leasing costs and tenant incentives		**(1,802)**	(1,667)	**(3,284)**	(4,177)
Expenditures on tenant incentives for properties under development		**(1,247)**	(449)	**(2,283)**	(2,041)
Changes in other non-cash operating items	20	**(4,859)**	(9,379)	**(37,044)**	(38,571)
Cash flows provided by operating activities		**79,100**	80,615	**204,611**	213,964
Financing activities					
Proceeds from issuance of unsecured debentures, net of issuance costs	11(b)	**—**	—	**597,690**	349,300
Repayment of unsecured debentures	11(b)	**—**	—	**—**	(300,000)
Proceeds from issuance of unsecured debt and credit facilities		**875**	81,705	**473,775**	424,705
Repayments of unsecured debt and credit facilities		**(13,350)**	(23,000)	**(473,350)**	(225,552)
Repayments of secured debt and other debt, net of proceeds		**(63,226)**	(58,110)	**(86,128)**	(328,574)
Proceeds from issuance of Trust Units, net of issuance costs	15	**—**	—	**—**	220,366
Distributions paid on Trust Units		**(66,885)**	(46,638)	**(183,665)**	(141,772)
Distributions paid on non-controlling interests and Units classified as liabilities		**(12,711)**	(12,252)	**(37,959)**	(36,748)
Payment of lease liability		**(47)**	(31)	**(135)**	(127)
Cash flows provided by (used in) financing activities		**(155,344)**	(58,326)	**290,228**	(38,402)
Investing activities					
Acquisitions and Earnouts of investment properties	3	**(108)**	(10,017)	**(3,318)**	(16,117)
Additions to investment properties		**(23,847)**	(31,646)	**(61,002)**	(74,962)
Additions to equity accounted investments		**11,340**	(4,664)	**(43,948)**	(6,565)
Additions to equipment	7	**(36)**	(63)	**(149)**	(1,058)
Advances of mortgages and loans receivable	5	**(39,096)**	(5,077)	**(49,404)**	(109,337)
Repayments of mortgages and loans receivable		**11,776**	—	**13,751**	843
Net proceeds from sale of investment properties		**9,816**	4,064	**19,536**	11,020
Cash flows used in investing activities		**(30,155)**	(47,403)	**(124,534)**	(196,176)
Increase (decrease) in cash and cash equivalents during the period		**(106,399)**	(25,114)	**370,305**	(20,614)
Cash and cash equivalents – beginning of period		**532,078**	33,944	**55,374**	29,444
Cash and cash equivalents – end of period		**425,679**	8,830	**425,679**	8,830

Supplemental cash flow information (see Note 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 nine months ended September 30, 2020 and 2019
(in thousands of Canadian dollars)

		Attributable to Unitholders			Attributable to LP Units Classified as Non-Controlling Interests				
	Note	Trust Units (Note 15)	Retained Earnings	Unit Equity	LP Units (Note 15)	Retained Earnings	LP Unit Equity	Other Non-Controlling Interest (Note 21)	Total Equity
Equity – January 1, 2020		**3,072,821**	**1,419,857**	**4,492,678**	**633,358**	**238,541**	**871,899**	**3,175**	**5,367,752**
Issuance of Units	15	**17,346**	**—**	**17,346**	**6,848**	**—**	**6,848**	**—**	**24,194**
Net income and comprehensive income		**—**	**34,703**	**34,703**	**—**	**6,573**	**6,573**	**284**	**41,560**
Distributions	16	**—**	**(201,088)**	**(201,088)**	**—**	**(35,103)**	**(35,103)**	**—**	**(236,191)**
Equity – September 30, 2020		**3,090,167**	**1,253,472**	**4,343,639**	**640,206**	**210,011**	**850,217**	**3,459**	**5,197,315**
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	273,165	—	273,165	225	—	225	—	273,390
Net income and comprehensive income		—	226,859	226,859	—	43,473	43,473	287	270,619
Distributions	16	—	(194,219)	(194,219)	—	(33,925)	(33,925)	—	(228,144)
Equity – September 30, 2019		3,054,234	1,399,752	4,453,986	632,962	233,850	866,812	3,398	5,324,196

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 nine months ended September 30, 2020 and 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 June 29, 2020 ("the Declaration of Trust"). The Trust develops, leases, constructs, owns and manages shopping centres, office buildings, high-rise and low-rise condominiums 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 November 11, 2020. The Board of Trustees has the power to amend the unaudited interim condensed consolidated financial statements after issue.

As at September 30, 2020, the Penguin Group of Companies ("Penguin"), owned by Mitchell Goldhar, owned approximately 21.4% (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 nine months ended September 30, 2020, are consistent with those set out in Note 2, "Summary of significant accounting policies," 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.

Condominium sales

During the three months ended September 30, 2020, the Trust's equity accounted investments generated revenue from condominium sales. The Trust's equity accounted investments have adopted the accounting policy which requires that the revenue generated from contracts with customers on the sale of residential condominium units is recognized at a point in time when control of the asset (i.e., condominium unit) has transferred to the purchaser (i.e., generally, when the purchaser takes possession of the condominium unit) as the purchaser has the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. The amount of revenue recognized is based on the transaction price included in the purchasers' contracts. Any funds received prior to the purchasers taking possession of their respective assets are recognized as deferred revenue (contractual liability).

3. Acquisitions and Earnouts

Acquisitions and Earnouts completed during the nine months ended September 30, 2020

During the nine months ended September 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 $1,789, of which $792 was satisfied through the issuance of 3,822 Class F Series 3 Smart LP Units (see also Note 13(b), "Other financial liabilities") and 36,992 Class B Series 4 Smart LP III Units, and the balance of $1,288 was 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 of $1,751 was paid in 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.

iii) An Earnout of a 40% interest in approximately 11.0 acres of land with a purchase price of $7,452, of which:
   a) $3,509 was satisfied through the issuance of 170,000 Class B Series 1 Smart Boxgrove LP Units;
   b) $3,460 was satisfied through the issuance of Class G Series 1 Smart Boxgrove LP Units which has a committed distribution in January 2021. This committed distribution payable to the holders of Class G Series 1 Smart Boxgrove LP Units is in conjunction with a loan receivable issued for the same amount (see details in Note 5(b) "Mortgages, Loans and Notes Receivable", Note 12 "Accounts and Other Payables", and Note 15(a)(ii) "Unit Equity"); and
   c) the balance of $483 was paid in cash adjusted for other working capital amounts.

The interest in this parcel of land was subsequently disposed (see also, Note 4 "Investment Properties").

The following table summarizes the consideration for Earnouts completed for the nine months ended September 30, 2020:

	Note	**Acquisitions**	**Earnouts**	**Total**
Cash		**—**	**3,318**	**3,318**
LP Units issued	4(d)(ii)	**—**	**6,925**	**6,925**
Other payable	5(b), 12, 15(a)(ii)	**—**	**3,460**	**3,460**
Amounts previously funded		**—**	**204**	**204**
		—	**13,907**	**13,907**

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

Acquisitions and Earnouts completed during the nine months ended September 30, 2019

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

ii. During the nine months ended September 30, 2019, pursuant to development management agreements referred to in Note 4, “Investment properties” (see also Note 21, “Related party transactions”), the Trust completed the purchase of Earnouts totalling 26,143 square feet of development space with a purchase price of $9,260, of which $1,462 was satisfied through the issuance of 53,002 Trust Units, 4,886 Class F Series 3 Smart LP Units, 7,050 Class B Series 1 LP IV Units, 2,193 Class B Series 2 ONR LP I Units (see also Note 13(b), “Other financial liabilities”) and the balance paid in cash, adjusted for other working capital amounts.

The following table summarizes the consideration for Acquisitions and Earnouts completed for the nine months ended September 30, 2019:

	Note	Acquisitions	Earnouts	Total
Cash		10,720	5,397	16,117
Trust Units issued	4(d)(ii)	—	1,065	1,065
LP Units issued	4(d)(ii)	—	397	397
Amounts previously funded and other adjustments		51	2,401	2,452
		10,771	9,260	20,031

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 nine months ended September 30, 2020 and year ended December 31, 2019:

		Nine Months Ended September 30, 2020			Year Ended December 31, 2019		
	Note	**Income Properties**	**Properties Under Development**	**Total**	Income Properties	Properties Under Development	Total
Balance – beginning of period		**8,488,669**	**561,397**	**9,050,066**	8,404,513	500,544	8,905,057
Additions (deductions):							
Acquisitions, Earnouts, and related adjustments of investment properties		**—**	**13,616**	**13,616**	1,641	16,752	18,393
Transfer to income properties from properties under development		**33,385**	**(33,385)**	**—**	66,306	(66,306)	—
Transfer from income properties to properties under development		**(64,198)**	**64,198**	**—**	(43,400)	43,400	—
Transfer from properties under development to equity accounted investments		**—**	**(6,125)**	**(6,125)**	—	—	—
Earnout Fees on properties subject to development management agreements	4(d)(ii)	**291**	**—**	**291**	5,311		5,311
Capital expenditures		**3,759**	**—**	**3,759**	17,665	—	17,665
Leasing costs		**994**	**—**	**994**	1,789	—	1,789
Development expenditures		**—**	**35,172**	**35,172**	—	69,387	69,387
Capitalized interest		**—**	**13,996**	**13,996**	—	18,956	18,956
Dispositions		**—**	**(19,063)**	**(19,063)**	(95)	(15,868)	(15,963)
Fair value adjustment on revaluation of investment properties	24	**(202,554)**	**(55,958)**	**(258,512)**	34,939	(5,468)	29,471
Balance – end of period		**8,260,346**	**573,848**	**8,834,194**	8,488,669	561,397	9,050,066

The historical costs of both income properties and properties under development as at September 30, 2020 totalled $6,561,649 and $770,127, respectively (December 31, 2019 – $6,584,852 and $703,472, respectively).

Secured debt with a carrying value of $1,356,576 (December 31, 2019 – $1,442,278) is secured by investment properties with a fair value of $3,070,794 (December 31, 2019 – $3,353,966).

Presented separately from investment properties is $81,724 (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 nine months ended September 30, 2020

Effective January 1, 2020, the Trust 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, leasing costs and other fees, 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 nine months ended September 30, 2020 and year ended December 31, 2019:

			September 30, 2020			
			Terminal Capitalization Rate		**Discount Rate**	
Class	**Valuation Technique**	**Carrying Value**	**Weighted Average**	**Range**	**Weighted Average**	**Range**
Income properties	Discounted cash flow	**8,260,346**	**5.95 %**	**4.25% – 7.79%**	**6.46 %**	**4.65% – 8.54%**

Class	**Valuation Technique**	**Carrying Value**	**Weighted Average Capitalization Rate**
Properties under development	Direct income capitalization	**140,147**	**6.50%**
	Land, development and construction costs recorded at market value	**433,701**	**N/A**
		573,848	
Balance – end of period		**8,834,194**	

		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 construction 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	1,787,700	809,500	386,100	(355,200)	(680,700)	(1,261,700)

b) Dispositions

Disposition of investment properties during the nine months ended September 30, 2020

In April 2020, the Trust contributed its interest in a parcel of land located in Ottawa, Ontario, to a joint venture, Ottawa SW PropCo LP, with Selection Group to develop, own and operate a retirement and seniors' housing community and a multi-residential rental tower for a value of $4,375 (see also, Note 6(b), "Equity accounted investments").

In August 2020, a parcel of land totalling 1.16 acres in Scarborough, Ontario was transferred to a joint venture, Scarborough East Self Storage LP, which is recorded in equity accounted investments, to develop, construct and operate a self-storage facility.

In August 2020, the Trust sold its 40% interest in a parcel of land totalling approximately 11.0 acres in Markham, Ontario for gross proceeds of $7,452. See also Note 3, "Acquisitions and Earnouts".

Disposition of investment properties during the nine months ended September 30, 2019

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

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

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

In August 2019, the Trust sold a parcel of land located in Bradford, Ontario, for gross proceeds of $1,964 excluding closing costs.

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

c) Leasehold property interests

At September 30, 2020, 16 (December 31, 2019 – 16) investment properties with a fair value of $978,354 (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 that there is an acquisition in excess of 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.

Eleven of the leasehold interests commenced in 2006 through 2015, of which four are under the terms of 80-year leases with Penguin and seven are under the terms of 49-year leases with Penguin. The Trust has separate options to purchase each of these 11 leasehold interests at the end of the respective leases at prices that are not considered to be bargain prices.

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 $8,087 (December 31, 2019 – $8,214), in the amount of $1,913 (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 $1,122 (December 31, 2019 – $1,408), in the amount of $6,228 (December 31, 2019 – $6,279) (see also Note 12, "Accounts and other payables").

d) Properties under development

The following table presents properties under development:

	September 30, 2020	December 31, 2019
Properties under development not subject to development management agreements (i)	**519,802**	513,034
Properties under development subject to development management agreements (ii)	**54,046**	48,363
	573,848	561,397

For the three months ended September 30, 2020, the Trust capitalized a total of $4,695 (three months ended September 30, 2019 – $4,873) of borrowing costs related to properties under development. For the nine months ended September 30, 2020, the Trust capitalized a total of $13,996 (nine months ended September 30, 2019 – $13,899) of borrowing costs related to properties under development.

i) Properties under development not subject to development management agreements

During the nine months ended September 30, 2020, the Trust completed the development and leasing of certain properties under development not subject to development management agreements, for which the value of land and development costs incurred has been reclassified from properties under development to income properties.
For the three months ended September 30, 2020, the Trust incurred land and development costs of $16,961 (three months ended September 30, 2019 – $16,324). For the nine months ended September 30, 2020, the Trust incurred land and development costs of $33,067 (nine months ended September 30, 2019 – $40,231).

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 $11,626 (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 $42,420 (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 others 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 B Smart Boxgrove LP Units and Class B ONR LP I Units at predetermined option strike prices subject to a maximum number of units.

The following table summarizes the Earnout options that were elected to exercise which resulted in proceeds (see also Note 13(b), "Other financial liabilities"):

		Three Months Ended September 30		**Nine Months Ended September 30**	
Unit Type	Class and Series	**2020**	2019	**2020**	2019
Trust Units	N/A	**—**	—	**—**	1,065
Smart Limited Partnership	Class F Series 3	**—**	—	**77**	98
Smart Limited Partnership III	Class B Series 4	**71**	—	**715**	—
Smart Limited Partnership IV	Class B Series 1	**—**	225	**—**	225
Smart Limited Partnership III	Class B Series 6	**—**	—	**2,624**	—
Smart Boxgrove Limited Partnership	Class B Series 1	**3,509**	—	**3,509**	—
ONR Limited Partnership I	Class B Series 2	**—**	74	**—**	74
		3,580	299	**6,925**	1,462

The following table summarizes the development costs incurred (exclusive of the cost of land previously acquired) and Earnout Fees paid to vendors relating to the completed retail spaces (see also Note 3, "Acquisitions and Earnouts") that have been reclassified to income properties:

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2020	2019	**2020**	2019
Development costs incurred	**7,632**	1,323	**13,616**	5,178
Earnout Fees paid	**—**	396	**291**	4,082
	7,632	1,719	**13,907**	9,260

5. Mortgages, loans and notes receivable

The following table summarizes mortgages, loans and notes receivable:

	Note	**September 30, 2020**	December 31, 2019
Mortgages receivable (a)	21	**143,743**	138,762
Loans receivable (b)		**249,998**	131,119
Notes receivable (c)	21	**2,979**	2,979
		396,720	272,860
Current		**172,095**	55,953
Non-current		**224,625**	216,907
		396,720	272,860

a) Mortgages receivable of $143,743 (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 $279,048 (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]	**September 30, 2020**	December 31, 2019
Innisfil, ON[2][3]	26,070	December 2020	6.75 %	— %	**21,827**	20,937
Salmon Arm, BC[2][4]	19,719	January 2021	4.15 %	— %	**15,509**	14,997
Aurora (South), ON	30,543	March 2022	3.45 %	50 %	**17,523**	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	3.86 %	50 %	**30,373**	29,387
Vaughan (7 & 427), ON	52,277	December 2023	5.97 %	50 %	**18,645**	17,820
Caledon (Mayfield), ON	14,033	April 2024	3.71 %	50 %	**10,267**	9,944
Toronto (StudioCentre), ON[2]	43,759	June 2024	3.69 %	25 %	**29,599**	28,672
	279,048		4.51 % [7]		**143,743**	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 September 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 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%.
(4) The maturity date for this loan was extended from October 2020 to January 2021 on October 1, 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.
(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 $114,682 (December 31, 2019 – $110,590); and (ii) at fixed rates of 6.35% to 7.50% on mortgages receivable of $29,061 (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 $59,788 (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, $129,627 (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 September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Balance – beginning of period	**142,125**	136,194	**138,762**	134,221
Interest accrued	**1,618**	1,859	**5,169**	5,525
Interest payments	**—**	—	**(74)**	(850)
Principal repayments	**—**	—	**(114)**	(843)
Balance – end of period	**143,743**	138,053	**143,743**	138,053

b) The following table presents loans receivable (by maturity date):

Issued to	Committed	Maturity Date	Interest Rate	Note	September 30, 2020	December 31, 2019
Penguin[1]	19,148	November 2020	Variable	21	**9,307**	10,215
Penguin[2]	N/A	January 2021	Interest-free	21	**3,460**	—
Penguin[3]	26,227	June 2021	Variable	21	**14,487**	14,173
Penguin[4]	N/A	December 2029	Interest-free	21, 11 b) iii)	**80,054**	—
Total loans issued to Penguin					**107,308**	24,388
PCVP[5]	N/A	June 2021	2.76%	21	**94,353**	92,427
Self-storage facilities[6]	60,000	July 2023	Variable		**35,185**	—
Total loans issued to equity accounted investments					**129,538**	92,427
Vaughan NW Residence Inc.[7]	N/A	November 2020	6.25%		**9,804**	9,804
Other[8]	N/A	March 2021	5.00%		**498**	—
Selection Group[9]	N/A	April 2021	Variable		**2,850**	—
Greenwin[10]	11,694	September 2024	Variable		**—**	4,500
Greenwin[11]	1,280	January 2025	Variable		**—**	—
Total loans issued to unrelated parties					**13,152**	14,304
					249,998	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 August 2020, this non-interest bearing, unsecured loan was issued to the holders of Class G Series 1 Units of Smart Boxgrove LP in the amount of $3,460 pursuant to the amended and restated Smart Boxgrove Limited Partnership agreement. This loan will be due on or before the fifth business day after December 31, 2020, at which time Smart Boxgrove LP will make a distribution to the holders of Class G Series 1 Units in an amount equal to the outstanding loan amount (see also, Note 15.a.ii) Unit Equity).

(3) In March 2019, the Trust entered into a loan agreement with Penguin for a non-revolving principal advance facility of $13,227 and a non-revolving construction facility of $13,000, which combine for a total loan facility of $26,227, bearing interest accruing at a fixed rate of 2.76% and a variable rate based on banker's acceptance rate plus 150 basis points, respectively. The loan security includes a first or second charge on the property, assignments of rents and leases and general security agreements, and is guaranteed by Penguin. The principal advance facility was advanced in full in March 2019. Unless prepaid in accordance with the terms of the loan agreement, principal and any accrued and unpaid interest in respect of the loan receivable shall be repaid in full in June 2021.

(4) This loan receivable relates to the acquisition of a parcel of land in Vaughan, Ontario through PCVP in December 2019 ("700 Applewood purchase"). In March 2020, the Trust assumed this loan receivable from Penguin in regards to 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 September 30, 2020, the loan balance of $80,054 is net of a fair value adjustment totalling $28,164. See also Note 11.b.iii) reflecting the corresponding loan payable amount.

(5) 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 nine months ended September 30, 2020.

(6) In July 2020, the Trust entered into a loan agreement with its partner SmartStop to provide funding for the development of self-storage facilities. The loan agreement matures in July 2023 and bears interest at a variable rate based on banker's acceptance rate plus 245 basis points. See further details in Note 6.b) "Equity accounted investments"

(7) In 2017, a loan receivable of $9,804 was provided pursuant to an agreement 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.

(8) In September 2020, the Trust entered into a vendor take back loan agreement pursuant to the disposition of a land parcel in London (Fox Hollow), Ontario, and the loan includes a first charge on the land for 50.0% of the purchase price.

(9) In April 2020, the Trust entered into a loan agreement, 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 an advance of the facility and bears interest at the prime rate of interest plus 2% per annum.

(10) In September 2019, the Trust entered into a loan agreement with Greenwin to use in acquiring a 50% interest in development lands in Barrie, Ontario. As at September 30, 2020, the total remaining credit facility was $11,694. The loan security includes a first charge on the development lands and is guaranteed by Greenwin. This loan matures 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. In August 2020, Greenwin repaid this loan in advance of the maturity date.

(11) In January 2020, the Trust entered into a loan agreement, Greenwin, whereby the Trust assisted Greenwin to fund its 25% interest in development lands in Toronto, Ontario (see also Note 6, "Equity accounted investments"). As at September 30, 2020, the total remaining non-revolving term acquisition credit facility was $1,280. The loan agreement also includes 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 matures 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. In August 2020, Greenwin repaid this loan in advance of the maturity date.

The following table illustrates the activity in loans receivable:

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2020	2019	**2020**	2019
Balance – beginning of period	**222,347**	125,045	**131,119**	19,949
Loans issued[1]	**34,065**	4,500	**122,153**	108,326
Advances	**5,031**	577	**5,537**	1,011
Interest accrued	**952**	826	**2,558**	1,662
Fair value adjustments	**(621)**	—	**2,268**	—
Repayments	**(11,776)**	—	**(13,637)**	—
Balance – end of period	**249,998**	130,948	**249,998**	130,948

(1) For the nine months ended September 30, 2020, the total amount of loans issued to Penguin was $81,746 (December 31, 2019 – $24,388), see footnotes (2) and (4) 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 September 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 nine months ended September 30, 2020 and year ended December 31, 2019:

	September 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)	**42,581**	**(759)**	**41,822**	5,981	658	6,639
Distributions from operations	**(1,000)**	**(297)**	**(1,297)**	(6,621)	(576)	(7,197)
Financing Activities:						
Fair value adjustment on loan	**3,181**	**—**	**3,181**	(28,356)	—	(28,356)
Loan repayment	**(1,000)**	**—**	**(1,000)**	—	—	—
Investing Activities:						
Cash contribution	**2,881**	**7,012**	**9,893**	115,581	6,296	121,877
Property contribution	**—**	**2,036**	**2,036**	—	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	**—**	**(15,209)**	**(15,209)**	(31,978)	—	(31,978)
Investment – end of period	**338,961**	**97,013**	**435,974**	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	**September 30, 2020**	December 31, 2019	September 30, 2019
PCVP	Own, develop and operate investment properties	**50 %**	50 %	50 %
Residences LP	Own, develop and sell two residential condominium towers and twenty-two townhomes (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 Penguin-Calloway Vaughan Partnership ("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 in the above table: Residences LP, Residences III LP, and East Block Residences LP, 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:

	September 30, 2020			December 31, 2019		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Non-current assets	**899,691**	**—**	**899,691**	812,469	—	812,469
Current assets	**22,039**	**662,779**	**684,818**	14,995	505,286	520,281
Total assets	**921,730**	**662,779**	**1,584,509**	827,464	505,286	1,332,750
Non-current liabilities[(1)]	**294,865**	**105,645**	**400,510**	234,592	143,757	378,349
Current liabilities	**55,302**	**371,312**	**426,614**	50,475	283,693	334,168
Total liabilities	**350,167**	**476,957**	**827,124**	285,067	427,450	712,517
Net assets	**571,563**	**185,822**	**757,385**	542,397	77,836	620,233
Trust's share of net assets before adjustments	**285,781**	**47,501**	**333,282**	271,198	19,459	290,657
Trust's additional investment	**—**	**4,179**	**4,179**	—	—	—
Fair value adjustment on loan	**1,500**	**—**	**1,500**	3,842	—	3,842
Trust's share of net assets	**287,281**	**51,680**	**338,961**	275,040	19,459	294,499

(1) Balance as at September 30, 2020 includes loan payable to the Trust of $94,353 (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:

	September 30, 2020		December 31, 2019	
	Commitments	**Trust's Share**	Commitments	Trust's Share
PCVP	**34,701**	**17,350**	18,397	9,198
Residences LP	**12,331**	**3,083**	82,648	20,662
Residences III LP	**25,666**	**6,417**	74,069	18,517
East Block Residences LP	**92,383**	**23,096**	50,845	12,711
	165,081	**49,946**	225,959	61,088

ii) Summary of earnings (losses)

The following tables summarize the earnings (losses) for investment in associates:

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Revenue						
Rental revenue[1]	**6,756**	**—**	**6,756**	6,816	—	6,816
Condominium sales revenue[2]	**—**	**360,966**	**360,966**	—	—	—
Operating expense						
Rental operating costs	**(2,457)**	**—**	**(2,457)**	(3,319)	—	(3,319)
Condominium cost of sales	**—**	**(250,683)**	**(250,683)**	—	—	—
Revenue net of operating expense	**4,299**	**110,283**	**114,582**	3,497	—	3,497
Other sales and related costs	**—**	**(64)**	**(64)**	—	(560)	(560)
Fair value adjustment on revaluation of investment properties	**2,090**	**—**	**2,090**	—	—	—
Interest income (expense)	**(1,458)**	**67**	**(1,391)**	(1,348)	—	(1,348)
Earnings (losses)	**4,931**	**110,286**	**115,217**	2,149	(560)	1,589
Trust's share of earnings (losses) before supplemental cost and additional profit sharing	**2,466**	**27,575**	**30,041**	1,075	(140)	935
Additional Trust's share of earnings[3]	**—**	**4,179**	**4,179**	—	—	—
Supplemental cost	**(537)**	**—**	**(537)**	(765)	—	(765)
Trust's share of earnings (losses)	**1,929**	**31,754**	**33,683**	310	(140)	170

(1) Includes office rental revenue from the Trust in the amount of $651 for the three months ended September 30, 2020 (three months ended September 30, 2019 – $651).
(2) Includes condominium sales revenue recognized on the closings of 421 units and 345 units in Transit City 1 and Transit City 2, respectively.
(3) Additional profit allocated to the Trust for Transit City 1 and 2 closings pursuant to the development agreement and limited partnership agreement.

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Revenue						
Rental revenue[1]	**21,065**	**—**	**21,065**	17,759	—	17,759
Condominium sales revenue[2]	**—**	**360,966**	**360,966**	—	—	—
Operating expense						
Rental operating costs	**(8,132)**		**(8,132)**	(7,733)	—	(7,733)
Condominium cost of sales	**—**	**(250,683)**	**(250,683)**	—	—	—
Revenue net of operating expense	**12,933**	**110,283**	**123,216**	10,026	—	10,026
Other sales and related costs	**—**	**(1,098)**	**(1,098)**	—	(1,214)	(1,214)
Fair value adjustment on revaluation of investment properties	**15,005**	**—**	**15,005**	129	—	129
Interest income (expense)	**(4,347)**	**2,982**	**(1,365)**	(3,736)	—	(3,736)
Earnings (losses)	**23,591**	**112,167**	**135,758**	6,419	(1,214)	5,205
Trust's share of earnings (losses) before supplemental cost and additional profit sharing	**11,796**	**28,046**	**39,842**	3,210	(305)	2,905
Additional Trust's share of earnings[3]	**—**	**4,179**	**4,179**	—	—	—
Supplemental cost	**(1,440)**	**—**	**(1,440)**	(1,527)	—	(1,527)
Trust's share of earnings (losses)	**10,356**	**32,225**	**42,581**	1,683	(305)	1,378

(1) Includes office rental revenue from the Trust in the amount of $1,954 for the nine months ended September 30, 2020 (nine months ended September 30, 2019 – $1,301).
(2) Includes condominium sales revenue recognized on the closings of 421 units and 345 units in Transit City 1 and Transit City 2, respectively.
(3) Additional profit allocated to the Trust for Transit City 1 and 2 closings pursuant to the development agreement and limited partnership agreement.

In accordance with the Supplemental Development Fee Agreement, the Trust invoiced PCVP a net amount of $2,881 related to associated development fees for the nine months ended September 30, 2020 (nine months ended September 30, 2019 – $3,054).

iii) Summary of development credit facilities

The development financing relating to the PCVP and VMC Residences comprise 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.

	September 30, 2020	December 31, 2019
Development facilities – beginning of period	**768,302**	555,826
Repayments and adjustments	**(204,390)**	(86,800)
Letters of credit released	**(100)**	(888)
Additional development credit facilities obtained	**270,000**	300,164
Development facilities – end of period	**833,812**	768,302
Amount drawn on development credit facility	**(190,620)**	(168,057)
Letters of credit – outstanding	**(79,852)**	(37,734)
	563,340	562,511
Trust's share of remaining unused development credit facilities	**200,829**	152,006

As at September 30, 2020 and December 31, 2019, the PCVP and VMC Residences had the following credit facilities:

			September 30, 2020		December 31, 2019	
	Maturity in	**Annual Interest Rate[1]**	**Facility Amount**	**The Trust's Share**	Facility Amount	The Trust's Share
PCVP						
Development credit facility	December 2020	BA + 1.35%	**15,876**	**7,938**	15,876	7,938
Development credit facility	June 2021	BA + 1.45%	**48,500**	**24,250**	48,500	24,250
Construction credit facility	August 2022	BA + 2.20%	**270,000**	**135,000**	—	—
Letter of credit facility	May 2021	0.75%	**35,000**	**17,500**	35,000	17,500
			369,376	**184,688**	99,376	49,688
VMC Residences						
Development credit facility	December 2021	BA + 1.75%	**50,584**	**12,646**	246,612	61,653
Development credit facility	February 2022	BA + 1.75%	**133,688**	**33,422**	142,150	35,538
Development credit facility	September 2023	BA + 1.60%	**280,164**	**70,041**	280,164	70,041
			464,436	**116,109**	668,926	167,232
			833,812	**300,797**	768,302	216,920

(1) Annual interest rate is a function of banker's acceptance ("BA") rates plus a premium.

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:

		September 30, 2020		December 31, 2019	
Business Focus	Joint Venture Partner	**Number of Projects**	**Ownership Interest**	Number of Projects	Ownership Interest
Retail investment properties		**1**	**30 %**	1	30 %
Joint Venture: 1500 Dundas East LP	*Fieldgate*				
Self-storage facilities		**7**	**50 %**	5	50 %
Joint Ventures: Leaside SAM LP, Oshawa South Self Storage LP, Bramport SAM LP, Vaughan NW SAM LP, Dupont Self Storage LP, Aurora Self Storage LP and Scarborough East Self Storage LP	*SmartStop*				
Seniors' apartments		**1**	**50 %**	1	50 %
Joint Venture: Vaughan NW SA Propco LP	*Revera*				
Retirement residences					
Joint Ventures: Vaughan NW RR (Propco and Opco LP's), Hopedale RR (Propco and Opco LP's)	*Revera*	**6**	**50 %**	4	50 %
Joint Ventures: Ottawa SW (PropCo and OpCo LP's)	*Selection Group*	**2**	**50 %**	—	N/A
Residential apartments					
Joint Venture: Laval C Apartments LP	*Jadco*	**1**	**50 %**	1	50 %
Joint Venture: Balliol/Pailton LP	*Greenwin*	**1**	**75 %**	—	N/A
Total		**19**		12	

Acquisitions completed during the nine months ended September 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.

In August 2020, the Trust together with its joint venture partner SmartStop formed a 50:50 joint venture known as Scarborough East Self Storage LP, into which the Trust contributed development lands located in Scarborough, Ontario,

totalling 1.16 acres and SmartStop contributed cash, with the intention to develop, construct and operate a self-storage facility.

See also Note 3, “Acquisitions and Earnouts””, and Note 4, “Investment properties”.

i) Summary of balance sheets

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

	September 30, 2020	December 31, 2019
Non-current assets	**336,197**	244,686
Current assets	**6,080**	5,158
Total assets	**342,277**	249,844
Non-current liabilities	**153,334**	109,029
Current liabilities	**8,693**	15,118
Total liabilities	**162,027**	124,147
Net assets	**180,250**	125,697
Trust’s share of net assets	**97,013**	50,877

The joint ventures listed above have entered into various development construction contracts with existing commitments totalling $28,032, of which the Trust’s share is $13,966 (December 31, 2019 – $24,335, of which the Trust’s share is $12,167).

ii) Summary of earnings (losses)

The following tables summarize the earnings (losses) for investment in joint ventures:

	Three Months Ended September 30	
	2020	2019
Revenue	**2,828**	2,620
Operating expense	**(1,315)**	(781)
Revenue net of operating expense	**1,513**	1,839
Fair value adjustments on revaluation of investment properties	**295**	—
Interest expense	**(859)**	(595)
Earnings	**949**	1,244
Trust’s share of earnings	**197**	373

	Nine Months Ended September 30	
	2020	2019
Revenue	**7,841**	7,800
Operating expense	**(3,198)**	(2,314)
Revenue net of operating expense	**4,643**	5,486
Fair value adjustments on revaluation of investment properties	**(3,888)**	38
Interest expense	**(2,456)**	(1,798)
Earnings (losses)	**(1,701)**	3,726
Trust’s share of earnings (losses)	**(759)**	1,121

iii) Summary of credit facilities

Development financing includes a credit facility relating to Laval C Apartments comprising a pre-development and construction facility, and a credit facility relating to four self-storage facilities. From time to time, the facility amounts may be reduced through repayments and through amended agreements with the financial institutions from which the facilities were obtained. The development facilities presented as follows:

	September 30, 2020	December 31, 2019
Development facility – beginning of period	**35,417**	35,417
Additional development facility obtained	**60,000**	—
Development facilities – end of period	**95,417**	35,417
Amount drawn on development facility	**(35,417)**	(24,292)
Remaining unused development facility	**60,000**	11,125
Trust's share of remaining unused development facility	**30,000**	5,563

As at September 30, 2020 and December 31, 2019, the Trust's joint ventures had the following credit facilities:

			September 30, 2020		December 31, 2019	
	Maturity in	**Annual Interest Rate[1]**	**Facility Amount**	**The Trust's Share**	Facility Amount	The Trust's Share
Laval C Apartments LP						
Pre-development and construction facility	February 2022	BA + 1.60%	**35,417**	**17,709**	35,417	17,709
SmartStop						
Construction facility[2]	May 2021	BA + 2.45%	**60,000**	**30,000**	—	—
			95,417	**47,709**	35,417	17,709

(1) Annual interest rate is a function of BA rates plus a premium.
(2) The facility is used to fund construction costs for the following SmartStop locations: Leaside, Bramport, Vaughan NW, and Oshawa South.

7. Other assets

The following table presents the components of other assets:

	September 30, 2020	December 31, 2019
Straight-line rent receivables	**44,382**	48,380
Tenant incentives	**37,342**	38,018
	81,724	86,398
Equipment	**1,680**	2,173
Right-of-use assets	**509**	452
	83,913	89,023

The following table summarizes the activity in other assets:

	December 31, 2019	**Additions**	**Write-offs**	**Amortization and other adjustments**	**September 30, 2020**
Straight-line rent receivables	48,380	**6,375**	**(4,066)**	**(6,307)**	**44,382**
Tenant incentives	38,018	**4,573**	**(410)**	**(4,839)**	**37,342**
	86,398	**10,948**	**(4,476)**	**(11,146)**	**81,724**
Equipment	2,173	**149**	**—**	**(642)**	**1,680**
Right-of-use assets	452	**196**	—	**(139)**	**509**
	89,023	**11,293**	**(4,476)**	**(11,927)**	**83,913**

8. Intangible assets

The following table summarizes the components of intangible assets:

	September 30, 2020			December 31, 2019		
	Cost	**Accumulated Amortization**	**Net**	Cost	Accumulated Amortization	Net
Intangible assets with finite lives:						
Key joint venture relationships	**36,944**	**6,582**	**30,362**	36,944	5,658	31,286
Trademarks	**2,995**	**534**	**2,461**	2,995	459	2,536
Total intangible assets with finite lives	**39,939**	**7,116**	**32,823**	39,939	6,117	33,822
Goodwill	**13,979**	**—**	**13,979**	13,979	—	13,979
	53,918	**7,116**	**46,802**	53,918	6,117	47,801

The total amortization expense recognized for the three months ended September 30, 2020 amounted to $333 (three months ended September 30, 2019 – $333). The total amortization expense recognized for the nine months ended September 30, 2020 amounted to $999 (nine months ended September 30, 2019 – $999).

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:

	September 30, 2020	December 31, 2019
Balance – beginning of period	**24,564**	23,429
Development costs	**275**	207
Capitalized interest	**684**	928
Balance – end of period	**25,523**	24,564

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

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

	September 30, 2020	December 31, 2019
Amounts receivable and other		
Tenant receivables	**71,229**	15,921
Unbilled other tenant receivables	**10,973**	7,649
Receivables from related party – excluding equity accounted investments	**10,912**	7,958
Receivables from related party – equity accounted investments	**829**	1,690
Other non-tenant receivables	**2,904**	1,482
Other	**7,178**	5,040
	104,025	39,740
Allowance for ECL	**(20,062)**	(3,061)
Amounts receivable and other, net of allowance for ECL	**83,963**	36,679
Deferred financing costs	**1,339**	1,477
Prepaid expenses and deposits	**31,544**	5,247
	116,846	43,403

Allowance for expected credit loss

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

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

	Nine Months Ended September 30	
	2020	2019
Balance – beginning of period	**3,061**	3,114
Additional allowance recognized as expense – excluding CECRA[1]	**17,699**	627
Additional allowance recognized as expense – CECRA[1]	**7,706**	—
Reversal of previous allowances	**(388)**	(317)
Net	**25,017**	310
Tenant receivables written off during the period – CECRA[1]	**(7,706)**	—
Tenant receivables written off during the period – other	**(310)**	(431)
Balance – end of period	**20,062**	2,993

(1) CECRA refers to the "Canada Emergency Commercial Rent Assistance" program. Refer to Note 17, "Rentals from investment properties and other" for details.

11. Debt

The following table presents debt balances:

	September 30, 2020	December 31, 2019
Secured debt (a)	**1,356,576**	1,442,278
Unsecured debt (b)	**3,465,119**	2,783,655
Revolving operating facility (c)	**—**	—
	4,821,695	4,225,933
Current	**769,951**	115,385
Non-current	**4,051,744**	4,110,548
	4,821,695	4,225,933

a) Secured debt

Secured debt bears interest at a weighted average interest rate of 3.69% as at September 30, 2020 (December 31, 2019 – 3.81%). Total secured debt of $1,356,576 (December 31, 2019 – $1,442,278) includes $1,298,971 (December 31, 2019 – $1,385,278) at fixed interest rates and $57,605 (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.

The following table presents principal repayment requirements for secured debt:

	Instalment Payments	**Lump Sum Payments at Maturity**	**Total**
2020	12,129	17,072	29,201
2021	43,302	134,594 (1)	177,896
2022	41,111	220,306	261,417
2023	36,720	142,344	179,064
2024	31,755	118,746	150,501
Thereafter	54,014	506,283	560,297
	219,031	1,139,345	1,358,376
Unamortized acquisition date fair value adjustments			1,729
Unamortized financing costs			(3,529)
			1,356,576

(1) Includes construction loan in the amount of $57,605, which bears interest at banker's acceptance rate plus 120 basis points.

b) Unsecured debt

The following table summarizes the components of unsecured debt:

	September 30, 2020	December 31, 2019
Unsecured debentures (i)	**2,900,128**	2,301,257
Credit facilities (ii)	**399,255**	399,102
Other unsecured debt (iii)	**165,736**	83,296
	3,465,119	2,783,655

i) Unsecured debentures

The following table summarizes the components of unsecured debentures:

Series	Maturity Date	Annual Interest Rate	Interest Payment Dates	September 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**	—
		3.220 %[2]		**2,910,000**	2,310,000
			Less: Unamortized financing costs	**(9,872)**	(8,743)
				2,900,128	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 nine months ended September 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 nine months ended September 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 September 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	September 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%		**—**	—
				400,000	400,000
		Less: Unamortized financing costs		**(745)**	(898)
				399,255	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 May 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 $165,736 (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:

	September 30, 2020	December 31, 2019
PCVP (5.00% discount rate)[1]	**83,043**	80,862
PCVP (5.75% discount rate)[2]	**80,054**	—
Laval C Apartment LP	**1,764**	2,214
Scarborough East Self Storage LP	**875**	—
Vaughan NW SAM LP	**—**	220
	165,736	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 September 30, 2020, the loan balance of $83,043 is net of a fair value adjustment totalling $25,175.
(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 September 30, 2020, the loan balance of $80,054 is net of a fair value adjustment totalling $28,164. 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:

	September 30, 2020	December 31, 2019
Revolving operating facility	**500,000**	500,000
Lines of credit – outstanding	**—**	—
Letters of credit – outstanding	**(8,689)**	(8,844)
Remaining operating facility	**491,311**	491,156

d) Interest expense

The following table presents interest expense:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Interest at stated rates	**40,171**	37,238	**116,564**	112,139
Amortization of acquisition date fair value adjustments on assumed debt	**(217)**	(514)	**(666)**	(1,571)
Amortization of deferred financing costs	**1,037**	984	**3,043**	2,859
	40,991	37,708	**118,941**	113,427
Less:				
Interest capitalized to properties under development	**(4,695)**	(4,873)	**(13,996)**	(13,899)
Interest capitalized to residential development inventory	**(226)**	(234)	**(684)**	(694)
	36,070	32,601	**104,261**	98,834
Yield maintenance on redemption of debt and related write-off of unamortized financing costs (Note 11(b))	**—**	—	**—**	7,865
	36,070	32,601	**104,261**	106,699
Distributions on vested deferred units and Units classified as liabilities	**1,436**	1,327	**4,264**	4,020
	37,506	33,928	**108,525**	110,719

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Interest expense	**37,506**	33,928	**108,525**	110,719
Amortization of acquisition date fair value adjustments on assumed debt	**217**	514	**666**	1,571
Amortization of deferred financing costs	**(1,037)**	(984)	**(3,043)**	(2,859)
Distributions on vested deferred units and Units classified as liabilities	**(1,436)**	(1,327)	**(4,264)**	(4,020)
Change in accrued interest payable	**(9,818)**	288	**(10,652)**	4,901
Cash interest paid	**25,432**	32,419	**91,232**	110,312

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 $21,858 of letters of credit outstanding with other financial institutions as at September 30, 2020 (December 31, 2019 – $26,545).

12. Accounts and other payables

The following table presents accounts payable and the current portion of other payables that are classified as current liabilities:

	Note	**September 30, 2020**	December 31, 2019
Accounts payable		**76,968**	77,295
Accounts payable with Penguin	21	**1,685**	88
Accrued liabilities with Penguin	21	**13,307**	8,805
Tenant prepaid rent, deposits, and other payables		**92,982**	69,836
Accrued interest payable		**27,582**	16,929
Distributions payable[(1)]		**30,011**	26,406
Realty taxes payable		**11,643**	3,443
Current portion of other payables		**11,494**	14,801
		265,672	217,603

(1) Includes $3,460 of committed distributions to the holders of Class G Series 1 Smart Boxgrove LP Units (see details in Note 15.a.ii), "Unit equity").

The following table presents other payables that are classified as non-current liabilities:

	Note	**September 30, 2020**	December 31, 2019
Future land development obligations with Penguin	12(a)	**18,273**	27,074
Lease liability – investment properties[(1)]		**8,141**	8,065
Lease liability – other		**521**	461
Long Term Incentive Plan liability	12(b)	**990**	645
Total other payables		**27,925**	36,245
Less: Current portion of other payables		**(11,494)**	(14,801)
Total non-current portion of other payables		**16,431**	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 September 30, 2020, imputed interest of $209 (three months ended September 30, 2019 – $298) was capitalized to properties under development. For the nine months ended September 30, 2020, imputed interest of $725 (nine months ended September 30, 2019 – $874) was capitalized to properties under development.

b) Long Term Incentive Plan liability

The following table summarizes the activity in the LTIP:

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2020	2019	**2020**	2019
Balance – beginning of period	**645**	1,601	**645**	1,241
Accrual adjustment	**345**	(514)	**345**	(154)
Balance – end of period	**990**	1,087	**990**	1,087

13. Other financial liabilities

The following table summarizes the components of other financial liabilities:

	September 30, 2020	December 31, 2019
Units classified as liabilities (a)	**42,009**	65,436
Earnout options (b)	**—**	52
Deferred unit plan (c)	**22,529**	30,247
	64,538	95,735

a) Units classified as liabilities

Total number of Units classified as liabilities

The following table presents 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 – September 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	—	—	—	2,193	7,079
Balance – September 30, 2019	311,022	4,886	260,417	1,248,140	132,881	139,302	2,096,648

Carrying value of Units classified as liabilities

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

	Class D Series 1 Smart LP Units	**Class F Series 3 Smart LP Units**	**Class D Series 1 Smart Oshawa South LP Units**	**Class B ONR LP Units**	**Class B Series 1 ONR LP I Units**	**Class B Series 2 ONR LP I Units**	**Total**
Balance – January 1, 2020	**9,707**	**152**	**8,128**	**38,955**	**4,147**	**4,347**	**65,436**
Options exercised	**—**	**77**	**—**	**—**	**—**	**—**	**77**
Change in carrying value[(1)]	**(3,487)**	**(55)**	**(2,919)**	**(13,992)**	**(1,489)**	**(1,562)**	**(23,504)**
Balance – September 30, 2020	**6,220**	**174**	**5,209**	**24,963**	**2,658**	**2,785**	**42,009**
Balance – January 1, 2019	9,589	—	8,028	38,480	4,096	4,227	64,420
Options exercised	—	98	—	—	—	74	172
Change in carrying value	519	61	436	2,085	222	226	3,549
Balance – September 30, 2019	10,108	159	8,464	40,565	4,318	4,527	68,141

(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 nine months ended September 30, 2020 was the result of the $11.21 decline in the Trust's Unit price from $31.21 at December 31, 2019, to $20.00 at September 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 Granted (Cancelled)	Options Exercised	Options Outstanding at September 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**	—	**(33,131)**	**565,782**	**715**
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	—	**(135,148)**	**1,879,759**	**3,339**
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 and Class G Smart Boxgrove LP Units[7]						
May 2015	Market price	**170,000**	**340,000**	**(242,821)**	**267,179**	**3,509**
		170,000	**340,000**	**(242,821)**	**267,179**	**3,509**
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**	**338,032**	**(381,791)**	**10,655,914**	**6,925**

(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 September 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	—	(7,839)	431,310	225
		439,149	—	(7,839)	431,310	225
Options to acquire Class B Smart Oshawa South LP Units and Class D Smart Oshawa South LP Units[5]						
May 2015	Market price	26,585	—	—	26,585	—
		26,585	—	—	26,585	—
Options to acquire Class B Smart Oshawa Taunton LP Units and Class D Smart Oshawa Taunton LP Units[6]						
May 2015	Market price	265,422	—	—	265,422	—
		265,422	—	—	265,422	—
Options to acquire Class B Smart Boxgrove LP Units[7]						
May 2015	Market price	170,000	—	—	170,000	—
		170,000	—	—	170,000	—
Options to acquire Class B ONR LP I Units[8]						
October 2017	Market price	540,000	(41,705)	(16,209)	482,086	74
		540,000	(41,705)	(16,209)	482,086	74
Total Earnout options		10,877,934	(68,055)	(81,936)	10,727,943	1,462

(1) Each option is represented by a corresponding Class C Smart LP Unit or Class E Smart LP Unit.
(2) Each option is convertible into Class F Series 3 Smart LP Units. At the holder's option, the Class F Series 3 Smart LP Units may be redeemed for cash at $20.10 per Unit or, on the completion and rental of additional space on certain development properties, the Class F Series 3 Smart LP Units may be exchanged for Class B Smart LP Units.
(3) Each option is represented by a corresponding Class C Smart LP III Unit.
(4) Each option is represented by a corresponding Class C Smart LP IV Unit.
(5) Each option is represented by a corresponding Class C Smart Oshawa South LP Unit or Class E Smart Oshawa South LP Unit.
(6) Each option is represented by a corresponding Class C Smart Oshawa Taunton LP Unit or Class E Smart Oshawa Taunton LP Unit.
(7) Each option is represented by a corresponding Class C Smart Boxgrove LP Unit.
(8) Each option is represented by a corresponding Class C ONR LP I Unit. During the nine months ended September 30, 2019, 16,209 Class C Series 2 ONR LP I Units were exercised for 2,193 Class B Series 2 ONR LP I Units.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Fair value – beginning of period	**—**	99	**52**	881
Trust options exercised	**—**	—	**—**	(566)
Fair value adjustment	**—**	(15)	**(52)**	(231)
Fair value – end of period	**—**	84	**—**	84

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 following table summarizes outstanding deferred units:

	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	**73,760**	**60,788**	**12,972**
Vested	**—**	**30,326**	**(30,326)**
Exchanged for Trust Units	**(725)**	**(725)**	**—**
Redeemed for cash	**(45,289)**	**(45,289)**	**—**
Forfeited	**(2,819)**	**—**	**(2,819)**
Balance – September 30, 2020	**1,185,688**	**1,007,038**	**178,650**
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	43,228	36,885	6,343
Vested	—	18,662	(18,662)
Exchanged for Trust Units	(1,838)	(1,838)	—
Redeemed for cash	(196,023)	(196,023)	—
Forfeited	(30,548)	—	(30,548)
Balance – September 30, 2019	1,015,608	859,960	155,648

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Carrying value – beginning of period	**22,853**	30,455	**30,247**	29,683
Deferred units granted for trustee fees	**—**	—	**864**	864
Deferred units granted for bonuses	**—**	—	**1,206**	2,170
Reinvested distributions on vested deferred units	**465**	384	**1,353**	1,195
Compensation expense – reinvested distributions and amortization	**1,540**	530	**2,007**	1,308
Exchanged for Trust Units	**(15)**	—	**(15)**	(61)
Redeemed for cash	**(380)**	(186)	**(1,128)**	(6,608)
Fair value adjustment – vested and unvested deferred units	**(1,934)**	(612)	**(12,005)**	2,020
Carrying value – end of period	**22,529**	30,571	**22,529**	30,571

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 following table summarizes the fair value of the Trust's financial instruments:

	September 30, 2020			December 31, 2019		
	FVTPL	**Amortized cost**	**Total**	FVTPL	Amortized cost	Total
Financial assets						
Mortgages, loans and notes receivable	**—**	**392,408**	**392,408**	—	270,794	270,794
Tenant receivables	**—**	**71,229**	**71,229**	—	15,921	15,921
Cash and cash equivalents	**—**	**425,679**	**425,679**	—	55,374	55,374
Financial liabilities						
Accounts and other payables	**—**	**265,672**	**265,672**	—	217,603	217,603
Secured debt	**—**	**1,356,576**	**1,356,576**	—	1,476,880	1,476,880
Unsecured debt	**—**	**3,465,119**	**3,465,119**	—	2,834,406	2,834,406
Units classified as liabilities	**42,009**	**—**	**42,009**	65,436	—	65,436
Earnout options	**—**	**—**	**—**	52	—	52
Deferred unit plan	**22,529**	**—**	**22,529**	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 liabilities measured under fair value through profit or loss ("FVTPL"):

	September 30, 2020			December 31, 2019		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Recurring measurements:						
Financial liabilities						
Units classified as liabilities	**—**	**42,009**	**—**	—	65,436	—
Earnout options	**—**	**—**	**—**	—	—	52
Deferred unit plan	**—**	**22,529**	**—**	—	30,247	—

Refer to Note 13, "Other financial liabilities", for a reconciliation of fair value measurements.

15. Unit equity

The following table presents 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.

		Number of Units Issued and Outstanding			Carrying Value		
	Note	Trust Units (#)	Smart LP Units (#) (Table A)	Total Units (#)	Trust Units ($)	Smart LP Units ($) (Table B)	Total ($)
Balance – January 1, 2020		**144,038,363**	**25,148,180**	**169,186,543**	**3,072,821**	**633,358**	**3,706,179**
Options exercised[1]	4(d),13(b)	**—**	**353,905**	**353,905**	**—**	**6,848**	**6,848**
Deferred Units exchanged for Trust Units	13(c)	**725**	**—**	**725**	**15**	**—**	**15**
Distribution reinvestment plan	15(b),16	**578,744**	**—**	**578,744**	**17,331**	**—**	**17,331**
Balance – September 30, 2020		**144,617,832**	**25,502,085**	**170,119,917**	**3,090,167**	**640,206**	**3,730,373**
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	7,050	60,052	1,631	225	1,856
Deferred units exchanged for Trust Units	13(c)	1,838	—	1,838	61	—	61
Distribution reinvestment plan	15(b),16	1,543,340	—	1,543,340	51,107	—	51,107
Unit issuance cost		—	—	—	(9,634)	—	(9,634)
Units issued for cash		7,360,000	—	7,360,000	230,000	—	230,000
Balance – September 30, 2019		143,456,577	25,135,927	168,592,504	3,054,234	632,962	3,687,196

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

Table A: Number of LP Units issued and outstanding

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

Unit Type	Class and Series	Balance – January 1, 2020	Options Exercised (Note 13(b))	Balance – September 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**	**36,992**	**705,420**
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**
Smart Boxgrove Limited Partnership	**Class B Series 1**	**—**	**170,000**	**170,000**
		25,148,180	**353,905**	**25,502,085**

Unit Type	Class and Series	Balance – January 1, 2019	Options Exercised (Note 13(b))	Balance – September 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	7,050	3,059,554
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	7,050	25,135,927

Table B: Carrying value of LP Units

The following table presents 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 – September 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**	**715**	**17,183**
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**
Smart Boxgrove Limited Partnership	**Class B Series 1**	**—**	**3,509**	**3,509**
		633,358	**6,848**	**640,206**

Unit Type	Class and Series	Balance – January 1, 2019	Value From Options Exercised (Note 13(b))	Balance – September 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	225	87,900
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	225	632,962

a) *Authorized Units*

i) Trust Units

As at September 30, 2020, there were 27,593,847 (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. 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 on December 9, 2020. 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)]	**September 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)]	**September 30, 2020**	December 31, 2019
Classified as Equity		
Limited Partnership Units[(5)]	**25,502,085**	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 have been presented as non-controlling interest. See further details in Table A above.
(6) Units have been presented as liabilities.

The following table summarizes the Class C Limited Partnership Units:

Class C[1][2]	Series	September 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]	**565,782**	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][5]	**267,179**	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.
(5) In August 2020, pursuant to the updated limited partnership agreement, there was a 3-for-1 stock split of Class C Series 1 Smart Boxgrove LP Units, which resulted in 510,000 Class C Smart Boxgrove LP Units outstanding after the stock split. Subsequent to the 3-for-1 stock split and at the holder's option, 122,258 Class C Series 1 Smart Boxgrove LP Units were cancelled in exchange of 170,000 Class B Series 1 Smart Boxgrove LP Units, and 120,563 Class C Series 1 Units Smart Boxgrove LP were cancelled in exchange of 120,563 Class G Series 1 Units (see further details below in footnote 8).

The following table summarizes the Class D, Class E, Class F, and Class G Limited Partnership Units:

Unit type	Class and Series	September 30, 2020	December 31, 2019
Smart Limited Partnership	Class D Series 1[1][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[4][5][7]	**8,708**	4,886
Smart Oshawa South Limited Partnership	Class D Series 1[1][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
Smart Boxgrove Limited Partnership	Class G Series 1[3][7][8]	**120,563**	—

(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 D 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 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, F and G partners have no votes at the meetings of the respective LPs.
(8) Class G Series 1 Smart Boxgrove LP Units represent a new class of units that were issued in August 2020, as part of the 120,563 Class C Series 1 Smart Boxgrove LP Units exchange of 120,563 discussed in Class C table above (see footnote 5). Concurrent with this issuance, Smart Boxgrove LP issued a loan receivable to the holders of Class G Series 1 Smart Boxgrove LP Units (as discussed in Note 5.b), "Mortgages, loans and notes receivable"). The holders of Class G Series 1 Smart Boxgrove LP Units have the right to receive a distribution equal to the loan amount and, as such, the Trust has recorded a distributions payable presently reflected in Other payables in the unaudited interim condensed consolidated financial statements (see also, Note 12 "Accounts and other payables"). Subsequent to this distribution, Smart Boxgrove LP is entitled to redeem all Class G Series 1 Units outstanding for an amount equal to the nominal value assigned to them.

b) *Distribution reinvestment plan*

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.

Effective April 13, 2020, the Trust suspended its Distribution Reinvestment Plan (the "DRIP"). Beginning with the April 2020 distribution, plan participants receive distributions in cash.

c) *Trust Units issued for cash*

During the nine months ended September 30, 2020, no Trust Units were issued for cash (nine months ended September 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

The Trust commenced a normal course issuer bid ("NCIB") program on March 31, 2020 with acceptance by the TSX. The NCIB program 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 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. All Trust Units purchased by the Trust will be cancelled.

During the nine months ended September 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*. The following table presents Unit distributions declared:

		Nine Months Ended September 30	
Unit Type Subject to Distributions	**Class and Series**	**2020**	2019
Distributions on Units classified as equity:			
Trust Units	N/A	**201,088**	194,219
Distributions on Limited Partnership Units			
Smart Limited Partnership	Class B Series 1	**20,461**	19,907
Smart Limited Partnership	Class B Series 2	**1,318**	1,283
Smart Limited Partnership	Class B Series 3	**1,000**	973
Smart Limited Partnership II	Class B	**1,050**	1,021
Smart Limited Partnership III	Class B Series 4	**949**	897
Smart Limited Partnership III	Class B Series 5	**794**	773
Smart Limited Partnership III	Class B Series 6	**759**	607
Smart Limited Partnership III	Class B Series 7	**603**	587
Smart Limited Partnership III	Class B Series 8	**2,356**	2,292
Smart Limited Partnership IV	Class B Series 1	**4,256**	4,121
Smart Boxgrove Limited Partnership	Class B Series 1	**52**	—
Smart Oshawa South Limited Partnership	Class B Series 1	**986**	959
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**519**	505
Total distributions on Limited Partnership Units		**35,103**	33,925
Total distributions on Units classified as equity		**236,191**	228,144
Distributions on Units classified as liabilities:			
Smart Limited Partnership	Class D Series 1	**432**	420
Smart Limited Partnership	Class F Series 3	**8**	3
Smart Oshawa South Limited Partnership	Class D Series 1	**361**	352
ONR Limited Partnership	Class B	**1,732**	1,685
ONR Limited Partnership I	Class B Series 1	**184**	179
ONR Limited Partnership I	Class B Series 2	**193**	186
Total distributions on Units classified as liabilities		**2,910**	2,825
Distributions paid through DRIP[(1)]	N/A	**17,331**	51,107

(1) Effective April 13, 2020, the Trust suspended its DRIP. Beginning with the April 2020 distribution, plan participants receive distributions in cash.

On October 26, 2020, the Trust declared a distribution for the month of October 2020 of $0.15417 per Unit, representing $1.85 per Unit on an annualized basis, to Unitholders of record on October 30, 2020.

17. Rentals from investment properties and other

The following table presents rentals from investment properties and other:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Gross base rent	**125,136**	128,247	**377,735**	383,404
Less: Amortization of tenant incentives	**(1,903)**	(1,786)	**(5,249)**	(5,334)
Net base rent	**123,233**	126,461	**372,486**	378,070
Property tax and insurance recoveries	**40,715**	44,096	**136,597**	140,226
Property operating cost recoveries	**17,971**	18,425	**60,730**	61,020
Total recoveries	**58,686**	62,521	**197,327**	201,246
Miscellaneous revenue	**2,410**	4,369	**6,720**	12,411
Rentals from investment properties	**184,329**	193,351	**576,533**	591,727
Service and other revenues[(1)]	**2,015**	2,180	**6,823**	6,983
Rentals from investment properties and other	**186,344**	195,531	**583,356**	598,710

(1) For the three months ended September 30, 2020, service and other revenues included $1,595 relating to the fees associated with the Development and Services Agreement with Penguin (three months ended September 30, 2019 – $1,766). For the nine months ended September 30, 2020, service and other revenues included $5,785 relating to the fees associated with the Development and Services Agreement with Penguin (nine months ended September 30, 2019 – $5,901). See also Note 21, “Related party transactions”.

The following table summarizes the future contractual minimum base rent payments under non-cancellable operating leases expected from tenants in investment properties:

	September 30, 2020	September 30, 2019
2019[(1)]	**—**	126,586
2020[(1)]	**122,874**	488,545
2021	**471,161**	438,050
2022	**420,880**	384,718
2023	**345,497**	308,185
2024	**273,831**	235,344
Thereafter	**799,765**	713,824

(1) Amounts related to remainder of year.

On May 25, 2020, the Government of Canada announced the Canada Emergency Commercial Rent Assistance (“CECRA”) program which was established to provide rent relief for eligible small and medium-sized businesses that were most affected by COVID-19. Under the CECRA program, the Trust has written off 25% of gross rents from CECRA-eligible tenants due for the period of April to September 2020. These CECRA rent amounts written off aggregated approximately $2,101 for the three months ended September 30, 2020.

The following table summarizes the CECRA rent amounts written off and bad debts – other tenants as a result of COVID-19 pandemic:

Description	**Three Months Ended September 30, 2020**	**Nine Months Ended September 30, 2020**
Rent amounts written off – CECRA-eligible tenants	**2,101**	**7,706**
Bad debts – other tenants	**7,610**	**17,666**
	9,711	**25,372**

18. Property operating costs and other

The following table summarizes property operating costs and other:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Recoverable property operating costs[1]	**60,815**	64,489	**204,419**	208,388
Property management fees and costs[2]	**(354)**	1,291	**1,029**	3,456
Non-recoverable costs[3]	**10,683**	1,144	**28,432**	3,601
Property operating costs	**71,144**	66,924	**233,880**	215,445
Other expenses[4]	**2,015**	2,123	**6,826**	6,989
Property operating costs and other	**73,159**	69,047	**240,706**	222,434

(1) Include recoverable property tax and insurance costs.
(2) Includes an adjustment for the Canada Emergency Wage Subsidy of $850 for the three months ended and nine months ended September 30, 2020 (three months ended and nine months ended September 30, 2019 – nil).
(3) Includes bad debt expense of $9,711 for the three months ended September 30, 2020 (three months ended September 30, 2019 – $131) and $25,372 for the nine months ended September 30, 2020 (nine months ended September 30, 2019 – $581).
(4) 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 following table summarizes the general and administrative expense, net:

		Three Months Ended September 30		Nine Months Ended September 30	
	Note	**2020**	2019	**2020**	2019
Salaries and benefits		**12,898**	12,357	**39,185**	37,951
Master planning services fee – by Penguin	21	**2,035**	1,750	**5,535**	7,350
Professional fees		**831**	525	**3,893**	2,495
Public company costs		**526**	684	**1,906**	1,914
Rent and occupancy		**668**	665	**1,992**	1,740
Amortization of intangible assets	8	**333**	333	**999**	999
Other costs including information technology, marketing, communications, and other employee expenses		**1,575**	1,755	**5,853**	4,578
Subtotal		**18,866**	18,069	**59,363**	57,027
Previously capitalized expenses on completed developments		**1,236**	—	**1,236**	—
Total general and administrative expense before allocation		**20,102**	18,069	**60,599**	57,027
Less:					
Capitalized to properties under development, and other assets		**(7,606)**	(7,530)	**(22,325)**	(23,087)
Allocated to property operating costs		**(2,815)**	(3,821)	**(10,534)**	(11,189)
Amounts charged to Penguin and others		**(2,016)**	(2,114)	**(6,824)**	(6,917)
Total amounts capitalized, allocated, and charged		**(12,437)**	(13,465)	**(39,683)**	(41,193)
General and administrative expense, net		**7,665**	4,604	**20,916**	15,834

20. Supplemental cash flow information

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

		Three Months Ended September 30		Nine Months Ended September 30	
	Note	**2020**	2019	**2020**	2019
Amounts receivable and other	10	**2,973**	9,346	**(47,285)**	(10,794)
Deferred financing costs	10	**(34)**	(214)	**138**	(868)
Prepaid expenses and deposits	10	**(17,526)**	(10,091)	**(26,297)**	(38,656)
Accounts payable	12	**5,895**	70	**5,772**	(5,759)
Realty taxes payable	12	**(19,571)**	(11,243)	**8,200**	715
Tenant prepaid rent, deposits, and other payables	12	**24,661**	3,393	**23,147**	14,752
Other working capital changes		**(1,257)**	(640)	**(719)**	2,039
		(4,859)	(9,379)	**(37,044)**	(38,571)

21. Related party transactions

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

The following table presents Units owned by Penguin (the Trust's largest Unitholder) as at September 30, 2020, which in total represent approximately 21.4% of the issued and outstanding Units (December 31, 2019 – 20.7%) of the Trust and Limited Partnerships:

Type	Class and Series	September 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	**705,420**	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
Smart Boxgrove Limited Partnership	Class B Series 1	**170,000**	—
ONR Limited Partnership I	Class B Series 1	**132,881**	132,881
ONR Limited Partnership I	Class B Series 2	**139,302**	139,302
		36,271,470	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 September 30, 2020, there were 9,427,089 additional Special Voting Units outstanding (December 31, 2019 – 9,427,089). 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 following table presents the Earnout options that Penguin elected to exercise which resulted in proceeds:

		Three Months Ended September 30		Nine Months Ended September 30	
Unit Type	**Class and Series**	**2020**	2019	**2020**	2019
Trust Units	N/A	**—**	—	**—**	1,065
Smart Limited Partnership	Class F Series 3	**—**	—	**77**	98
Smart Limited Partnership III	Class B Series 4	**71**	—	**715**	—
Smart Limited Partnership III	Class B Series 6	**—**	—	**2,624**	—
Smart Limited Partnership IV	Class B Series 1	**—**	225	**—**	225
Smart Boxgrove Limited Partnership	Class B Series 1	**3,509**	—	**3,509**	—
ONR Limited Partnership I	Class B Series 2	**—**	74	**—**	74
		3,580	299	**6,925**	1,462

During the nine months ended September 30, 2020, pursuant to development management agreements referred to in Note 4, "Investment Properties", the Trust completed the purchase of an Earnout of a 40% interest in approximately 11.0 acres of land with a purchase price of $7,452, of which:

i) $3,509 was satisfied through the issuance of 170,000 Class B Series 1 Smart Boxgrove LP Units;

ii) $3,460 was satisfied through the issuance of Class G Series 1 Smart Boxgrove LP Units which has a committed distribution in January 2021. This committed distribution payable to the holders of Class G Series 1 Smart Boxgrove

LP Units is in conjunction with a loan receivable issued for the same amount (see details in Note 5(b) "Mortgages, loans and notes receivable", Note 12 "Accounts and other payables", and Note 15(a)(ii) "Unit equity"); and

iii) the balance of $483 was paid in cash adjusted for other working capital amounts.

The interest in this parcel of land was subsequently disposed (see also, Note 4 "Investment properties").

The following table presents certain Units which Penguin has Earnout options, upon completion of Earnout events, to acquire:

Type	Class and Series	September 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	**267,179**	170,000
ONR Limited Partnership I	Class B Series 2	**482,086**	482,086
		9,494,678	9,535,103

At September 30, 2020, Penguin's ownership would increase to 25.1% (December 31, 2019 – 24.7%) if Penguin were to exercise all remaining Earnout options. Pursuant to its rights under the Declaration of Trust, at September 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 at December 9, 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 September 30		Nine Months Ended September 30	
	Note	**2020**	2019	**2020**	2019
Related party transactions with Penguin					
Revenues:					
Service and other revenues:					
Transition services fee revenue		**—**	500	**833**	1,917
Management fee and other services revenue pursuant to the Development and Services Agreement		**1,426**	1,073	**4,366**	3,408
Support services		**169**	193	**586**	576
	17	**1,595**	1,766	**5,785**	5,901
Interest income from mortgages and loans receivable		**1,827**	2,117	**5,843**	6,198
Rents and operating cost recoveries included in rentals from income properties (includes rental income from Penguin Pick-Up)		**401**	218	**841**	688
		3,823	4,101	**12,469**	12,787
Expenses and other payments:					
Master planning services:					
Capitalized to properties under development	19	**2,035**	1,750	**5,535**	7,350
Development fees and interest expense (capitalized to investment properties)		**—**	—	**10**	11
Opportunity fees (capitalized to properties under development)[1]		**761**	720	**2,234**	2,105
Rent and operating costs (included in general and administrative expense and property operating costs)		**—**	—	**—**	397
Marketing, time billings and other administrative costs (included in general and administrative expense and property operating costs)		**21**	28	**78**	101
Expenditures on tenant inducement		**72**	—	**72**	—
		2,889	2,498	**7,929**	9,964
Related party transactions with PCVP					
Revenues:					
Interest income from mortgages and loans receivable		**651**	635	**1,925**	1,188
Expenses and other payments:					
Rent and operating costs (included in general and administrative expense and property operating costs)		**651**	651	**1,954**	1,301

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

	Note	**September 30, 2020**	December 31, 2019
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable[1]	10	**10,912**	7,958
Mortgages receivable	5(a)	**143,743**	138,762
Loans receivable	5(b)	**107,308**	24,388
Notes receivable	5(c)	**2,979**	2,979
Total receivables		**264,942**	174,087
Payables and other accruals:			
Accounts payable	12	**1,685**	88
Accrued liabilities	12	**13,307**	8,805
Future land development obligation	12	**18,273**	27,074
Secured debt		**—**	318
Total payables and other accruals		**33,265**	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	**September 30, 2020**	December 31, 2019
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable[1]	10	**829**	1,690
Loans receivable[2]	5(b)	**129,538**	92,427
Amounts payable[3]		**2,666**	2,024
Other unsecured debt	11(b)(iii)	**165,736**	83,296

(1) Amounts receivable includes Penguin's portion, which represents $376 (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 $47,177 (December 31, 2019 – $46,214) relating to Penguin's 50% investment in the PCVP.
(3) Amounts payable includes Penguin's portion, which represents $1,333 (December 31, 2019 – $1,012) relating to Penguin's 50% investment in the PCVP.

Mortgages receivable

As at September 30, 2020, the weighted average interest rate associated with mortgages receivable from Penguin was 4.51% (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 September 30		**Nine Months Ended September 30**	
	2020	2019	**2020**	2019
Legal fees incurred from a law firm in which a partner is a Trustee:				
Capitalized to investment properties	**1,006**	151	**1,969**	1,517
Included in general and administrative expense	**490**	74	**1,210**	456
	1,496	225	**3,179**	1,973

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 following table presents the compensation relating to key management:

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2020	2019	**2020**	2019
Salaries and other short-term employee benefits[1]	**765**	531	**2,294**	1,593
Deferred unit plan[1]	**619**	473	**1,297**	1,502
Long Term Incentive Plan	**344**	(514)	**344**	(154)
	1,728	490	**3,935**	2,941

(1) Amounts for the three months ended and nine months ended September 30, 2020 include compensation for the two Executive Vice Presidents of Development, who were added in 2020.

The following table presents the compensation relating to Trustees:

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2020	2019	**2020**	2019
Trustee fees	**174**	219	**641**	613
Deferred unit plan	**174**	219	**641**	613
	348	438	**1,282**	1,226

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 September 30, 2020, the Trust has one reportable segment, which comprises the development, ownership, 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 25.6% of the Trust's annualized rentals from investment properties for the nine months ended September 30, 2020 (nine months ended September 30, 2019 – 25.3%).

24. Adjustments to fair value

The following table summarizes the adjustments to fair value:

		Three Months Ended September 30		Nine Months Ended September 30	
	Note	**2020**	2019	**2020**	2019
Investment properties					
Income properties	4	**745**	852	**(202,554)**	16,630
Properties under development	4	**1,489**	723	**(55,958)**	(2,144)
Fair value adjustment on revaluation of investment properties		**2,234**	1,575	**(258,512)**	14,486
Financial instruments					
Units classified as liabilities[1]	13(a)	**1,912**	1,426	**23,504**	(3,549)
Earnout options	13(b)	**—**	15	**52**	231
Deferred unit plan – vested and unvested		**1,934**	602	**12,005**	(1,843)
Loans receivable[2]		**(1,394)**	—	**138**	—
Fair value adjustment on financial instruments		**2,452**	2,043	**35,699**	(5,161)
Total adjustments to fair value		**4,686**	3,618	**(222,813)**	9,325

(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 nine months ended September 30, 2020 was the result of the $11.21 decline in the Trust's Unit price from $31.21 at December 31, 2019, to $20.00 at September 30, 2020.

(2) The loans receivable measured at fair value through profit or loss were repaid in August 2020. As a result, unrealized fair value adjustments of $1,394 were reversed during the three months ended September 30, 2020 (three months ended September 30, 2019 – $nil). See also Note 5, "Mortgages, loans and notes receivable".

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 September 30, 2020, approximately 6.38% (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 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 (nine months ended September 30, 2020 – 11.91% of total interest costs; year ended December 31, 2019 – 11.24% of total interest costs). The sensitivity analysis in the table below reflects the maximum impact (net of estimated interest capitalized to properties under development) on annual net income of possible changes in interest rates on variable rate debt.

Change in interest rate of:	**-0.25%**	**+0.25%**
Net income increase (decrease)	769	(769)

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, $1,035,623 of liabilities (including $769,951 of secured and unsecured debt and $265,672 of accounts 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 September 30, 2020, the Trust had: a) cash and cash equivalents of $425,679; b) the funds available to be drawn from its $500,000 operating facility and its $250,000 accordion feature; c) project-specific financing arrangements; and d) approximately $5,763,400 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 nine months ended September 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 169,000 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 September 30, 2020, the carrying value of these obligations and commitments included in properties under development was $54,046 (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 $26,572 (December 31, 2019 – $23,178) and commitments relating to equity accounted investments that total $193,112 (December 31, 2019 – $250,294), of which the Trust's share is $63,911 (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 $279,048 (December 31, 2019 – $279,235) (see also Note 5, "Mortgages, loans and notes receivable"), of which $143,743 has been provided as at September 30, 2020 (December 31, 2019 – $138,762).

As at September 30, 2020, letters of credit totalling $30,546 (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 Goldhar[2]
Executive Chairman of the Board
SmartCentres Real Estate Investment Trust,
Owner
The Penguin Group of Companies

Peter Forde
President & CEO
SmartCentres Real Estate Investment Trust

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

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

Jamie McVicar[1, 3]
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Sharm Powell[2]
Trustee

Kevin Pshebniski[1, 2]
President
Hopewell Development Corporation

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

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

EXECUTIVE OFFICERS

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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

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Desjardins Securities Inc.
HSBC Bank Canada
National Bank of Canada
Raymond James Ltd.
RBC Capital Markets
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