CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

FROM SHOPPING CENTRES TO CITY CENTRES

2020 Year-End Report

SMARTCENTRES®
REAL ESTATE INVESTMENT TRUST

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Independent auditor's report

To the Unitholders of SmartCentres Real Estate Investment Trust

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SmartCentres Real Estate Investment Trust and its subsidiaries (together, the Trust) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

- the consolidated balance sheets as at December 31, 2020 and 2019;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties *Refer to note 2 – Summary of significant accounting policies and note 4 – Investment properties to the consolidated financial statements.* The Trust measures its investment properties at fair value and, as at December 31, 2020, total investment properties were valued at $8,850 million and include income properties and properties under development (PUD). Fair values of investment properties are determined using valuations prepared by management, with reference to available external data. PUD is valued using land development and construction costs recorded at market value and the direct income capitalization method less construction costs to complete; and income properties are valued using the discounted cash flow valuation method. Significant judgments are made by management in respect of determining the fair values of investment properties using the three methods described above (the valuation methods). The significant assumptions in the land development and construction costs recorded at market value include the market value per acre for land. The significant assumptions used in the direct income capitalization method less construction costs to complete include stabilized or forecasted net operating income (NOI), the overall capitalization rates and construction costs to complete.	Our approach to addressing the matter included the following procedures, among others: For a sample of investment properties, tested how management determined the fair value, which included the following: • Tested the underlying data used in the valuation methods. • Evaluated the reasonableness of the estimated future cash flows over an average period of 10 years used in the discounted cash flow valuation method by agreeing assumptions, such as expected changes in rental rates and occupancy rates, to external market and industry data and comparing components of the year one cash flows to the underlying accounting records. • Evaluated the reasonableness of expected credit losses by assessing the calculation and comparing it to the underlying data. • Professionals with specialized skill and knowledge in the field of real estate valuations assisted us in evaluating the appropriateness of the valuation methods and in evaluating the reasonableness of the discount rates, overall capitalization rates, terminal capitalization rates, changes in rental rates, lease renewal rates and downtime on existing lease expiries. • Agreed NOI figures used in the direct income capitalization method less construction costs to complete to the accounting records and evaluated whether stabilization or forecasts were reasonable considering (i) the current and past leasing activity

Key audit matter	How our audit addressed the key audit matter
The significant assumptions used in the discounted cash flow valuation method include estimated future cash flows over an average period of 10 years, discount rates and terminal capitalization rates. The determination of estimated future cash flows incorporates significant assumptions including expectations of changes in rental rates, occupancy rates, lease renewal rates, expected credit losses and downtime on existing lease expiries. We considered this a key audit matter due to the significant judgments made by management when determining the fair values of the income properties and PUD, and the high degree of complexity in assessing audit evidence related to the significant assumptions made by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of real estate valuations.	of the investment properties, (ii) the comparability with external market and industry data and (iii) whether these assumptions were aligned with evidence obtained in other areas of the audit. • Evaluated whether construction costs to complete were reasonable based on market and industry data. • Assessed the market value of land per acre used by management by comparing it to external market and industry data.

Other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Ontario
February 10, 2021

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

As at December 31, 2020 and December 31, 2019
(in thousands of Canadian dollars)

	Note	**2020**	2019
Assets			
Non-current assets			
Investment properties	4	**8,850,390**	9,050,066
Mortgages, loans and notes receivable	5	**263,558**	216,907
Equity accounted investments	6	**463,204**	345,376
Other assets	7	**88,141**	89,023
Intangible assets	8	**46,470**	47,801
		9,711,763	9,749,173
Current assets			
Residential development inventory	9	**25,795**	24,564
Current portion of mortgages, loans and notes receivable	5	**125,254**	55,953
Amounts receivable and other	10	**58,644**	36,679
Deferred financing costs	10	**1,173**	1,477
Prepaid expenses and deposits	10	**7,269**	5,247
Cash and cash equivalents		**794,594**	55,374
		1,012,729	179,294
Total assets		**10,724,492**	9,928,467
Liabilities			
Non-current liabilities			
Debt	11	**4,355,862**	4,110,548
Other payables	12	**19,705**	21,444
Other financial liabilities	13	**85,188**	95,735
		4,460,755	4,227,727
Current liabilities			
Current portion of debt	11	**854,261**	115,385
Accounts payable and current portion of other payables	12	**242,501**	217,603
		1,096,762	332,988
Total liabilities		**5,557,517**	4,560,715
Equity			
Trust Unit equity		**4,317,357**	4,492,678
Non-controlling interests		**849,618**	875,074
		5,166,975	5,367,752
Total liabilities and equity		**10,724,492**	9,928,467

Commitments and contingencies (Note 27)

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

Approved by the Board of Trustees.

Michael Young
Trustee

Garry Foster
Trustee

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the years ended December 31, 2020 and December 31, 2019
(in thousands of Canadian dollars)

	Note	**2020**	2019
Net rental income and other			
Rentals from investment properties and other	17	**781,253**	806,412
Property operating costs and other	18	**(320,542)**	(301,513)
Net rental income and other		**460,711**	504,899
Other income and expenses			
General and administrative expense, net	19	**(28,682)**	(20,456)
Earnings from equity accounted investments	6	**61,972**	6,639
Fair value adjustment on revaluation of investment properties	25	**(275,051)**	29,471
Gain on sale of investment properties		**418**	623
Interest expense	11(d)	**(160,044)**	(157,038)
Interest income		**15,241**	11,668
Fair value adjustment on financial instruments	25	**17,722**	(1,320)
Acquisition-related costs		**(2,347)**	(283)
Net income and comprehensive income		**89,940**	374,203
Net income and comprehensive income attributable to:			
Trust Units		**75,288**	314,046
Non-controlling interests		**14,652**	60,157
		89,940	374,203

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and December 31, 2019
(in thousands of Canadian dollars)

	Note	**2020**	2019
Cash provided by (used in)			
Operating activities			
Net income and comprehensive income		**89,940**	374,203
Add (deduct):			
Fair value adjustments	25	**257,329**	(28,151)
Gain on sale of investment properties		**(418)**	(623)
Earnings from equity accounted investments, net of distributions	6	**(57,202)**	558
Acquisition-related costs		**2,347**	283
Interest expense	11(d)	**160,044**	157,038
Other financing costs		**(1,231)**	(2,618)
Interest income		**(15,241)**	(11,668)
Amortization of other assets and intangible assets		**14,467**	8,016
Lease obligation interest		**553**	541
Deferred unit compensation expense, net of redemptions	13(c)	**1,433**	(4,737)
Long Term Incentive Plan accrual adjustment	12(b)	**895**	(596)
Cash interest paid	11(d)	**(138,847)**	(154,854)
Interest received		**5,502**	3,274
Expenditures on direct leasing costs and tenant incentives		**(5,462)**	(5,910)
Expenditures on tenant incentives for properties under development		**(1,897)**	(2,467)
Changes in other non-cash operating items	20	**(16,230)**	13,322
Cash flows provided by operating activities		**295,982**	345,611
Financing activities			
Proceeds from issuance of unsecured debentures, net of issuance costs	11(b)	**1,245,265**	797,500
Repayment of unsecured debentures	11(b)	**(276,880)**	(300,000)
Proceeds from issuance of secured and unsecured debt and credit facilities		**527,252**	534,423
Repayments of unsecured debt and credit facilities		**(474,404)**	(227,037)
Repayments of secured debt and other debt, net of proceeds		**(120,915)**	(657,128)
Proceeds from issuance of Trust Units, net of issuance costs	15	**—**	220,365
Distributions paid on Trust Units		**(259,914)**	(189,582)
Distributions paid on non-controlling interests and Units classified as liabilities		**(37,959)**	(49,529)
Payment of lease liability		**(1,822)**	(170)
Cash flows provided by financing activities		**600,623**	128,842
Investing activities			
Acquisitions and Earnouts of investment properties	3	**(11,383)**	(24,625)
Additions to investment properties		**(84,659)**	(104,448)
Additions to equity accounted investments		**(56,452)**	(254,702)
Net proceeds from sale of investment properties in equity accounted investments	6	**—**	31,978
Additions to equipment	7	**—**	(1,278)
Advances of mortgages and loans receivable	5	**(53,629)**	(109,527)
Repayments of mortgages and loans receivable		**29,202**	2,212
Net proceeds from sale of investment properties		**19,536**	11,867
Cash flows used in investing activities		**(157,385)**	(448,523)
Increase in cash and cash equivalents during the year		**739,220**	25,930
Cash and cash equivalents – beginning of year		**55,374**	29,444
Cash and cash equivalents – end of year		**794,594**	55,374

Supplemental cash flow information (see Note 20)

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EQUITY

For the years ended December 31, 2020 and December 31, 2019
(in thousands of Canadian dollars)

		Attributable to Unitholders			Attributable to LP Units Classified as Non-Controlling Interests				
	Note	Trust Units (Note 15)	Retained Earnings	Unit Equity	LP Units (Note 15)	Retained Earnings	LP Unit Equity	Other Non-Controlling Interest (Note 21)	Total Equity
Equity – January 1, 2019		2,781,069	1,367,112	4,148,181	632,737	224,302	857,039	3,111	5,008,331
Issuance of Units	15	291,752	—	291,752	621	—	621	—	292,373
Net income and comprehensive income		—	314,046	314,046	—	59,795	59,795	362	374,203
Distributions	16	—	(261,301)	(261,301)	—	(45,556)	(45,556)	(298)	(307,155)
Equity – December 31, 2019		3,072,821	1,419,857	4,492,678	633,358	238,541	871,899	3,175	5,367,752
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	**17,367**	**—**	**17,367**	**6,848**	**—**	**6,848**	**—**	**24,215**
Net income and comprehensive income		**—**	**75,288**	**75,288**	**—**	**14,287**	**14,287**	**365**	**89,940**
Return of contributions by other non-controlling interest		**—**	**—**	**—**	**—**	**—**	**—**	**(55)**	**(55)**
Distributions	16	**—**	**(267,976)**	**(267,976)**	**—**	**(46,901)**	**(46,901)**	**—**	**(314,877)**
Equity – December 31, 2020		**3,090,188**	**1,227,169**	**4,317,357**	**640,206**	**205,927**	**846,133**	**3,485**	**5,166,975**

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 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 December 9, 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, townhome 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 voting trust units ("Trust Units") as a result of voting, exchange and distribution rights as more fully described in Note 15(a). The address of the Trust's registered office is 3200 Highway 7, Vaughan, Ontario, L4K 5Z5. The Units of the Trust are listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "SRU.UN".

These consolidated financial statements have been approved for issue by the Board of Trustees on February 10, 2021. The Board of Trustees has the power to amend the consolidated financial statements after issue.

As at December 31, 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

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

Statement of compliance

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

2.2 Principles of consolidation

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

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

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

Interests in joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The Trust is a co-owner in several properties that are subject to joint control and has determined that certain current joint arrangements are joint operations as the Trust, through its subsidiaries, is the direct beneficial owner of the Trust's interests in the properties. For these properties, the Trust recognizes its proportionate share of the assets, liabilities, revenue and expenses of these co-ownerships in the respective lines in the consolidated financial statements (see Note 23, "Co-ownership interests").

2.3 Equity accounted investments

a) Investment in associates

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

b) Investment in joint ventures

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

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

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

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

Condominium sales revenue

During the year ended December 31, 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).

Condominium cost of sales

Inventory costs associated with the development of condominiums are allocated to direct operating costs on a per unit basis using the net yield method. In addition, if post-closing costs are expected (i.e., remaining construction costs, warranties etc.), the unit's allocation of the post-closing costs are included in cost of sales and a cost to complete liability is recorded.

2.4 Investment properties

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

Acquired investment properties are measured initially at cost, including related transaction costs in connection with asset acquisitions. Certain properties are developed by the Trust internally, and other properties are developed and leased to third parties under development management agreements with Penguin and other vendors ("Earnouts"). Earnouts occur when the vendors retain responsibility for managing certain developments on land acquired by the Trust for additional proceeds paid on completion calculated based on a predetermined, or formula-based, capitalization rate,

net of land and development costs incurred by the Trust (see Note 4(d)(ii)). The completion of an Earnout is reflected as an additional purchase in Note 3, “Acquisitions and Earnouts”. Costs capitalized to properties under development include direct development and construction costs, Earnout Fees (“Earnout Fees”), borrowing costs, property taxes and other carrying costs, as well as capitalized staff compensation and other costs directly attributable to property under development.

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

After the initial recognition, investment properties are recorded at fair value, determined based on comparable transactions, if any. If comparable transactions are not available, the Trust uses alternative valuation methods such as: i) the direct income capitalization method, ii) land, development and construction costs recorded at market value, and iii) the discounted cash flow valuation method. Valuations, where obtained externally, are performed during the year with quarterly updates on capitalization rates by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. Related fair value gains and losses are recorded in the consolidated statements of income and comprehensive income in the period in which they arise.

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

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

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

2.5 Residential development inventory

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

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

The revenue generated from contracts with customers on the sale of townhomes and residential condominium units is recognized at a point in time when control of the asset (i.e., townhome or condominium unit) has transferred to the purchaser (i.e., generally, when the purchaser takes possession of the townhome or 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).

2.6 *Business combinations*

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

Effective January 1, 2020, the Trust has adopted the amendments to IFRS 3, “Business Combinations” (“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 consolidated financial statements.

2.7 *Intangible assets*

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

2.8 *Equipment*

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end. If events and circumstances indicate an asset may be impaired, the asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount defined as the higher of an asset's fair value less costs to sell and its value in use.

2.9 *Provisions*

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

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

2.10 *Classification of Units as liabilities and equity*

a) Trust Units

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

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

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

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

b) Limited Partnership Units

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

The original characteristics of the LP Units indicated that they were exchangeable into a liability (the Trust Units are a liability by definition), and accordingly were also considered to be a liability, measured at amortized cost each reporting period with changes in carrying amount recorded directly in the consolidated statements of income and comprehensive income, and on that basis, the distributions on such Units were classified as interest expense in the consolidated statements of income and comprehensive income.

However, amendments were made effective December 31, 2012 to the Exchange, Option and Support Agreements ("EOSA") for each respective LP that require the Trust to convert to a closed-end trust prior to honouring a redemption request by the partners. Converting to a closed-end trust will classify the Trust Units as equity as the Trust Units will no longer have the redemption feature. As a result, the LP Units meet the Puttable Instrument Exemption criteria and as a result are presented in equity as non-controlling interests in the Trust's consolidated financial statements.

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

2.11 Financial instruments – recognition and measurement

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

Initial Recognition

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

Classification
The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified and measured based on the following categories:
- amortized cost;
- fair value through other comprehensive income ("FVTOCI"); and
- fair value through profit or loss ("FVTPL").

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

	Note	**Classification under IFRS 9**
Financial assets		
Mortgages, loans and notes receivable		Amortized cost
Amounts receivable and other		Amortized cost
Cash and cash equivalents		Amortized cost
Financial liabilities		
Accounts payable and other payables		Amortized cost
Secured debt		Amortized cost
Revolving operating facility		Amortized cost
Unsecured debt		Amortized cost
Units classified as liabilities	2.13	FVTPL
Earnout options	2.13	FVTPL
Deferred unit plan	2.13	FVTPL
Interest rate swap agreements		FVTPL

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

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

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

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

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

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

When a modification is determined, the carrying amount of the loan or debt is adjusted using the original effective interest rate, with a corresponding adjustment recorded as a gain or loss.

When an extinguishment is determined, the new loan or debt is recorded at its fair value and a corresponding gain/loss is recognized immediately for the difference between the carrying amount of the old loan or debt and the new loan or debt.

f) Impairment of financial assets

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

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets ("Unbilled other tenant receivables") relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Trust has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. However, the assumptions and estimates underlying the manner in which ECLs have been implemented historically may not be appropriate in the current COVID-19 pandemic environment. Accordingly, the Trust has not applied its existing ECL methodology mechanically. Instead, during the current COVID-19 pandemic environment, the Trust has been in discussions with tenants on a case-by-case basis to determine optimal rent payment solutions and has incorporated this available, reasonable and supportable information when estimating ECL on tenant receivables.

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

g) Interest income

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

2.12 Cash and cash equivalents

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

2.13 Trust and Limited Partnership Unit based arrangements

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

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

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

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

b) Deferred unit plan

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

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

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

c) Long Term Incentive Plan

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

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

d) Equity Incentive Plan

The Trust has an Equity Incentive Plan commencing January 1, 2021 that awards officers and key employees of the Trust with performance units when the daily volume weighted average price ("VWAP") of all Trust Units traded on the TSX for 20 consecutive trading days meets or exceeds certain Unit price thresholds set by the Board. Performance units vest over a performance period of three years and are settled for cash or exchanged for Trust Units based on the 10-day VWAP of Trust Units at the redemption date. The performance period is January 1, 2021 through December 31, 2027.

At each reporting date, the performance units are measured based on the performance of Trust Units relative to the Unit price threshold targets, the market value of Trust Units and the total performance units granted including additional units for distributions (see also 2.21(b)(v)).

2.14 Rentals from investment properties and other

The Trust's rental from investment properties and other comes from different sources and is accounted for in accordance with IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") and IFRS 16, "Leases" ("IFRS 16").

a) Rentals from investment properties

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

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

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

b) Service and other revenues

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

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

2.15 Tenant receivables

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

2.16 Current and deferred income tax

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

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

2.17 Distributions

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

2.18 Operating segments

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

2.19 Leases

Upon lease commencement where the Trust is the lessee, the Trust records a right-of-use asset at the amount equal to the lease liability. The lease liability is initially measured at the present value of lease payments payable over the lease term, discounted at the Trust’s incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method.

However, as and when rent changes as a result of lease payments being linked to a rate or index, leased assets and liabilities have to be remeasured. A lease modification is accounted for as a separate lease if:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope.

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

2.20 Critical accounting judgments

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

a) Investment properties

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

The Trust also applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. The Trust considers all the properties it has acquired to date to be asset acquisitions. Earnout options, as described in Note 2.13(a), are exercisable upon completion and rental of additional space on acquired properties. Judgment is applied in determining whether Earnout options are considered to be contingent consideration relating to the acquisition of the acquired properties or additional cost of services during the construction period. The Trust considers the Earnout options it has issued to date to represent contingent considerations relating to the acquisitions. The valuation of the investment properties is the main area of judgment exercised by the Trust. Investment properties are stated at fair value. Gains and losses arising from changes in the fair values are recognized in fair value adjustment on revaluation of investment properties in the consolidated statements of income and comprehensive income in the period in which they arise.

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

b) Investment in associates

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

c) Joint arrangements

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

d) Intangible assets

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

e) Classifications of Units as liabilities and equity

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

f) Income taxes

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

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

2.21 Critical accounting estimates and assumptions

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

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

a) Fair value of investment properties

The fair value of investment properties is dependent on projected future cash flows (for income properties), on land, development and construction costs (for properties under development) and stabilized or forecasted net operating income (for properties under development), and capitalization and discount rates applicable to those assets. The projected cash flows and stabilized or forecasted net operating income for each property are based on the location, type and quality of the property and supported by the terms of any existing leases, other contracts or external evidence such as current market rents for similar properties, and adjusted for estimated vacancy rates and estimated maintenance costs. Capitalization and discount rates are based on the location, size and condition of the properties and take into account market data at the valuation date. These assumptions may not ultimately be achieved.

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

b) Fair value of financial instruments

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

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

ii) Deferred unit plan

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

iii) Units classified as liabilities

Units classified as liabilities are measured at each reporting period and approximate the fair value of Trust Units, with changes in value recorded directly in earnings through unrealized fair value adjustments. The distributions on such Units are classified as interest expense in the consolidated statement of income and

comprehensive income. The Trust considers distributions on such Units classified as interest expense to be a financing activity in the consolidated statement of cash flows.

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

v) Equity Incentive Plan
The fair value of the Equity Incentive Plan ("EIP") is based on the Monte Carlo simulation pricing model, which incorporates: (i) the performance of the Trust relative to the Unit price thresholds for the performance period, (ii) the 10-day VWAP of Trust Units at each reporting date, and (iii) the total granted EIP units under the plan including EIP units reinvested. Any adjustments made to the accrued value of EIP are recorded in earnings.

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

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

e) Estimation of ECL for tenant receivables
The Trust has determined that the expected loss rates for tenant receivables are a reasonable approximation of the loss rates for the contract assets. However, the assumptions and estimates underlying the manner in which ECLs have been implemented historically may not be appropriate in the current COVID-19 pandemic environment. Accordingly, the Trust has not applied its existing ECL methodology mechanically. Instead, during the current COVID-19 pandemic environment, the Trust has been in discussions with tenants on a case-by-case basis to determine optimal rent payment solutions and has incorporated this available, reasonable and supportable information when estimating ECL on tenant receivables.

2.22 Future changes in accounting policies

Amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date. The amendments also clarify that the 'settlement' of a liability refers to the transfer to the counterparty of cash, equity instruments, and/or other assets or services. Early application is permitted. The Trust intends to adopt the amendments to IAS 1 on the required effective date of January 1, 2023.

Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts, Cost of Fulfilling a Contract
The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract. The Trust intends to adopt the amendments to IAS 37 on the required effective date of January 1, 2022.

3. Acquisitions and Earnouts

Acquisitions and Earnouts completed during the year ended December 31, 2020

a) During the year ended December 31, 2020, pursuant to development management agreements referred to in Note 4, "Investment properties" (see also Note 21, "Related party transactions"), the Trust completed the purchase of:
   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, "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, 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 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), Note 12, and Note 15(a)(ii)); 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").

b) In December 2020, the Trust acquired an additional 33.33% interest in a parcel of land in Mirabel, Quebec from an unrelated party, adjacent to Premium Outlets Montreal, consisting of 49.79 acres, for a purchase price of $7,900, adjusted for costs of acquisition and other working capital amounts. As a result of this transaction, the Trust's ownership in this land represents 66.66%, while the remaining 33.33% interest is held by Penguin.

The following table summarizes the consideration for Acquisitions and Earnouts completed for the year ended December 31, 2020:

	Note	**Acquisitions**	**Earnouts**	**Total**
Cash		**7,910**	**3,318**	**11,228**
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		**152**	**204**	**356**
		8,062	**13,907**	**21,969**

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

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

a) During the year ended December 31, 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 41,008 square feet of development space with a purchase price of $12,926, of which $1,858 was satisfied through the issuance of 53,002 Trust Units, 4,214 Class B Series 4 LP III Units, 4,886 Class F Series 3 Smart LP Units, 15,089 Class B Series 1 LP IV Units, 2,193 Class B Series 2 ONR LP I Units (see also Note 13(b)) and the balance paid in cash, adjusted for other working capital amounts.

b) 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.

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

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

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

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

4. Investment properties

The following table summarizes the activities in investment properties:

		Year Ended December 31, 2020			Year Ended December 31, 2019		
	Note	**Income Properties**	**Properties Under Development**	**Total**	Income Properties	Properties Under Development	Total
Balance – beginning of year		**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		**—**	**21,678**	**21,678**	1,641	16,752	18,393
Transfer to income properties from properties under development		**39,748**	**(39,748)**	**—**	66,306	(66,306)	—
Transfer from income properties to properties under development		**(70,236)**	**70,236**	**—**	(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		**8,445**	**—**	**8,445**	17,665	—	17,665
Leasing costs		**1,732**	**—**	**1,732**	1,789	—	1,789
Development expenditures		**—**	**50,728**	**50,728**	—	69,387	69,387
Capitalized interest		**—**	**17,689**	**17,689**	—	18,956	18,956
Dispositions		**—**	**(19,063)**	**(19,063)**	(95)	(15,868)	(15,963)
Fair value adjustment on revaluation of investment properties	25	**(201,219)**	**(73,832)**	**(275,051)**	34,939	(5,468)	29,471
Balance – end of year		**8,267,430**	**582,960**	**8,850,390**	8,488,669	561,397	9,050,066

The historical costs of both income properties and properties under development as at December 31, 2020 totalled $6,570,845 and $793,666, respectively (December 31, 2019 – $6,584,852 and $703,472, respectively).

Secured debt with a carrying value of $1,327,760 (December 31, 2019 – $1,442,278) is secured by investment properties with a fair value of $3,014,790 (December 31, 2019 – $3,353,966).

Presented separately from investment properties is $81,511 (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 methods underlying management's estimation of fair value

i) Income properties

Valuation method for the year ended December 31, 2020

Effective January 1, 2020, the Trust applied a change in accounting estimate in the valuation method used to estimate the fair value of income properties. The Trust applied the discounted cash flow valuation method 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 method as it believes that the discounted cash flow valuation method 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.

Using the discounted cash flow valuation method, the fair value of income properties is estimated based on assumptions of the asset's benefits and liabilities over its life, over an average period of 10 years in addition to its terminal value. The 10 years of annual net cash flows and the terminal cash flows are projected for each property, and then a discount rate is applied to each of these cash flows to establish the present value of future cash flows for each property. Annual net cash flows are estimated as rental revenue, less operating expenses, a vacancy allowance and other adjustments. The terminal value is estimated based on the application of a terminal capitalization rate to each property's stabilized net operating income ("NOI"). The sum of the present value of future cash flows, including its discounted terminal value, represents the estimated fair value of each property.

The significant areas of estimation uncertainty in determining the fair value of income properties include the projected cash flows and the discount rate for each property. The projected cash flows for each property are based on expected inflows and outflows, and are based on the location, type and quality of the property and supported by the terms of any existing leases, other contracts or external evidence such as current market rents for similar properties, and adjusted for estimated vacancy rates based on current and expected future market conditions after expiry of any current leases and expected maintenance costs. The discount rate for each property is based on the location, size and quality of the property, taking into account market data at the valuation date.

Valuation methods for the year ended December 31, 2019

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

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

The stabilized NOI of a property is based on the location, type and quality of the property and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions after expiry of any current lease and expected maintenance costs. The capitalization rate of a property is based on the location, size and quality of the property and taking into account market data at the valuation date.

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

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

Valuation method for the year ended December 31, 2020

Properties under development were valued using two primary methods: (i) the direct income capitalization method less construction costs to complete development, leasing costs and other fees, and Earnout Fees, if any; or (ii) with reference to land, development and construction costs recorded at market value, factoring in development risks such as planning, zoning, timing and market conditions.

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

Stabilized or forecasted net operating income:

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

which are consistent with internal budgets, based on management's experience and knowledge of market conditions.

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

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

Construction costs to complete:
Derived from internal budgets, based on management's experience and knowledge of market conditions.

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

The significant assumptions in the land, development and construction costs recorded at market value include the market value per acre for land.

Valuation methods for the year ended December 31, 2019
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 land, development and construction costs recorded at market value, factoring in development risks such as planning, zoning, timing and market conditions.

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

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

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

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

Construction costs to complete:
Derived from internal budgets, based on management's experience and knowledge of market conditions.

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

The significant assumptions in the land, development and construction costs recorded at market value include the market value per acre for land.

The following table summarizes significant assumptions in Level 3 valuations along with corresponding fair values:

			Year ended December 31, 2020			
			Terminal Capitalization Rate		Discount Rate	
Class	**Valuation Method**	**Carrying Value**	**Weighted Average (%)**	**Range (%)**	**Weighted Average (%)**	**Range (%)**
Income properties	Discounted cash flow	**8,267,430**	**5.94**	**4.25 – 7.79**	**6.46**	**4.65 – 8.54**

Class	**Valuation Method**	**Carrying Value**	**Weighted Average Capitalization Rate (%)**
Properties under development	Direct income capitalization	**165,996**	**6.22**
	Land, development and construction costs recorded at market value	**416,964**	**N/A**
		582,960	
Balance – end of year		**8,850,390**	

			Year ended December 31, 2019		
Class	Valuation Method	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 Method	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 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 assuming no changes in other assumptions.

Change in discount rate of:	**(1.0)%**	**(0.5)%**	**(0.25)%**	**+0.25%**	**+0.50%**	**+1.00%**
Increase (decrease) in fair value						
Income properties	1,784,100	807,600	385,900	(352,800)	(678,800)	(1,257,700)

b) Dispositions

Disposition of investment properties during the year ended December 31, 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)).

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 year ended December 31, 2019

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

In 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)).

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)).

c) Leasehold property interests

At December 31, 2020, 16 (December 31, 2019 – 16) investment properties with a fair value of $978,410 (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 in the amount of $1,957 (December 31, 2019 – $1,786), net of imputed interest at 9.18% of $8,043 (December 31, 2019 – $8,214) (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 $1,027 (December 31, 2019 – $1,408), in the amount of $6,211 (December 31, 2019 – $6,279) (see also Note 12, "Accounts and other payables").

d) Properties under development

The following table presents properties under development:

As at	**December 31, 2020**	December 31, 2019
Properties under development not subject to development management agreements (i)	**521,149**	513,034
Properties under development subject to development management agreements (ii)	**61,811**	48,363
	582,960	561,397

For the year ended December 31, 2020, the Trust capitalized a total of $17,689 (year ended December 31, 2019 – $18,956) of borrowing costs related to properties under development.

i) Properties under development not subject to development management agreements

During the year ended December 31, 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 year ended December 31, 2020, the Trust incurred land and development costs of $39,430 (year ended December 31, 2019 – $58,185).

ii) Properties under development subject to development management agreements

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

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

For additional space completed on land with a fair value of $13,743 (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 $48,068 (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. On December 9, 2020, the Trust entered into an Omnibus Settlement Agreement with Mitchell Goldhar that provided a right to extend the terms of certain Earnout agreements for an additional two years. As a result, the Earnout agreements for Earnout options that were originally set to expire between 2020 to 2025 may be extended to 2022 to 2027. See also Note 13, "Other financial liabilities".

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

		Year Ended December 31	
Unit Type	Class and Series	**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	**715**	134
Smart Limited Partnership IV	Class B Series 1	**—**	487
Smart Limited Partnership III	Class B Series 6	**2,624**	—
Smart Boxgrove Limited Partnership	Class B Series 1	**3,509**	—
ONR Limited Partnership I	Class B Series 2	**—**	74
		6,925	1,858

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:

	Year Ended December 31	
	2020	2019
Development costs incurred	**13,616**	7,615
Earnout Fees paid	**291**	5,311
	13,907	12,926

5. Mortgages, loans and notes receivable

The following table summarizes mortgages, loans and notes receivable:

As at	Note	**December 31, 2020**	December 31, 2019
Mortgages receivable (a)	21	**144,205**	138,762
Loans receivable (b)		**241,683**	131,119
Notes receivable (c)	21	**2,924**	2,979
		388,812	272,860
Current		**125,254**	55,953
Non-current		**263,558**	216,907
		388,812	272,860

a) Mortgages receivable of $144,205 (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 seven (December 31, 2019 – nine) properties across Ontario, Quebec and British Columbia. The Trust is committed to lend up to $312,778 (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	Extended Maturity Date[3]	Annual Variable Interest Rate at Year End (%)	Purchase Option of Property (%) [1]	December 31, 2020	December 31, 2019
Aurora (South), ON[5]	38,964	March 2022	August 2028	3.45	50.00	**16,858**	17,005
Innisfil, ON[2][7]	39,740	May 2022	August 2028	4.20	—	**22,164**	20,937
Salmon Arm, BC[2][4]	30,080	May 2022	August 2028	4.19	—	**15,370**	14,997
Pitt Meadows, BC[6]	85,653	November 2023	August 2028	3.85	50.00	**30,669**	29,387
Vaughan (7 & 427), ON[5]	36,100	December 2023	August 2028	3.57	50.00	**18,908**	17,820
Caledon (Mayfield), ON[7]	26,689	April 2024	August 2028	3.71	50.00	**10,363**	9,944
Toronto (StudioCentre), ON[2][6]	55,552	June 2024	August 2028	3.68	25.00	**29,873**	28,672
	312,778			**3.81** [8]		**144,205**	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 December 31, 2020, it is management's expectation that the Trust will exercise these purchase options.
(2) The Trust owns a 50% interest in these properties, with the other 50% interest owned by Penguin. These loans are secured against Penguin's interest in the property.
(3) The maturity date for this mortgage is automatically extended to August 31, 2028 unless written notice is delivered from the borrower. During the extended maturity period, the mortgages receivable accrue interest at a variable rate based on the banker's acceptance rate plus 4.00% to 5.00%
(4) The weighted average interest rate on this mortgage is subject to an upper limit of 6.50%.
(5) The weighted average interest rate on this mortgage is subject to an upper limit of 6.75%.
(6) The weighted average interest rate on this mortgage is subject to an upper limit of 6.90%.
(7) The weighted average interest rate on this mortgage is subject to an upper limit of 7.00%.
(8) Represents the weighted average interest rate.

Mortgages receivable amendments

The mortgages receivable commitments for Mirabel (Shopping Centre), Quebec and Mirabel (Option Lands), Quebec, which had never been drawn, have been terminated effective November 5, 2020.

On December 9, 2020, the maturity dates of all mortgages receivable outstanding, including purchase options where applicable, were extended up to August 31, 2028. These extensions were provided principally because of delays associated with market conditions, anticipated municipal and related approvals, and development-related complexities. The committed facilities on these mortgages receivable were amended to reflect an increase from $279,048 to $312,778.

In addition, the interest rates on these mortgages receivable were amended pursuant to independent opinions obtained that provided current market-based interest rates for such loans with similar security. Interest on these mortgages accrues monthly as follows: from December 9, 2020 to the maturity of each mortgage, at a variable rate based on the banker's acceptance rate plus 2.75% to 4.20%; from the maturity of each mortgage to the extended maturity (August 2028), at a variable rate based on the banker's acceptance rate plus 4.00% to 5.00%; prior to December 9, 2020, (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%; and (ii) at fixed rates of 6.35% to 7.50%, 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 $109,171 (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, $144,205 (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:

	Year Ended December 31	
	2020	2019
Balance – beginning of year	**138,762**	134,221
Interest accrued	**6,744**	7,399
Interest payments	**(499)**	(1,498)
Principal repayments	**(802)**	(1,360)
Balance – end of year	**144,205**	138,762

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

Issued to	Committed	Maturity Date	Interest Rate (%)	Note	December 31, 2020	December 31, 2019
Penguin[1]	19,148	March 2021	Variable	21	**9,349**	10,215
Penguin[2]	N/A	January 2021	Interest-free	21	**3,460**	—
Penguin[3]	26,227	June 2021	Variable	21	**14,587**	14,173
Penguin[4]	N/A	December 2029	Interest-free	21, 11 (b)(iii)	**76,747**	—
Total loans issued to Penguin					**104,143**	24,388
PCVP[5]	N/A	June 2021	2.76	21	**95,008**	92,427
Self-storage facilities[6]	60,000	July 2023	Variable		**39,682**	—
Total loans issued to equity accounted investments					**134,690**	92,427
Vaughan NW Residence Inc.[7]	N/A	November 2020	6.25		**—**	9,804
Selection Group[8]	N/A	April 2021	Variable		**2,850**	—
Greenwin[9]	11,694	September 2024	Variable		**—**	4,500
Greenwin[10]	1,280	January 2025	Variable		**—**	—
Total loans issued to unrelated parties					**2,850**	14,304
					241,683	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. Such loan had limited recourse up to the amount of $3,460 and was due and payable on or before the fifth business day after year end (December 31, 2020). As such, in January 2021, Smart Boxgrove LP made a distribution to the holders of Class G Series 1 Units in an amount equal to the outstanding loan amount, which was 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 $13,227 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 $103,764, is non-interest bearing, and is repayable at the end of 10 years. As at December 31, 2020, the loan balance of $76,747 is net of a cumulative fair value adjustment totalling $27,017. 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 consolidated financial statements for the year ended December 31, 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).

(7) In 2017, a loan receivable was provided pursuant to an agreement to use in acquiring a 50% interest in development lands, with interest at 6.25% per annum. In November 2020, the loan was fully repaid.

(8) In April 2020, the Trust entered into a loan agreement, with 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 12 months from the date of obtaining an advance of the facility and bears interest at the prime rate of interest plus 2% per annum.

(9) 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 December 31, 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.

(10) In January 2020, the Trust entered into a loan agreement with 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 December 31, 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:

	Year Ended December 31	
	2020	2019
Balance – beginning of year	**131,119**	19,949
Loans issued[1]	**122,153**	108,326
Advances	**9,762**	1,201
Interest accrued	**3,633**	2,495
Fair value adjustments[2]	**3,416**	—
Repayments	**(28,400)**	(852)
Balance – end of year	**241,683**	131,119

(1) During the year ended December 31, 2020, loans issued to Penguin totalled $81,746, of which $78,286 relates to the 700 Applewood purchase, as described in footnote 4 in the table above, and $3,460 relates to the unsecured loan issued to Penguin as the holder of Class G Series 1 Units of Smart Boxgrove LP, as described in footnote 2 in the table above (December 31, 2019 – $13,227 of loans issued to Penguin in connection with the loan agreement as described in footnote 3 in the table above).

(2) Represents the fair value adjustment of $3,416 recorded during the year ended December 31, 2020 (December 31, 2019 – $nil) in connection with the loan issued as part of the 700 Applewood purchase. See details in footnote 4 in table above.

c) Notes receivable of $2,924 (December 31, 2019 – $2,979) have been granted to Penguin (see also Note 21, “Related party transactions”). As at December 31, 2020, these secured demand notes bear interest at the rate of 9.00% per annum (December 31, 2019 – 9.00%). During the year ended December 31, 2020, $55 (December 31, 2019 – $nil) was repaid as a result of a settlement with Penguin on December 9, 2020.

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:

	Year ended December 31, 2020			Year Ended December 31, 2019		
	Investment in Associates	**Investment in Joint Ventures**	**Total**	Investment in Associates	Investment in Joint Ventures	Total
Investment – beginning of year	**294,499**	**50,877**	**345,376**	116,284	30,022	146,306
Operating Activities:						
Earnings (losses)	**62,369**	**(397)**	**61,972**	5,981	658	6,639
Distributions from operations	**(3,987)**	**(783)**	**(4,770)**	(6,621)	(576)	(7,197)
Financing Activities:						
Fair value adjustment on loan	**4,218**	**—**	**4,218**	(28,356)	—	(28,356)
Loan repayment	**(3,987)**	**—**	**(3,987)**	—	—	—
Investing Activities:						
Cash contribution	**4,061**	**8,088**	**12,149**	115,581	6,296	121,877
Property contribution	**—**	**2,036**	**2,036**	—	5,260	5,260
Acquisition and related costs[1]	**(2,181)**	**63,600**	**61,419**	123,608	9,217	132,825
Distributions from development	**—**	**(15,209)**	**(15,209)**	(31,978)	—	(31,978)
Investment – end of year	**354,992**	**108,212**	**463,204**	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 consolidated financial statements:

		Ownership Interests (%)	
As at	Principal Intended Activity	**December 31, 2020**	December 31, 2019
PCVP	Own, develop and operate investment properties	**50.0**	50.0
Residences LP	Own, develop and sell two residential condominium towers and 22 townhomes (Transit City 1 and 2)	**25.0**	25.0
Residences III LP	Own, develop and sell a residential condominium tower (Transit City 3)	**25.0**	25.0
East Block Residences LP	Own, develop and sell two residential condominium towers (Transit City 4 and 5)	**25.0**	25.0

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:

As at		**December 31, 2020**				December 31, 2019
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Non-current assets	**920,064**	**—**	**920,064**	812,469	—	812,469
Current assets	**20,019**	**632,691**	**652,710**	14,995	505,286	520,281
Total assets	**940,083**	**632,691**	**1,572,774**	827,464	505,286	1,332,750
Non-current liabilities[1]	**171,382**	**28,268**	**199,650**	234,592	143,757	378,349
Current liabilities	**197,187**	**360,690**	**557,877**	50,475	283,693	334,168
Total liabilities	**368,569**	**388,958**	**757,527**	285,067	427,450	712,517
Net assets	**571,514**	**243,733**	**815,247**	542,397	77,836	620,233
Trust's share of net assets before adjustments	**285,757**	**60,934**	**346,691**	271,198	19,459	290,657
Trust's additional investment	**—**	**6,862**	**6,862**	—	—	—
Fair value adjustment on loan	**1,439**	**—**	**1,439**	3,842	—	3,842
Trust's share of net assets	**287,196**	**67,796**	**354,992**	275,040	19,459	294,499

(1) Balance as at December 31, 2020 includes loan payable to the Trust of $95,008 (December 31, 2019 – $92,427), see also Note 5(b).

The following table summarizes existing commitments with various development construction contracts:

As at	**December 31, 2020**		December 31, 2019	
	Commitments	**Trust's Share**	Commitments	Trust's Share
PCVP	**25,070**	**12,535**	18,397	9,198
Residences LP	**9,199**	**2,300**	82,648	20,662
Residences III LP	**15,449**	**3,862**	74,069	18,517
East Block Residences LP	**86,554**	**21,638**	50,845	12,711
	136,272	**40,335**	225,959	61,088

ii) Summary of earnings (losses)

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

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Revenue						
Rental revenue[1]	**28,295**	**—**	**28,295**	25,088	—	25,088
Condominium sales revenue[2]	**—**	**538,778**	**538,778**	—	—	—
Operating expense						
Rental operating costs	**(11,175)**	**—**	**(11,175)**	(10,606)	—	(10,606)
Condominium cost of sales	**—**	**(375,985)**	**(375,985)**	—	—	—
Revenue net of operating expense	**17,120**	**162,793**	**179,913**	14,482	—	14,482
Other sales and related costs	**—**	**—**	**—**	—	(1,281)	(1,281)
Fair value adjustment on revaluation of investment properties	**20,930**	**—**	**20,930**	9,667	—	9,667
Interest income (expense)	**(5,976)**	**3,105**	**(2,871)**	(5,156)	—	(5,156)
Loss on sale of investment properties	**52**	**—**	**52**	—	—	—
Earnings (losses)	**32,126**	**165,898**	**198,024**	18,993	(1,281)	17,712
Trust's share of earnings (losses) before supplemental cost and additional profit sharing	**16,063**	**41,475**	**57,538**	9,497	(321)	9,176
Additional Trust's share of earnings[3]	**—**	**6,862**	**6,862**	—	—	—
Supplemental cost	**(2,031)**	**—**	**(2,031)**	(3,195)	—	(3,195)
Trust's share of earnings (losses)	**14,032**	**48,337**	**62,369**	6,302	(321)	5,981

(1) Includes office rental revenue from the Trust in the amount of $2,634 for the year ended December 31, 2020 (year ended December 31, 2019 – $1,953).
(2) Includes condominium sales revenue recognized on the closings of 551 units and 558 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 $4,061 related to associated development fees for the year ended December 31, 2020 (year ended December 31, 2019 – $6,390).

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.

The following table shows the development facilities available:

As at	**December 31, 2020**	December 31, 2019
Development facilities – beginning of year	**768,302**	555,826
Reduction	**(36,072)**	—
Repayments and adjustments	**(204,390)**	(86,800)
Letters of credit released	**(1,100)**	(888)
Additional development credit facilities obtained	**270,000**	300,164
Development facilities – end of year	**796,740**	768,302
Amount drawn on development credit facility	**(227,327)**	(168,057)
Letters of credit – outstanding	**(79,816)**	(37,734)
	489,597	562,511
Trust's share of remaining unused development credit facilities	**177,884**	152,006

The PCVP and VMC Residences had the following credit facilities available:

As at			**December 31, 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 2022	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**	—	—
Letters 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	**14,512**	**3,628**	246,612	61,653
Development credit facility	December 2021	BA + 1.75	**132,688**	**33,172**	142,150	35,538
Development credit facility	September 2023	BA + 1.60	**280,164**	**70,041**	280,164	70,041
			427,364	**106,841**	668,926	167,232
			796,740	**291,529**	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 consolidated financial statements:

As at		**December 31, 2020**		December 31, 2019	
Business Focus	Joint Venture Partner	**Number of Projects**	**Ownership Interest (%)**	Number of Projects	Ownership Interest (%)
Retail investment properties		**1**	**30.0**	1	30.0
Joint Venture: 1500 Dundas East LP	*Fieldgate*				
Self-storage facilities		**8**	**50.0**	5	50.0
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, Scarborough East Self Storage LP and Kingspoint Self Storage LP	*SmartStop*				
Seniors' apartments		**1**	**50.0**	1	50.0
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), Baymac RR Propco LP, Oakville Garden Drive RR PropCo LP, Barrie Collier and Owen RR PropCo LP and Markham Main Street RR PropCo LP	*Revera*	**6**	**50.0**	2	50.0
Joint Ventures: Ottawa SW (PropCo and OpCo LP's)	*Selection Group*	**1**	**50.0**	—	N/A
Residential apartments					
Joint Venture: Laval C Apartments LP	*Jadco*	**1**	**50.0**	1	50.0
Joint Venture: Balliol/Pailton LP	*Greenwin*	**1**	**75.0**	—	N/A
Total		**19**		10	

Acquisitions completed during the year ended December 31, 2020

In January 2020, the Trust together with its partner Greenwin acquired a 75% interest in a parcel of land through a joint venture, Balliol/Pailton LP, totalling 1.1 acres in Toronto, Ontario, with the intention of developing a 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.

In November 2020, pursuant to the 50:50 joint venture formed with Revera known as Markham Main Street RR PropCo LP, the Trust contributed cash and Revera contributed development lands into the joint venture, which is located in Markham, Ontario, totalling 2.04 acres, with the intention to develop, construct and operate retirement residence and retail projects.

In November 2020, pursuant to the 50:50 joint venture formed with SmartStop known as Aurora Self Storage Limited Partnership, both joint venture parties contributed cash into the joint venture to fund the purchase of a parcel of land located in Aurora, Ontario, totalling 1.59 acres 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:

As at	**December 31, 2020**	December 31, 2019
Non-current assets	**370,555**	244,686
Current assets	**4,028**	5,158
Total assets	**374,583**	249,844
Non-current liabilities	**139,155**	109,029
Current liabilities	**28,781**	15,118
Total liabilities	**167,936**	124,147
Net assets	**206,647**	125,697
Trust's share of net assets	**108,212**	50,877

The joint ventures listed above have entered into various development construction contracts with existing commitments totalling $21,498, of which the Trust's share is $10,777 (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:

	Year Ended December 31	
	2020	2019
Revenue	**10,975**	10,631
Operating expense	**(4,330)**	(3,251)
Revenue net of operating expense	**6,645**	7,380
Fair value adjustments on revaluation of investment properties	**(3,596)**	(1,511)
Interest expense	**(3,428)**	(2,389)
Loss on sale of investment properties	**—**	(190)
Earnings (losses)	**(379)**	3,290
Trust's share of earnings (losses)	**(397)**	658

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 construction 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 are presented as follows:

As at	**December 31, 2020**	December 31, 2019
Development facility – beginning of year	**35,417**	35,417
Additional development facility obtained[(1)]	**60,000**	—
Development facilities – end of year	**95,417**	35,417
Amount drawn on development facility – Laval C Apartments	**(35,417)**	—
Amount drawn on development facility – Self Storage	**(39,682)**	(24,292)
Letters of credit – outstanding	**(706)**	—
Remaining unused development facilities	**19,612**	11,125
Trust's share of remaining unused development facilities	**9,806**	5,563

(1) This additional development facility was provided by the Trust to fund construction costs relating to four self-storage facilities. See details in table below.

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

As at			**December 31, 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) This construction facility was provided by the Trust and is used to fund construction costs for the following SmartStop locations: Leaside, Bramport, Vaughan NW, and Oshawa South. In addition, the Trust has a separate facility with a large Canadian financial institution to draw from in order to assist with funding requirements for the self-storage facilities. As at December 31, 2020, the Trust has not drawn on this separate facility (December 31, 2019 - $nil).

7. Other assets

The following table presents the components of other assets:

As at	**December 31, 2020**	December 31, 2019
Straight-line rent receivables	**44,786**	48,380
Tenant incentives	**36,725**	38,018
	81,511	86,398
Equipment	**1,273**	2,173
Right-of-use assets	**5,357**	452
	88,141	89,023

The following table summarizes the activity in other assets:

	December 31, 2019	**Additions (Disposals)**	**Write-offs**	**Amortization and other adjustments**	**December 31, 2020**
Straight-line rent receivables	48,380	**8,862**	**(3,503)**	**(8,953)**	**44,786**
Tenant incentives	38,018	**5,628**	**(430)**	**(6,491)**	**36,725**
	86,398	**14,490**	**(3,933)**	**(15,444)**	**81,511**
Equipment	2,173	**(70)**	**—**	**(830)**	**1,273**
Right-of-use assets[1]	452	**6,697**	—	**(1,792)**	**5,357**
	89,023	**21,117**	**(3,933)**	**(18,066)**	**88,141**

(1) Pursuant to updated agreements entered into between the Trust and Mitchell Goldhar, the lease associated with the Trust's home office in Vaughan, Ontario, was settled resulting in an additional right-of-use asset of $6,374 and related amortization of $1,593 for the year ended December 31, 2020.

8. Intangible assets

The following table summarizes the components of intangible assets:

As at	**December 31, 2020**			December 31, 2019		
	Cost	**Accumulated Amortization**	**Net**	Cost	Accumulated Amortization	Net
Intangible assets with finite lives:						
Key joint venture relationships	**36,944**	**6,889**	**30,055**	36,944	5,658	31,286
Trademarks	**2,995**	**559**	**2,436**	2,995	459	2,536
Total intangible assets with finite lives	**39,939**	**7,448**	**32,491**	39,939	6,117	33,822
Goodwill	**13,979**	**—**	**13,979**	13,979	—	13,979
	53,918	**7,448**	**46,470**	53,918	6,117	47,801

The total amortization expense recognized for the year ended December 31, 2020 amounted to $1,331 (year ended December 31, 2019 – $1,331).

9. Residential development inventory

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

The following table summarizes the activity in residential development inventory:

As at	**December 31, 2020**	December 31, 2019
Balance – beginning of year	**24,564**	23,429
Development costs	**317**	207
Capitalized interest	**914**	928
Balance – end of year	**25,795**	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:

As at	**December 31, 2020**	December 31, 2019
Amounts receivable and other		
Tenant receivables	**57,563**	15,921
Unbilled other tenant receivables	**8,287**	7,649
Receivables from related party – excluding equity accounted investments	**1,311**	7,958
Receivables from related party – equity accounted investments	**—**	1,690
Other non-tenant receivables	**2,898**	1,482
Other	**8,327**	5,040
	78,386	39,740
Allowance for ECL	**(19,742)**	(3,061)
Amounts receivable and other, net of allowance for ECL	**58,644**	36,679
Deferred financing costs	**1,173**	1,477
Prepaid expenses and deposits	**7,269**	5,247
	67,086	43,403

Allowance for expected credit loss

The Trust records the 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:

	Year Ended December 31	
	2020	2019
Balance – beginning of year	**3,061**	3,114
Additional allowance recognized as expense – excluding CECRA[1]	**16,962**	711
Additional allowance recognized as expense – CECRA[1]	**7,706**	—
Reversal of previous allowances	**(285)**	(295)
Net	**24,383**	416
Tenant receivables written off during the year – CECRA[1]	**(7,706)**	—
Tenant receivables written off during the year – other	**4**	(469)
Tenant receivables written off	**(7,702)**	(469)
Balance – end of year	**19,742**	3,061

(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:

As at	**December 31, 2020**	December 31, 2019
Secured debt (a)	**1,327,760**	1,442,278
Unsecured debt (b)	**3,882,363**	2,783,655
Revolving operating facility (c)	**—**	—
	5,210,123	4,225,933
Current	**854,261**	115,385
Non-current	**4,355,862**	4,110,548
	5,210,123	4,225,933

a) Secured debt

Secured debt bears interest at a weighted average interest rate of 3.67% as at December 31, 2020 (December 31, 2019 – 3.81%). Total secured debt of $1,327,760 (December 31, 2019 – $1,442,278) includes $1,269,900 (December 31, 2019 – $1,385,278) at fixed interest rates and $57,860 (December 31, 2019 – $57,000) at variable interest rates based on banker's acceptance rates plus 120 basis points. Secured debt matures at various dates between 2021 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**
2021	43,841	134,849	178,690
2022	41,111	220,306 (1)	261,417
2023	36,720	142,344	179,064
2024	31,775	118,696	150,471
2025	21,124	370,785	391,909
Thereafter	32,890	135,081	167,971
	207,461	1,122,061	1,329,522
Unamortized acquisition date fair value adjustments			1,541
Unamortized financing costs			(3,303)
			1,327,760

(1) Includes construction loan in the amount of $57,860, which bears interest at banker's acceptance rate plus 120 basis points.

b) Unsecured debt

The following table summarizes the components of unsecured debt:

As at	**December 31, 2020**	December 31, 2019
Unsecured debentures (i)	**3,271,625**	2,301,257
Credit facilities (ii)	**399,304**	399,102
Other unsecured debt (iii)	**211,434**	83,296
	3,882,363	2,783,655

i) Unsecured debentures

The following table summarizes the components of unsecured debentures:

Series	Maturity Date	Annual Interest Rate (%)	Interest Payment Dates	December 31, 2020	December 31, 2019
Series I	May 30, 2023	3.985	May 30 and November 30	**200,000**	200,000
Series M	July 22, 2022	3.730	January 22 and July 22	**150,000**	150,000
Series N	February 6, 2025	3.556	February 6 and August 6	**160,000**	160,000
Series O	August 28, 2024	2.987	February 28 and August 28	**100,000**	100,000
Series P	August 28, 2026	3.444	February 28 and August 28	**250,000**	250,000
Series Q	March 21, 2022	2.876	March 21 and September 21	**150,000**	150,000
Series R	December 21, 2020	Variable [(1)]	March 21, June 21, September 21 and December 21	**—**	250,000
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	**323,120**	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**	—
Series X	December 16, 2025	1.740	June 16 and December 16	**350,000**	—
Series Y	December 18, 2028	2.307	June 18 and December 18	**300,000**	—
		3.139 [(2)]		**3,283,120**	2,310,000
			Less: Unamortized financing costs	**(11,495)**	(8,743)
				3,271,625	2,301,257

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

Unsecured debenture activities for the year ended December 31, 2020

Issuances

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 were principally used to repay Series R unsecured debentures in December 2020, other existing indebtedness and for general Trust purposes.

In December 2020, the Trust issued $350,000 of 1.740% Series X senior unsecured debentures and $300,000 of 2.307% Series Y senior unsecured debentures (net proceeds of the two issuances in aggregate after issuance costs – $647,575). The Series X debentures will mature on December 16, 2025 and the Series Y debentures will mature on December 18, 2028. Series X debentures have semi-annual payments due on June 16 and December 16, and Series Y debentures have semi-annual payments due on June 18 and December 18 each year, commencing on June 16, 2021 and June 18, 2021, respectively. The proceeds from the issuances, together with cash on hand, were used to redeem the 3.730% Series M senior unsecured debentures and the 2.876% Series Q senior unsecured debentures in January 2021 and will also be used to repay the 2.757% Series T senior unsecured debentures due June 2021.

Repayment on Maturity

In December 2020, the Trust repaid the $250,000 aggregate principal of Series R senior unsecured debentures upon their maturity, paying accrued interest of $724. The repayment was funded by the proceeds from the issuances of Series V and Series W senior unsecured debentures in June 2020, as noted above.

Redemptions

In December 2020, the Trust announced the redemption of 3.730% Series M senior unsecured debentures and 2.876% Series Q senior unsecured debentures, in aggregate principal amounts of $150,000 and $150,000, respectively, with yield maintenance costs and accrued interest payable. The redemptions were settled in January 2021 (see also Note 28, “Subsequent events”). For the year ended December 31, 2020, the Trust recorded yield maintenance costs of $11,084 relating to the redemptions. The redemptions were funded by the proceeds from the issuance of Series X and Series Y senior unsecured debentures in December 2020, as noted above.

In December 2020, the Trust purchased in the open market and cancelled $26,880 of 2.757% Series T senior unsecured debentures.

Unsecured debenture activities for the year ended December 31, 2019

Issuances

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

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

Redemptions

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

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

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 fulfill its obligations. An investment-grade rating must exceed "BB", with the highest rating being "AAA". The Trust received a credit rating upgrade on December 6, 2019, and unsecured debentures issued after this date are rated "BBB(H)" with a stable trend as at December 31, 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**	**December 31, 2020**	December 31, 2019
Non-revolving:					
August 2018[1]	January 31, 2025	2.980	80,000	**80,000**	80,000
March 2019[2]	March 7, 2024	3.590	150,000	**150,000**	150,000
May 2019[3]	June 24, 2024	3.146	170,000	**170,000**	170,000
				400,000	400,000
Revolving:					
May 2020[4]	May 11, 2021	BA + 1.450	60,000	**—**	—
				400,000	400,000
		Less: Unamortized financing costs		**(696)**	(898)
				399,304	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 $211,434 (December 31, 2019 – $83,296) at the Trust's share pertains to loans received from equity accounted investments in connection with contribution agreements relating to joint ventures. The loans are non-interest bearing with repayment terms based on the distributions that are to be paid pursuant to the limited partnership agreements. The balances of the loans are expected to be paid at the end of their respective terms.

The following table summarizes components of the Trust's other unsecured debt:

As at	**December 31, 2020**	December 31, 2019
PCVP (5.00% discount rate)[1]	**79,624**	80,862
PCVP (5.75% discount rate)[2]	**76,747**	—
Laval C Apartment LP	**1,321**	2,214
Scarborough East Self Storage LP	**265**	—
Vaughan NW SAM LP	**—**	220
VMC Residences LP[3]	**53,477**	—
	211,434	83,296

(1) In connection with the 700 Applewood purchase, in December 2019, the loan has a principal amount outstanding of $103,764 (December 31, 2019 – $109,218), is non-interest bearing, and is repayable at the end of 10 years. As at December 31, 2020, the loan balance of $79,624 is net of a fair value adjustment totalling $24,140.

(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 $103,764, is non-interest bearing, and is repayable at the end of 10 years. As at December 31, 2020, the loan balance of $76,747 is net of a fair value adjustment totalling $27,017. See also Note 5(b) reflecting offsetting loan receivable amount.

(3) In connection with the Transit City condominium closings during the period from September to December 2020, the Trust received amounts that are non-interest bearing and were settled subsequent to year end.

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:

As at	**December 31, 2020**	December 31, 2019
Revolving operating facility	**500,000**	500,000
Lines of credit – outstanding	**—**	—
Letters of credit – outstanding	**(8,627)**	(8,844)
Remaining operating facility	**491,373**	491,156

d) *Interest expense*

The following table summarizes interest expense:

	Year Ended December 31	
	2020	2019
Interest at stated rates	**157,635**	149,215
Amortization of acquisition date fair value adjustments on assumed debt	**(857)**	(2,002)
Amortization of deferred financing costs	**4,130**	3,811
	160,908	151,024
Less:		
Interest capitalized to properties under development	**(17,689)**	(18,956)
Interest capitalized to residential development inventory	**(914)**	(928)
	142,305	131,140
Yield costs maintenance on redemption of debt and related write-off of unamortized financing costs (Note 11(b))	**11,954**	20,513
	154,259	151,653
Distributions on vested deferred units and Units classified as liabilities	**5,785**	5,385
	160,044	157,038

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

	Year Ended December 31	
	2020	2019
Interest expense	**160,044**	157,038
Amortization of acquisition date fair value adjustments on assumed debt	**857**	2,002
Amortization of deferred financing costs	**(4,130)**	(3,811)
Distributions on vested deferred units and Units classified as liabilities	**(5,785)**	(5,385)
Change in accrued interest payable	**(12,139)**	5,010
Cash interest paid	**138,847**	154,854

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 $20,562 of letters of credit outstanding with other financial institutions as at December 31, 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:

As at	Note	**December 31, 2020**	December 31, 2019
Accounts payable		**70,938**	77,295
Accounts payable and accrued liabilities with Penguin	21	**6,406**	8,893
Tenant prepaid rent, deposits, and other payables		**87,519**	69,836
Accrued interest payable		**29,067**	16,929
Distributions payable[1]		**30,011**	26,406
Realty taxes payable		**4,964**	3,443
Current portion of other payables		**13,596**	14,801
		242,501	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)).

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

As at	Note	**December 31, 2020**	December 31, 2019
Future land development obligations with Penguin	12(a)	**18,410**	27,074
Lease liability – investment properties[1]		**8,168**	8,065
Lease liability – other		**5,183**	461
Long Term Incentive Plan liability	12(b)	**1,540**	645
Total other payables		**33,301**	36,245
Less: current portion of other payables		**(13,596)**	(14,801)
Total non-current portion of other payables		**19,705**	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 development management agreement periods ending in 2021 to 2025, which may be extended to 2022 to 2027. The accrued future land development obligations are measured at their amortized values using imputed interest rates ranging from 4.50% to 5.50%. For the year ended December 31, 2020, imputed interest of $867 (year ended December 31, 2019 – $1,166) was capitalized to properties under development.

b) Long Term Incentive Plan liability

The following table summarizes the activity in the LTIP:

	Year Ended December 31	
	2020	2019
Balance – beginning of year	**645**	1,241
Accrual adjustment[1]	**895**	(596)
Balance – end of year	**1,540**	645

(1) In December 2020, LTIP units granted to Mitchell Goldhar were revised pursuant to an updated employment agreement between Mitchell Goldhar and the Trust, which resulted in the cancellation of 29,774 LTIP units, of which $169 was written-off during the year ended December 31, 2020.

13. Other financial liabilities

The following table summarizes the components of other financial liabilities:

As at	**December 31, 2020**	December 31, 2019
Units classified as liabilities (a)	**48,479**	65,436
Earnout options (b)	**—**	52
Deferred unit plan (c)	**28,051**	30,247
Fair value of interest rate swap agreements	**8,658**	—
	85,188	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, 2019	311,022	—	260,417	1,248,140	132,881	137,109	2,089,569
Options exercised	—	4,886	—	—	—	2,193	7,079
Balance – December 31, 2019	311,022	4,886	260,417	1,248,140	132,881	139,302	2,096,648
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 – December 31, 2020	**311,022**	**8,708**	**260,417**	**1,248,140**	**132,881**	**139,302**	**2,100,470**

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, 2019	9,589	—	8,028	38,480	4,096	4,227	64,420
Options exercised	—	98	—	—	—	74	172
Change in carrying value	118	54	100	475	51	46	844
Balance – December 31, 2019	9,707	152	8,128	38,955	4,147	4,347	65,436
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)]	**(2,529)**	**(28)**	**(2,117)**	**(10,147)**	**(1,080)**	**(1,133)**	**(17,034)**
Balance – December 31, 2020	**7,178**	**201**	**6,011**	**28,808**	**3,067**	**3,214**	**48,479**

(1) 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 year ended December 31, 2020 was the result of the $8.13 decline in the Trust's Unit price from $31.21 at December 31, 2019, to $23.08 at December 31, 2020.

b) Earnout options

As part of the consideration paid for certain investment property acquisitions, the Trust has granted options in connection with the development management agreements (see also Note 4(d)). 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. On December 9, 2020, the Trust entered into an Omnibus Settlement Agreement with Mitchell Goldhar that provided a right to extend the terms of certain Earnout agreements for an additional two years. As a result, the Earnout agreements for Earnout options in the table below that were originally set to expire between 2020 to 2025 may be extended to 2022 to 2027.

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 December 31, 2020	Amounts from Options Exercised
	($)	(#)	(#)	(#)	(#)	($)
Options to acquire Trust Units						
July 2005	20.10	**55,604**	—	—	**55,604**	—
December 2006	29.55 to 33.55	**53,458**	—	—	**53,458**	—
July 2007	29.55 to 33.00	**1,348,223**	—	—	**1,348,223**	—
		1,457,285	—	—	**1,457,285**	—
Options to acquire Class B Smart LP Units, Class D Smart LP Units and Class F Smart LP Units[1]						
July 2005	20.10	**1,354,153**	—	—	**1,354,153**	—
December 2006	29.55 to 30.55	**2,226,949**	—	—	**2,226,949**	—
July 2007	29.55 to 33.00	**1,600,000**	—	—	**1,600,000**	—
June 2008[2]	20.10	**680,227**	**(1,968)**	**(3,822)**	**674,437**	**77**
		5,861,329	**(1,968)**	**(3,822)**	**5,855,539**	**77**
Options to acquire Class B Smart LP III Units[3]						
September 2010	Market price	**598,913**	—	**(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.

The following table summarizes the change in Units outstanding and proceeds received:

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

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

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

	Year Ended December 31	
	2020	2019
Fair value – beginning of year	**52**	881
Trust options exercised	**—**	(566)
Fair value adjustment	**(52)**	(263)
Fair value – end of year	**—**	52

c) Deferred unit plan

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, 2019	1,007,929	876,870	131,059
Granted			
Trustees	55,424	55,424	—
Eligible associates	137,437	69,980	67,457
Reinvested units from distributions	58,323	49,668	8,655
Vested	—	18,662	(18,662)
Exchanged for Trust Units	(1,893)	(1,893)	—
Redeemed for cash	(200,528)	(200,528)	—
Forfeited	(31,110)	—	(31,110)
Balance – December 31, 2019	1,025,582	868,183	157,399
Balance – January 1, 2020	**1,025,582**	**868,183**	**157,399**
Granted			
Trustees	**55,193**	**55,193**	**—**
Eligible associates[1]	**181,301**	**89,219**	**92,082**
Reinvested units from distributions	**106,867**	**86,135**	**20,732**
Vested	**—**	**30,326**	**(30,326)**
Exchanged for Trust Units	**(1,550)**	**(1,550)**	**—**
Redeemed for cash	**(59,263)**	**(59,263)**	**—**
Forfeited	**(2,855)**	**—**	**(2,855)**
Balance – December 31, 2020	**1,305,275**	**1,068,243**	**237,032**

(1) In December 2020, deferred units granted to Mitchell Goldhar were revised pursuant to an updated employment agreement between Mitchell Goldhar and the Trust, which resulted in an increase in deferred units of 5,007 totalling $156, of which 3,072 deferred units totalling $96 relate to a 2020 grant and 1,935 deferred units totalling $60 relate to a 2019 grant.

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

	Year Ended December 31	
	2020	2019
Carrying value – beginning of year	**30,247**	29,683
Deferred units granted for trustee fees	**864**	864
Deferred units granted for bonuses[1]	**2,791**	2,170
Reinvested distributions on vested deferred units	**1,904**	1,591
Compensation expense – reinvested distributions and amortization	**2,892**	1,891
Exchanged for Trust Units	**(32)**	(63)
Redeemed for cash	**(1,459)**	(6,748)
Fair value adjustment – vested and unvested deferred units	**(9,156)**	859
Carrying value – end of year	**28,051**	30,247

(1) In December 2020, deferred units granted to Mitchell Goldhar were revised pursuant to an updated employment agreement between Mitchell Goldhar and the Trust, which resulted in an increase in deferred units of 5,007 totalling $156, of which 3,072 deferred units totalling $96 relate to a 2020 grant and 1,935 deferred units totalling $60 relate to a 2019 grant.

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:

As at	**December 31, 2020**			December 31, 2019		
	FVTPL	**Amortized cost**	**Total**	FVTPL	Amortized cost	Total
Financial assets						
Mortgages, loans and notes receivable	**—**	**376,788**	**376,788**	—	267,815	267,815
Amounts receivable and other	**—**	**57,563**	**57,563**	—	15,921	15,921
Cash and cash equivalents	**—**	**794,594**	**794,594**	—	55,374	55,374
Financial liabilities						
Accounts and other payables	**—**	**242,501**	**242,501**	—	217,603	217,603
Secured debt	**—**	**1,413,571**	**1,413,571**	—	1,476,880	1,476,880
Unsecured debt	**—**	**4,044,737**	**4,044,737**	—	2,834,406	2,834,406
Units classified as liabilities	**48,479**	**—**	**48,479**	65,436	—	65,436
Earnout options	**—**	**—**	**—**	52	—	52
Deferred unit plan	**28,051**	**—**	**28,051**	30,247	—	30,247
Fair value of interest rate swap agreements	**8,658**	**—**	**8,658**	—	—	—

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 methods for the Trust's financial liabilities measured under FVTPL:

As at	**December 31, 2020**			December 31, 2019		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Recurring measurements:						
Financial liabilities						
Units classified as liabilities	**—**	**48,479**	**—**	—	65,436	—
Earnout options	**—**	**—**	**—**	—	—	52
Deferred unit plan	**—**	**28,051**	**—**	—	30,247	—
Fair value of interest rate swap agreements	**—**	**8,658**	**—**	—	—	—

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 consolidated balance sheets and the consolidated statements of equity.

		Number of Units Issued and Outstanding			Carrying Value		
	Note	Trust Units (#)	Smart LP Units (#) (Table A)	Total Units (#)	Trust Units ($)	Smart LP Units ($) (Table B)	Total ($)
Balance – January 1, 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	19,303	72,305	1,631	621	2,252
Deferred units exchanged for Trust Units	13(c)	1,893	—	1,893	63	—	63
Distribution reinvestment plan	15(b),16	2,125,071	—	2,125,071	69,693	—	69,693
Unit issuance cost		—	—	—	(9,635)	—	(9,635)
Units issued for cash		7,360,000	—	7,360,000	230,000	—	230,000
Balance – December 31, 2019		144,038,363	25,148,180	169,186,543	3,072,821	633,358	3,706,179
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)	**1,550**	**—**	**1,550**	**32**	**—**	**32**
Distribution reinvestment plan	15(b),16	**578,744**	**—**	**578,744**	**17,335**	**—**	**17,335**
Balance – December 31, 2020		**144,618,657**	**25,502,085**	**170,120,742**	**3,090,188**	**640,206**	**3,730,394**

(1) For the year ended December 31, 2020, the carrying value of Trust Units issued includes the change in fair value of Earnout options on exercise of $nil (year ended December 31, 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 – December 31, 2020
Smart Limited Partnership	**Class B Series 1**	**14,746,176**	**—**	**14,746,176**
Smart Limited Partnership	**Class B Series 2**	**950,059**	**—**	**950,059**
Smart Limited Partnership	**Class B Series 3**	**720,432**	**—**	**720,432**
Smart Limited Partnership II	**Class B**	**756,525**	**—**	**756,525**
Smart Limited Partnership III	**Class B Series 4**	**668,428**	**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 – December 31, 2019
Smart Limited Partnership	Class B Series 1	14,746,176	—	14,746,176
Smart Limited Partnership	Class B Series 2	950,059	—	950,059
Smart Limited Partnership	Class B Series 3	720,432	—	720,432
Smart Limited Partnership II	Class B	756,525	—	756,525
Smart Limited Partnership III	Class B Series 4	664,214	4,214	668,428
Smart Limited Partnership III	Class B Series 5	572,337	—	572,337
Smart Limited Partnership III	Class B Series 6	449,375	—	449,375
Smart Limited Partnership III	Class B Series 7	434,598	—	434,598
Smart Limited Partnership III	Class B Series 8	1,698,018	—	1,698,018
Smart Limited Partnership IV	Class B Series 1	3,052,504	15,089	3,067,593
Smart Oshawa South Limited Partnership	Class B Series 1	710,416	—	710,416
Smart Oshawa Taunton Limited Partnership	Class B Series 1	374,223	—	374,223
		25,128,877	19,303	25,148,180

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 – December 31, 2020**
Smart Limited Partnership	**Class B Series 1**	**347,675**	**—**	**347,675**
Smart Limited Partnership	**Class B Series 2**	**27,587**	**—**	**27,587**
Smart Limited Partnership	**Class B Series 3**	**16,836**	**—**	**16,836**
Smart Limited Partnership II	**Class B**	**17,680**	**—**	**17,680**
Smart Limited Partnership III	**Class B Series 4**	**16,468**	**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 – December 31, 2019
Smart Limited Partnership	Class B Series 1	347,675	—	347,675
Smart Limited Partnership	Class B Series 2	27,587	—	27,587
Smart Limited Partnership	Class B Series 3	16,836	—	16,836
Smart Limited Partnership II	Class B	17,680	—	17,680
Smart Limited Partnership III	Class B Series 4	16,334	134	16,468
Smart Limited Partnership III	Class B Series 5	15,356	—	15,356
Smart Limited Partnership III	Class B Series 6	11,720	—	11,720
Smart Limited Partnership III	Class B Series 7	11,668	—	11,668
Smart Limited Partnership III	Class B Series 8	48,732	—	48,732
Smart Limited Partnership IV	Class B Series 1	87,675	487	88,162
Smart Oshawa South Limited Partnership	Class B Series 1	20,441	—	20,441
Smart Oshawa Taunton Limited Partnership	Class B Series 1	11,033	—	11,033
		632,737	621	633,358

a) Authorized Units

i) Trust Units (authorized – unlimited)

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

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

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

As at December 31, 2020, there were 27,593,847 (December 31, 2019 – 27,239,942) Special Voting Units outstanding, which are associated with those LP Units that have voting rights. There is no value assigned to the Special Voting Units. 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.

Pursuant to the Voting Top-Up Right agreement made in December 2020 between the Trust and Penguin, which was approved by Unitholders, the following amendments were made: (i) extension of the Voting Top-Up Right for five years, ending December 31, 2025, (ii) extension of the designation of Units as Variable Voting Units until December 31, 2025, and (iii) an increase to the alternative ownership threshold from 20,000,000 Units to 22,800,000 Units, including exchangeable LP Units. The total number of Special Voting Units is adjusted for each annual meeting of the Unitholders based on changes in Penguin's ownership interest (see also Note 21, "Related Party Transactions").

ii) Limited Partnership Units (authorized – unlimited)

The following table summarizes the Class A and Class B Limited Partnership Units:

Class A[(1)(2)]	**December 31, 2020**	December 31, 2019
Smart Limited Partnership	**75,062,169**	75,062,169
Smart Limited Partnership II	**263,303**	263,303
Smart Limited Partnership III	**12,556,688**	12,556,688
Smart Limited Partnership IV	**4,902,569**	3,402,569
Smart Oshawa South Limited Partnership	**2,168,190**	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)]	**December 31, 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**	**December 31, 2020**	December 31, 2019
Smart Limited Partnership	Series 1[(3)]	**3,445,341**	3,445,341
Smart Limited Partnership	Series 2[(3)]	**3,026,949**	3,026,949
Smart Limited Partnership	Series 3[(3)]	**674,437**	680,227
Smart Limited Partnership III	Series 4[(4)]	**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 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 Unit split of Class C Series 1 Smart Boxgrove LP Units, which resulted in 510,000 Class C Smart Boxgrove LP Units outstanding after the Unit split. Subsequent to the 3-for-1 Unit 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**	**December 31, 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 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 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)). 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 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 year ended December 31, 2020, no Trust Units were issued for cash (year ended December 31, 2019 – the Trust issued 7,360,000 Trust Units for cash at an issue price of $31.25, totalling $230,000, before issuance costs of $9,635).

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 year ended December 31, 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:

		Year Ended December 31	
Unit Type Subject to Distributions	**Class and Series**	**2020**	2019
Distributions on Units classified as equity:			
Trust Units	N/A	**267,976**	261,301
Distributions on Limited Partnership Units			
Smart Limited Partnership	Class B Series 1	**27,284**	26,728
Smart Limited Partnership	Class B Series 2	**1,758**	1,722
Smart Limited Partnership	Class B Series 3	**1,333**	1,306
Smart Limited Partnership II	Class B	**1,400**	1,371
Smart Limited Partnership III	Class B Series 4	**1,275**	1,205
Smart Limited Partnership III	Class B Series 5	**1,059**	1,037
Smart Limited Partnership III	Class B Series 6	**1,035**	814
Smart Limited Partnership III	Class B Series 7	**804**	788
Smart Limited Partnership III	Class B Series 8	**3,141**	3,078
Smart Limited Partnership IV	Class B Series 1	**5,675**	5,541
Smart Boxgrove Limited Partnership	Class B Series 1	**131**	—
Smart Oshawa South Limited Partnership	Class B Series 1	**1,314**	1,288
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**692**	678
Total distributions on Limited Partnership Units		**46,901**	45,556
Distributions on other non-controlling interest	N/A	**—**	298
Total distributions on Units classified as equity		**314,877**	307,155
Distributions on Units classified as liabilities:			
Smart Limited Partnership	Class D Series 1	**575**	564
Smart Limited Partnership	Class F Series 3	**11**	4
Smart Oshawa South Limited Partnership	Class D Series 1	**482**	472
ONR Limited Partnership	Class B	**2,309**	2,262
ONR Limited Partnership I	Class B Series 1	**246**	241
ONR Limited Partnership I	Class B Series 2	**258**	251
Total distributions on Units classified as liabilities		**3,881**	3,794
Distributions paid through DRIP[(1)]	N/A	**17,335**	69,693

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

On January 22, 2021, the Trust declared a distribution for the month of January 2021 of $0.15417 per Unit, representing $1.85 per Unit on an annualized basis, to Unitholders of record on January 29, 2021.

17. Rentals from investment properties and other

The following table presents rentals from investment properties and other:

	Year Ended December 31	
	2020	2019
Gross base rent	**503,061**	512,597
Less: Amortization of tenant incentives	**(6,926)**	(7,139)
Net base rent	**496,135**	505,458
Property tax and insurance recoveries	**180,181**	187,520
Property operating cost recoveries	**83,621**	84,860
Total recoveries	**263,802**	272,380
Miscellaneous revenue	**11,182**	18,345
Rentals from investment properties	**771,119**	796,183
Service and other revenues[1]	**10,134**	10,229
Rentals from investment properties and other	**781,253**	806,412

(1) For the year ended December 31, 2020, service and other revenues included $8,552 relating to the fees associated with the Development and Services Agreement with Penguin (year ended December 31, 2019 – $8,600). 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:

As at	**December 31, 2020**	December 31, 2019
2020	**—**	495,817
2021	**479,825**	451,887
2022	**436,475**	399,090
2023	**363,707**	322,346
2024	**291,336**	249,586
2025	**229,658**	194,887
Thereafter	**603,580**	551,317

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 $7,706 for the year ended December 31, 2020.

The following table summarizes the CECRA rent amounts written off and bad debts – other tenants:

Description	**Year ended December 31, 2020**
Rent amounts written off – CECRA-eligible tenants	**7,706**
Bad debts – other tenants	**22,858**
	30,564

18. Property operating costs and other

The following table summarizes property operating costs and other:

	Year Ended December 31	
	2020	2019
Recoverable property operating costs[1]	**274,187**	281,446
Property management fees and costs[2]	**1,340**	4,672
Rent amounts written off – CECRA-eligible tenants	**7,706**	—
Bad debts – other tenants	**22,858**	874
Non-recoverable costs	**4,313**	4,286
Property operating costs	**310,404**	291,278
Other expenses[3]	**10,138**	10,235
Property operating costs and other	**320,542**	301,513

(1) Include recoverable property tax and insurance costs.
(2) Includes an adjustment for the Canada Emergency Wage Subsidy of $850 for the year ended December 31, 2020 (year ended December 31, 2019 – $nil).
(3) 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:

		Year Ended December 31	
	Note	**2020**	2019
Salaries and benefits		**53,449**	50,240
Master planning services fee – by Penguin	21	**6,880**	9,100
Professional fees		**6,093**	3,251
Public company costs		**2,505**	2,530
Rent and occupancy		**1,078**	2,405
Amortization of intangible assets	8	**1,331**	1,331
Other costs including information technology, marketing, communications, and other employee expenses		**9,063**	6,570
Subtotal		**80,399**	75,427
Previously capitalized general and administrative expenses on completed developments		**1,842**	—
Total general and administrative expense before allocation		**82,241**	75,427
Less:			
Capitalized to properties under development and other assets		**(29,476)**	(29,821)
Allocated to property operating costs		**(13,949)**	(14,988)
Amounts charged to Penguin and others		**(10,134)**	(10,162)
Total amounts capitalized, allocated and charged		**(53,559)**	(54,971)
General and administrative expense, net		**28,682**	20,456

20. Supplemental cash flow information

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

		Year Ended December 31	
	Note	**2020**	2019
Amounts receivable and other	10	**(21,965)**	18,633
Deferred financing costs	10	**304**	161
Prepaid expenses and deposits	10	**(2,022)**	(294)
Accounts payable	12	**(8,844)**	(7,638)
Realty taxes payable	12	**1,521**	(1,065)
Tenant prepaid rent, deposits and other payables	12	**17,683**	4,283
Other working capital changes		**(2,907)**	(758)
		(16,230)	13,322

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 December 31, 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:

		Units owned by Penguin	
Type	**Class and Series**	**December 31, 2020**	December 31, 2019
Trust Units	N/A	**15,032,063**	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
Units owned by Penguin		**36,910,470**	35,413,543
Distributions declared to Penguin (in thousands of dollars)		**66,799**	63,983

Pursuant to the Declaration of Trust, provided certain ownership 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 December 31, 2020, there were 8,241,544 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. A five-year extension of the Voting Top-Up Right was approved by Unitholders at the Trust's most recent annual general and special meeting held on December 9, 2020. For further details, see the Trust's management information circular dated November 6, 2020, filed on the System for Electronic Document Analysis and Retrieval ("SEDAR").

The following table presents the Earnout options completed in 2020 and 2019, for which Penguin elected to exercise its right to receive partial consideration in Units (see also Note 3(iv)), which resulted in the following proceeds:

		Year Ended December 31	
Unit Type	**Class and Series**	**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	**715**	134
Smart Limited Partnership III	Class B Series 6	**2,624**	—
Smart Limited Partnership IV	Class B Series 1	**—**	424
Smart Boxgrove Limited Partnership	Class B Series 1	**3,509**	—
ONR Limited Partnership I	Class B Series 2	**—**	74
		6,925	1,795

During the year ended December 31, 2020, pursuant to development management agreements referred to in Note 3 "Acquisitions and Earnouts" and 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), Note 12, and Note 15(a)(ii)); and

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

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

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

Type	Class and Series	December 31, 2020	December 31, 2019
Trust Units	N/A	**1,286,833**	1,286,833
Smart Limited Partnership	Class B Series 1	**1,337,449**	1,337,449
Smart Limited Partnership	Class B Series 2	**3,026,949**	3,026,949
Smart Limited Partnership	Class B Series 3	**674,437**	680,227
Smart Limited Partnership III	Class B Series 4	**565,782**	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
		9,491,344	9,535,103

At December 31, 2020, Penguin's ownership would increase to 25.4% (December 31, 2019 – 24.7%) if Penguin were to exercise all remaining Earnout options.

Pursuant to its rights under the Declaration of Trust, at December 31, 2020, Penguin has appointed two Trustees out of eight.

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

The Trust entered into various agreements with Penguin in November 2020 coincident with the extension of the term of the Voting Top-Up Right. For further details, see the Trust's management information circular dated November 6, 2020, filed on SEDAR and below.

Supplement to Development Services Agreement between the Trust and its affiliates and Penguin

The following represent the key elements of this agreement which is effective from July 1, 2020 until December 31, 2025:

a) Penguin shall be reimbursed for 50% of disposition fees otherwise payable pursuant to the Development Services Agreement related to Penguin's interest in properties sold by the Trust,

b) for future VMC commercial phases and certain properties currently owned by Penguin (for which the Trust was historically assisted with development and planning requirements), all development fees are payable to Penguin and all other fees (management, leasing, etc.) are payable to the Trust,

c) when Penguin utilizes employees of the Trust to assist with its development projects, Penguin will pay for these services provided by employees of the Trust based on annual estimates of time billings related to these projects, charged at estimated total cost, including compensation,

d) for a property owned by a third party which is managed by Penguin in Richmond, BC, the Trust will be paid 50% of the management and leasing fees, and 100% of costs associated with Trust employees/personnel who service this particular property,

e) for Penguin's 50% interest in a property in Toronto co-owned with Revera to develop a retirement home, Penguin will pay 50% of the development fees it earns to the Trust for the development services provided by the Trust, and

f) the Trust will continue to manage and develop all other Penguin properties.

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

Penguin Services Agreement
The amended and restated services agreement entered into on November 5, 2020 (the "Penguin Services Agreement"), and effective from February 2018 reflects the additional services provided by Penguin since that time. Under the agreement, Penguin provides specified 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 quarterly fee of $1,000 (subject to inflation-related increments after 2018) and (ii) an annual variable fee between $1,500 and $3,500 (also inflation-adjusted after 2018) that is based on the achievement of the Trust-level targets for "New Development Initiatives" and "New Projects" that the Trust uses to measure the performance of its executive officers and other annual targets (other than such Trust-level targets) of a similar nature that the Trust uses to measure the performance of its executive officers as determined by the Board of Trustees from time to time.

Omnibus Agreement between the Trust and Penguin
Effective December 9, 2020, pursuant to an omnibus agreement between the Trust and Penguin (the "Omnibus Agreement"), Penguin has the option to extend all Earnouts by two years from the previous expiry date, and the Trust has been given a right of first offer in connection with the sale of the economic and financial benefits and rights of any such development parcel during any extended period. In addition, this agreement provides for the payment of certain outstanding immaterial amounts between the parties.

Mezzanine Loan Amending Agreements between the Trust and its affiliates and Penguin
Effective November 5, 2020, all loan maturity dates have been extended to August 31, 2028, with a new rate structure for the extension period of each mortgage receivable (see also Note 5 "Mortgages, loans and notes receivable"). The Trust's purchase option periods have been extended and because these properties may now be subject to mixed-use development projects, the agreements provide that the parties establish a new framework for the purchase options for the Trust related to mixed-use development.

Non-Competition Agreement
A new non-competition agreement with Penguin replaces and supersedes the previous non-competition agreement extending the term by 5 years and broadening restricted competing initiatives to include various forms of mixed-use development.

Executive Employment Agreement
This new agreement confirms Mr. Goldhar's position as Executive Chairman of the Trust for the period from February 14, 2018 to December 31, 2025, for which Mr. Goldhar receives a salary, bonus, customary benefits, and is eligible to participate in the Trust's Deferred Unit Plan and the Equity Incentive Plan (see below).

Equity Incentive Plan
In January 2021, the Trust granted 900,000 Performance Units to Mitchell Goldhar pursuant to the Equity Incentive Plan ("EIP") adopted by Unitholders effective December 9, 2020, which are subject to the achievement of Unit price thresholds. The performance period for this award granted under the EIP is from January 1, 2021 to December 31, 2027. The vesting period for these Performance Units will commence on the date that the applicable performance measure is achieved, and will end on the earlier of the third anniversary of the date that the applicable performance period is achieved and the end of the performance period. Distributions on these Performance Units will accumulate from January 1, 2021. Provided the various performance measures are achieved, the Performance Units will be exchanged for Trust Units or paid out in cash (see also Note 21, "Related party transactions", in the Trust's consolidated financial statements for the year ended December 31, 2020).

In addition to related party transactions and balances disclosed elsewhere in these consolidated financial statements (including Note 3 referring to the purchase of Earnouts, Note 4(c) referring to Leasehold property interests, Note 5 referring to Mortgages, loans and notes receivable, Note 6(a)(ii) referring to a Supplemental development fee agreement, Note 7 referring to Other assets, Note 10 referring to Amounts receivable and other, Note 12 referring to Accounts payable and other payables, Note 13 referring to Other financial liabilities, Note 17 referring to Rentals from investment properties and other), Note 18 referring to Property operating costs and other, and Note 19 relating to General and administrative expenses, 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:

		Year Ended December 31	
	Note	**2020**	2019
Related party transactions with Penguin			
Revenues:			
Service and other revenues:			
Transition services fee revenue		**833**	2,417
Management fee and other services revenue pursuant to the Development and Services Agreement		**6,956**	4,974
Support services		**763**	1,209
	17	**8,552**	8,600
Interest income from mortgages and loans receivable	5	**7,626**	8,333
Rents and operating cost recoveries included in rentals from income properties (includes rental income from Penguin Pick-Up of $245 (Year Ended December 31, 2019 - $326))	17	**1,078**	1,270
		17,256	18,203
Expenses and other payments:			
Master planning services:			
Capitalized to properties under development	19	**6,880**	9,100
Development fees and interest expense (capitalized to investment properties)		**10**	11
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)		**112**	283
Expenditures on tenant inducement		**72**	—
		7,074	9,791
Related party transactions with PCVP			
Revenues:			
Interest income from mortgages and loans receivable	**5**	**2,580**	1,827
Expenses and other payments:			
Rent and operating costs (included in general and administrative expense and property operating costs)	18, 19	**2,634**	1,953

As at	Note	**December 31, 2020**	December 31, 2019
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable[1]	10	**1,310**	7,958
Mortgages receivable (see below)	5(a)	**144,205**	138,762
Loans receivable	5(b)	**104,143**	24,388
Notes receivable	5(c)	**2,924**	2,979
Total receivables		**252,582**	174,087
Payables and other accruals:			
Accounts payable and accrued liabilities	12	**6,406**	8,893
Future land development obligations (see below)	12	**18,410**	27,074
Secured debt		**—**	318
Total payables and other accruals		**24,816**	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:

As at	Note	**December 31, 2020**	December 31, 2019
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable[1]	10	**1**	1,690
Loans receivable[2]	5(b)	**134,690**	92,427
Amounts payable[3]		**—**	2,024
Other unsecured debt	11(b)(iii)	**211,434**	83,296

(1) Amounts receivable includes Penguin's portion, which represents $nil (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 $47,504 (December 31, 2019 – $46,214) relating to Penguin's 50% investment in the PCVP.
(3) Amounts payable includes Penguin's portion, which represents $nil (December 31, 2019 – $1,012) relating to Penguin's 50% investment in the PCVP.

Mortgages receivable

As at December 31, 2020, the weighted average interest rate associated with mortgages receivable from Penguin was 3.81% (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, in some cases if no additional space is completed on the undeveloped lands, at the expiry of the development management agreement periods ending from 2021 to 2025, which may be extended to 2022 to 2027. 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:

	Year Ended December 31	
	2020	2019
Legal fees incurred from a law firm in which a partner is a Trustee:		
Capitalized to investment properties	**2,214**	1,624
Included in general and administrative expense	**1,887**	524
	4,101	2,148

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 (see also Note 5(b) and 6(a)).

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 (see also, Note 21 "Related party transactions"), 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:

	Year Ended December 31	
	2020	2019
Salaries and other short-term employee benefits	**3,601**	3,059
Deferred unit plan	**2,916**	2,486
Long Term Incentive Plan	**895**	(595)
	7,412	4,950

The following table presents the compensation relating to Trustees:

	Year Ended December 31	
	2020	2019
Trustee fees	**797**	864
Deferred unit plan	**797**	864
	1,594	1,728

23. Co-owned property interests

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

As at	**December 31, 2020**		December 31, 2019	
	Number of Co-owned Properties[1]	**Ownership Interest (%)**	Number of Co-owned Properties[1]	Ownership Interest (%)
Income properties	**18**	**40 – 60**	17	40 – 50
Properties under development	**4**	**25 – 66.66**	5	25 – 60
Residential development	**2**	**50**	2	50
Total	**24**		24	

(1) Penguin is a co-owner of seven investment properties, consisting of four properties under development and three income properties (December 31, 2019 – seven investment properties, consisting of five properties under development and two income properties) (see also Note 21, "Related party transactions").

The following amounts presented in the table below, included in these consolidated financial statements, represent the Trust's proportionate share of the assets and liabilities of the 24 co-owned property interests as at December 31, 2020 (24 co-ownership property interests at December 31, 2019).

As at	**December 31, 2020**	December 31, 2019
Assets[1]	**1,455,466**	1,392,229
Liabilities	**349,739**	367,359

(1) Includes cash and cash equivalents of $28,527 (December 31, 2019 – $19,825).

The following table summarizes the results of operations and cash flows of the Trust's co-owned property interests:

	Year Ended December 31	
	2020	2019
Revenues	**95,498**	101,029
Expenses	**52,847**	49,275
Net income before fair value adjustment	**42,651**	51,754
Fair value adjustment on revaluation of investment properties	**42,617**	113,626
Net income and comprehensive income	**85,268**	165,380
Cash flows provided by operating activities	**39,617**	47,297
Cash flows used in financing activities	**(18,830)**	(28,162)
Cash flows used in investing activities	**(12,085)**	(21,005)

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

24. Segmented information

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

As at December 31, 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 year ended December 31, 2020 (year ended December 31, 2019 – 25.2%).

25. Adjustments to fair value

The following table summarizes the adjustments to fair value:

		Year Ended December 31	
	Note	**2020**	2019
Investment properties			
Income properties	4	**(201,219)**	34,939
Properties under development	4	**(73,832)**	(5,468)
Fair value adjustment on revaluation of investment properties		**(275,051)**	29,471
Financial instruments			
Units classified as liabilities[1]	13(a)	**17,034**	(844)
Earnout options	13(b)	**52**	263
Deferred unit plan – vested and unvested	13(c)	**9,156**	(739)
Loans receivable		**138**	—
Fair value of interest rate swap agreements	13	**(8,658)**	—
Fair value adjustment on financial instruments		**17,722**	(1,320)
Total adjustments to fair value		**(257,329)**	28,151

(1) 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 year ended December 31, 2020 was the result of the $8.13 decline in the Trust's Unit price from $31.21 at December 31, 2019, to $23.08 at December 31, 2020.

26. Risk management

a) *Financial risks*

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

i) Interest rate risk

A significant proportion of the Trust's debt is financed at fixed rates with maturities staggered over a number of years, thereby mitigating its exposure to changes in interest rates and financing risks. At December 31, 2020, approximately 1.12% (December 31, 2019 – 7.22%) of the Trust's debt is financed at variable rates, which reflects minor exposure to changes in interest rates on such debt.

The Trust analyzes its interest rate exposure on a regular basis. From time to time, the Trust may enter into interest rate swaps as part of its strategy for managing certain interest rate risks. The Trust recognizes any change in fair value associated with interest rate swap agreements in the consolidated statements of income (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 (year ended December 31, 2020 – 10.41% of total interest costs; year ended December 31, 2019 – 11.24% of total interest costs).

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 fulfill 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. However, the assumptions and estimates underlying the manner in which ECLs have been implemented historically may not be appropriate in the current COVID-19 pandemic environment. Accordingly, the Trust has not applied its existing ECL methodology mechanically. Instead, during the current COVID-19 pandemic environment, the Trust has been in discussions with tenants on a case-by-case basis to determine optimal rent payment solutions and has incorporated this available, reasonable and supportable information when estimating ECL on tenant receivables.

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, $1,096,762 of liabilities (including $854,261 of secured and unsecured debt and $242,501 of accounts and other payable amounts) will mature and will need to be settled by means of renewal or payment.

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 principal 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 December 31, 2020, the Trust had: a) cash and cash equivalents of $794,594; 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 $5,835,600 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 and fair value changes associated with investment properties and financial instruments. These ratios are used by the Trust to manage an acceptable level of leverage and are not considered measures in accordance with IFRS, nor are there equivalent IFRS measures.

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

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

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

These covenants are required to be calculated based on Canadian generally accepted accounting principles ("GAAP") at the time of debt issuance. If the Trust does not meet all externally imposed financial covenants, then the related debt will become immediately due and payable unless the Trust is able to remedy the default or obtain a waiver from lenders. For the year ended December 31, 2020, the Trust was in compliance with all financial covenants.

27. Commitments and contingencies

The Trust has certain obligations and commitments pursuant to development management agreements to complete the purchase of Earnouts totalling approximately 154,000 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 December 31, 2020, the carrying value of these obligations and commitments included in properties under development was $61,811 (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 $23,103 (December 31, 2019 – $23,178) and commitments relating to equity accounted investments that total $157,769 (December 31, 2019 – $250,294), of which the Trust's share is $51,113 (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). The maximum amount that may be provided under the agreements totals $312,778 (December 31, 2019 – $279,235) (see also Note 5, "Mortgages, loans and notes receivable"), of which $144,205 has been provided as at December 31, 2020 (December 31, 2019 – $138,762).

As at December 31, 2020, letters of credit totalling $29,189 (December 31, 2019 – $35,389) – including letters of credit drawn down under the revolving operating facility described in Note 11(c) – have been issued on behalf of the Trust by financial institutions as security for debt and for maintenance and development obligations to municipal authorities.

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

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

28. Subsequent events

In January 2021, the Trust redeemed $150,000 aggregate principal of 3.73% Series M senior unsecured debentures and $150,000 aggregate principal of 2.876% Series Q senior unsecured debentures. In addition to paying accrued interest of $2,652 and $1,324, respectively, the Trust paid yield maintenance fees of $7,029 and $4,055, respectively, in connection with the redemptions. The redemptions were funded from proceeds raised from the issuance of Series X and Series Y senior unsecured debentures.

In January 2021, the Trust granted 900,000 Performance Units to Mitchell Goldhar through the Equity Incentive Plan, subject to the achievement of Unit price thresholds. The performance period for the EIP is from January 1, 2021 to December 31, 2027. Distributions on Performance Units will accumulate from January 1, 2021 and they and the Performance Units vest for the lesser of three years after they are earned or on December 31, 2027. Performance Units will be exchanged for Trust Units or paid out in cash (see also Note 21, "Related party transactions").

On February 2, 2021, the Trust entered into a total return swap agreement for up to 6.5 million Trust Units with a notional value of approximately $156,000 for a 48-month period, which, subject to certain conditions, may be unwound prior to its maturity, either in whole or in part. The counterparty to this swap agreement is a highly rated Canadian financial institution.