

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six months ended
June 30, 2022 and 2021



**Q2
REPORT.**

2022



SMARTLIVING[®]
RESIDENTIAL

SMARTCENTRES[®]
SHOPPING CENTRES & CITY CENTRES

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

| As at | Note | June 30, 2022 | December 31, 2021 |
|--|------|-------------------|-------------------|
| Assets | | | |
| Non-current assets | | | |
| Investment properties | 4 | 10,285,753 | 9,847,078 |
| Equity accounted investments | 5 | 650,487 | 654,442 |
| Mortgages, loans and notes receivable | 6 | 352,921 | 345,089 |
| Other financial assets | 7 | 228,707 | 97,148 |
| Other assets | 8 | 82,814 | 80,940 |
| Intangible assets | | 44,473 | 45,139 |
| | | 11,645,155 | 11,069,836 |
| Current assets | | | |
| Residential development inventory | | 29,749 | 27,399 |
| Current portion of mortgages, loans and notes receivable | 6 | 95,254 | 71,947 |
| Amounts receivable and other | 9 | 55,829 | 49,542 |
| Prepaid expenses, deposits and deferred financing costs | 9 | 44,393 | 12,289 |
| Cash and cash equivalents | | 34,686 | 62,235 |
| | | 259,911 | 223,412 |
| Total assets | | 11,905,066 | 11,293,248 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Debt | 10 | 4,750,365 | 4,176,121 |
| Other financial liabilities | 11 | 278,944 | 326,085 |
| Other payables | 12 | 17,732 | 18,243 |
| | | 5,047,041 | 4,520,449 |
| Current liabilities | | | |
| Current portion of debt | 10 | 378,239 | 678,406 |
| Accounts payable and current portion of other payables | 12 | 263,391 | 253,078 |
| | | 641,630 | 931,484 |
| Total liabilities | | 5,688,671 | 5,451,933 |
| Equity | | | |
| Trust Unit equity | | 5,175,826 | 4,877,961 |
| Non-controlling interests | | 1,040,569 | 963,354 |
| | | 6,216,395 | 5,841,315 |
| Total liabilities and equity | | 11,905,066 | 11,293,248 |

Commitments and contingencies (Note 25)

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

Approved by the Board of Trustees.



Michael Young
Trustee



Garry Foster
Trustee

SMARTCENTRES REAL ESTATE INVESTMENT TRUST
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND
COMPREHENSIVE INCOME
(in thousands of Canadian dollars)

| | | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|-------|----------------------------|----------|--------------------------|-----------|
| | Note | 2022 | 2021 | 2022 | 2021 |
| Net rental income and other | | | | | |
| Rentals from investment properties and other | 16 | 198,296 | 193,937 | 400,819 | 392,775 |
| Property operating costs and other | 17 | (73,332) | (74,805) | (155,441) | (157,506) |
| Net rental income and other | | 124,964 | 119,132 | 245,378 | 235,269 |
| Other income and expenses | | | | | |
| General and administrative expense, net | 18 | (7,916) | (7,304) | (14,783) | (14,784) |
| Earnings from equity accounted investments | 5 | 3,785 | 21,751 | 3,211 | 37,069 |
| Earnings from other | | 289 | — | 594 | — |
| Fair value adjustment on revaluation of investment properties | 23 | 9,669 | 10,854 | 281,014 | (7,905) |
| Gain (loss) on sale of investment properties | | 18 | (68) | (104) | (58) |
| Interest expense | 10(d) | (33,852) | (36,653) | (69,185) | (73,854) |
| Interest income | | 3,866 | 3,395 | 6,826 | 6,997 |
| Fair value adjustment on financial instruments | 23 | 61,497 | (14,122) | 79,479 | (25,190) |
| Acquisition-related costs | | (323) | — | (323) | — |
| Net income and comprehensive income | | 161,997 | 96,985 | 532,107 | 157,544 |
| Net income and comprehensive income attributable to: | | | | | |
| Trust Units | | 131,444 | 81,348 | 431,896 | 132,109 |
| Non-controlling interests | | 30,553 | 15,637 | 100,211 | 25,435 |
| | | 161,997 | 96,985 | 532,107 | 157,544 |

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

| | | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|-------|----------------------------|------------------|--------------------------|------------------|
| | Note | 2022 | 2021 | 2022 | 2021 |
| Cash provided by (used in) | | | | | |
| Operating activities | | | | | |
| Net income and comprehensive income | | 161,997 | 96,985 | 532,107 | 157,544 |
| Items not affecting cash and other items | 19 | (42,593) | 17,970 | (296,690) | 71,385 |
| Cash interest paid | 10(d) | (43,034) | (49,573) | (61,175) | (84,917) |
| Interest received | | 2,294 | 4,356 | 6,093 | 7,236 |
| Distributions from equity accounted investments | 5 | 1,533 | 962 | 1,959 | 1,570 |
| Expenditures on direct leasing costs and tenant incentives | | (1,922) | (1,583) | (4,361) | (2,644) |
| Expenditures on tenant incentives for properties under development | | (596) | (458) | (2,276) | (730) |
| Changes in other non-cash operating items | 19 | (33,709) | (6,491) | (28,868) | (7,792) |
| Cash flows provided by operating activities | | 43,970 | 62,168 | 146,789 | 141,652 |
| Financing activities | | | | | |
| Repayment of unsecured debentures | 10(b) | — | (323,120) | — | (623,120) |
| Proceeds from unsecured debt | | 145,000 | 13,152 | 360,000 | 17,678 |
| Proceeds from revolving operating facilities | | 125,000 | — | 250,000 | — |
| Repayments of secured debt | | (22,950) | (5,143) | (182,790) | (69,486) |
| Repayments to revolving operating facility | | — | — | (165,000) | — |
| Repayments of other unsecured debt | | (2,325) | (11,663) | (23,450) | (7,729) |
| Distributions paid on Trust Units | | (66,893) | (66,891) | (133,781) | (133,775) |
| Distributions paid on non-controlling interests and Units classified as liabilities | | (15,527) | (12,791) | (31,295) | (29,021) |
| Payment of lease liability | | (471) | (469) | (941) | (937) |
| Cash flows provided by (used in) financing activities | | 36,834 | (406,925) | 72,743 | (846,390) |
| Investing activities | | | | | |
| Acquisitions and Earnouts of investment properties | 3 | (23,437) | (2,462) | (125,760) | (15,392) |
| Additions to investment properties | | (30,652) | (11,479) | (50,095) | (34,437) |
| Additions to equity accounted investments | | (3,612) | (10,499) | (17,133) | (10,884) |
| Additions to equipment | 8 | (196) | (69) | (283) | (113) |
| Increase in cash held as collateral | 2 | (50,235) | (81) | (50,332) | (25,105) |
| Advances of mortgages and loans receivable | | (14,655) | (24,742) | (36,918) | (31,533) |
| Repayments of mortgages and loans receivable | | 4,696 | 51,665 | 8,675 | 55,625 |
| Net proceeds from sale of investment properties | | 18,365 | — | 24,765 | 4,483 |
| Cash flows (used in) provided by investing activities | | (99,726) | 2,333 | (247,081) | (57,356) |
| Decrease in cash and cash equivalents during the period | | (18,922) | (342,424) | (27,549) | (762,094) |
| Cash and cash equivalents – beginning of period | | 53,608 | 374,924 | 62,235 | 794,594 |
| Cash and cash equivalents – end of period | 19 | 34,686 | 32,500 | 34,686 | 32,500 |
| Supplemental cash flow information (see Note 19) | | | | | |

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the six months ended June 30, 2022 and June 30, 2021
(in thousands of Canadian dollars)

| | Note | Attributable to Unitholders | | | Attributable to LP Units Classified as Non-Controlling Interests | | | Other Non- Controlling Interest (Note 20) | Total Equity |
|-------------------------------------|------|-----------------------------|----------------------|------------------|--|----------------------|-------------------|--|------------------|
| | | Trust Units (Note 14) | Retained Earnings | Unit Equity | LP Units (Note 14) | Retained Earnings | LP Unit Equity | | |
| Equity – January 1, 2022 | | 3,090,368 | 1,787,593 | 4,877,961 | 641,944 | 317,965 | 959,909 | 3,445 | 5,841,315 |
| Issuance of Units | 14 | — | — | — | 964 | — | 964 | — | 964 |
| Unit issuance costs | 14 | (250) | — | (250) | — | — | — | — | (250) |
| Net income and comprehensive income | | — | 431,896 | 431,896 | — | 100,013 | 100,013 | 198 | 532,107 |
| Distributions | 15 | — | (133,781) | (133,781) | — | (23,677) | (23,677) | (283) | (157,741) |
| Equity – June 30, 2022 | | 3,090,118 | 2,085,708 | 5,175,826 | 642,908 | 394,301 | 1,037,209 | 3,360 | 6,216,395 |
| Equity – January 1, 2021 | | 3,090,188 | 1,227,169 | 4,317,357 | 640,206 | 205,927 | 846,133 | 3,485 | 5,166,975 |
| Issuance of Units | 14 | 4 | — | 4 | 1,509 | — | 1,509 | — | 1,513 |
| Unit issuance costs | 14 | (18) | — | (18) | — | — | — | — | (18) |
| Net income and comprehensive income | | — | 132,109 | 132,109 | — | 25,247 | 25,247 | 188 | 157,544 |
| Distributions | 15 | — | (133,775) | (133,775) | — | (23,629) | (23,629) | — | (157,404) |
| Equity – June 30, 2021 | | 3,090,174 | 1,225,503 | 4,315,677 | 641,715 | 207,545 | 849,260 | 3,673 | 5,168,610 |

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and June 30, 2021
(in thousands of Canadian dollars, except Unit, square foot and per Unit amounts)

1. Organization

SmartCentres Real Estate Investment Trust and its subsidiaries (collectively, “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, ONR Limited Partnership I, and SmartVMC West Limited Partnership. 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 14(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 unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Trustees on August 11, 2022. The Board of Trustees has the power to amend the unaudited interim condensed consolidated financial statements after issue.

As at June 30, 2022, the Penguin Group of Companies (“Penguin”), owned by Mitchell Goldhar, owned approximately 20.8% (December 31, 2021 – 20.8%) of the issued and outstanding Units of the Trust and Limited Partnerships (see also Note 20, “Related party transactions”).

2. Summary of significant accounting policies

2.1 **Basis of presentation**

These unaudited interim condensed consolidated financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of unaudited interim condensed consolidated financial statements, International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board (“IASB”). The unaudited interim condensed consolidated financial statements contain disclosures that are supplemental to the Trust’s annual consolidated financial statements. They do not include all the information and disclosures required by IFRS applicable for annual consolidated financial statements and, therefore, they should be read in conjunction with the annual audited consolidated financial statements as at and for the years ended December 31, 2021 and 2020.

2.2 **Accounting policies**

The accounting policies followed in these unaudited interim condensed consolidated financial statements are consistent with the policies and method of their application used in the preparation of the audited consolidated financial statements as at and for the years ended December 31, 2021 and 2020, with the following additions:

Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts, Cost of Fulfilling a Contract

On January 1, 2022, the Trust adopted the 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. There was no material impact to the Trust’s unaudited interim condensed consolidated financial statements on the adoption.

Amendments to IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities

On January 1, 2022, the Trust adopted the amendments to IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities. The amendments clarify the types of fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendments specify that only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf, should be included. There was no material impact to the Trust’s unaudited interim condensed consolidated financial statements on the adoption.

Reclassification of comparative figures

The comparative figures relating to “Deferred financing costs”, in the amount of \$1,269, have been grouped to “Prepaid expenses and deposits” (see also Note 9, “Amounts receivable and other, prepaid expenses, deposits and deferred financing costs”) to conform with the current period presentation.

The comparative figures relating to “Increase in cash held as collateral”, in the amount of \$25,105 for the six months ended June 30, 2021, have been presented as “Cash flows used in investing activities” (see also Statements of Cash Flows) to conform with the current period presentation. (See also Note 7, “Other financial assets”).

3. Acquisitions and Earnouts

Acquisitions and Earnouts completed during the six months ended June 30, 2022

- a. In January 2022, the Trust acquired, from its unrelated partner, a 50% interest in each of three co-owned properties located in Ottawa (Laurentian), Ontario, Edmonton Capilano, Alberta, and Lachenaie, Quebec, for a total purchase price of \$100,000 and adjusted for costs of acquisition and other working capital amounts, which was paid in cash and funded from the Trust's existing operating facilities. Upon completion of the acquisition, the Trust became the 100% owner of these properties.
- b. In January 2022, the Trust acquired a 25% interest in parcels of land from its unrelated partner located in Mirabel, Quebec, for a purchase price of \$2,609, paid in cash and adjusted for costs of acquisition. Upon completion of the acquisition, the Trust's interest in these parcels of land increased to 50%.
- c. In June 2022, the Trust acquired a parcel of land in Pickering, Ontario, for investment property development for gross proceeds of \$16,635, paid in cash and adjusted for costs of acquisition and other working capital amounts.
- d. During the six months ended June 30, 2022, pursuant to development management agreements referred to in Note 4, "Investment properties" (see also Note 20, "Related party transactions"), the Trust completed the purchase of Earnout transactions on 2,447 square feet of retail space and two land parcels. The purchase price was \$620 for retail space and \$6,743 for land parcels, of which \$964 was satisfied through the issuance of 18,655 Class B Series 1 Smart LP IV Units and 12,419 Class B Series 6 Smart LP III Units (see also Note 11(b) and Note 14 "Unit equity"), and the balance was paid in cash, adjusted for other working capital amounts.

The following table summarizes the consideration for Acquisitions and Earnouts completed for the six months ended June 30, 2022:

| | Note | Acquisitions | Earnouts | Total |
|---|-------|----------------|--------------|----------------|
| Cash | | 119,356 | 6,404 | 125,760 |
| LP Units issued | 11(b) | — | 964 | 964 |
| Adjustments for other working capital amounts | | 2,013 | (5) | 2,008 |
| | | 121,369 | 7,363 | 128,732 |

The following table summarizes the consideration for Acquisitions and Earnouts completed for the six months ended June 30, 2021:

| | Note | Acquisitions | Earnouts | Total |
|---|-------|---------------|---------------|---------------|
| Cash | | 13,307 | 2,085 | 15,392 |
| LP Units issued | 11(b) | — | 1,509 | 1,509 |
| Adjustments for other working capital amounts | | 15 | 6,746 | 6,761 |
| | | 13,322 | 10,340 | 23,662 |

See also Note 5, "Equity accounted investments", for additional details on acquisitions reflected in equity accounted investments.

4. Investment properties

The following table summarizes the activities in investment properties:

| | Six Months Ended June 30, 2022 | | | Year Ended December 31, 2021 | | | |
|--|--------------------------------|-------------------|------------------------------|------------------------------|-------------------|------------------------------|------------------|
| | Note | Income Properties | Properties Under Development | Total | Income Properties | Properties Under Development | Total |
| Balance – beginning of period | | 8,395,077 | 1,452,001 | 9,847,078 | 8,267,430 | 582,960 | 8,850,390 |
| Additions (deductions): | | | | | | | |
| Acquisitions, Earnouts and related adjustments of investment properties | | 102,124 | 25,986 | 128,110 | 22,015 | 499,700 | 521,715 |
| Earnout Fees on properties subject to development management agreements | 4(d)(ii) | 612 | — | 612 | 2,397 | — | 2,397 |
| Transfer to income properties from properties under development | | 24,300 | (24,300) | — | 40,555 | (40,555) | — |
| Transfer from income properties to properties under development | | (3,849) | 3,849 | — | (2,400) | 2,400 | — |
| Transfer from properties under development to equity accounted investments | | — | — | — | — | (6,850) | (6,850) |
| Capital expenditures | | 5,023 | — | 5,023 | 17,472 | — | 17,472 |
| Leasing costs | | 929 | — | 929 | 3,057 | — | 3,057 |
| Development expenditures | | — | 32,394 | 32,394 | — | 53,186 | 53,186 |
| Capitalized interest | | — | 15,315 | 15,315 | — | 14,333 | 14,333 |
| Dispositions | | (384) | (24,338) | (24,722) | (62,865) | (37,285) | (100,150) |
| Fair value adjustment on revaluation of investment properties | 23 | 39,668 | 241,346 | 281,014 | 107,416 | 384,112 | 491,528 |
| Balance – end of period | | 8,563,500 | 1,722,253 | 10,285,753 | 8,395,077 | 1,452,001 | 9,847,078 |

The historical costs of both income properties and properties under development as at June 30, 2022 totalled \$6,736,824 and \$1,306,615, respectively (December 31, 2021 – \$6,603,696 and \$1,273,350, respectively).

Secured debt with a carrying value of \$1,167,493 (December 31, 2021 – \$1,294,546) is secured by investment properties with a fair value of \$2,778,069 (December 31, 2021 – \$3,206,478).

Presented separately from investment properties is \$78,863 (December 31, 2021 – \$76,042) of net straight-line rents receivable and tenant incentives (these amounts are included in Note 8, “Other assets”) 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

The Trust applies 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 applies this 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.

ii) Properties under development

Properties under development are valued using two primary methods: i) discounted cash flow method, factoring in future cash inflows and outflows such as construction costs to complete development, leasing costs and other fees, and Earnout Fees, if any; or ii) land, development and construction costs are recorded at market value, factoring in development risks such as planning, zoning, timing and market conditions.

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

| June 30, 2022 | | | | | | |
|---|-------------------|------------------------------|-------------|----------------------|-------------|--|
| Valuation Method | Carrying Value | Terminal Capitalization Rate | | Discount Rate | | |
| | | Weighted Average (%) | Range (%) | Weighted Average (%) | Range (%) | |
| <i>Income properties</i> | | | | | | |
| Discounted cash flow | 8,563,500 | 5.84 | 4.18 – 7.43 | 6.35 | 4.58 – 7.93 | |
| <i>Properties under development</i> | | | | | | |
| Land, development and construction costs recorded at market value | 1,605,955 | N/A | N/A | N/A | N/A | |
| Discounted cash flow | 116,298 | 6.54 | 5.64 – 7.80 | 5.95 | 4.89 – 7.30 | |
| | 1,722,253 | | | | | |
| Total | 10,285,753 | | | | | |
| December 31, 2021 | | | | | | |
| Valuation Method | Carrying Value | Terminal Capitalization Rate | | Discount Rate | | |
| | | Weighted Average (%) | Range (%) | Weighted Average (%) | Range (%) | |
| <i>Income properties</i> | | | | | | |
| Discounted cash flow | 8,395,077 | 5.83 | 4.18 – 7.43 | 6.34 | 4.58 – 7.93 | |
| <i>Properties under development</i> | | | | | | |
| Land, development and construction costs recorded at market value | 1,324,263 | N/A | N/A | N/A | N/A | |
| Discounted cash flow | 127,738 | 6.53 | 5.64 – 7.80 | 5.92 | 4.89 – 7.30 | |
| | 1,452,001 | | | | | |
| Total | 9,847,078 | | | | | |

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 and in assuming no changes in other assumptions.

| Rate Sensitivity (%) | (1.00) | (0.50) | (0.25) | +0.25 | +0.50 | +1.00 |
|--|----------------|---------------|---------------|--------------|--------------|---------------|
| Increase (decrease) in fair value of income properties due to: | | | | | | |
| Changes in discount rates | 1,851,400 | 835,400 | 397,500 | (366,000) | (700,500) | (1,295,500) |
| Forecasted Future Cash Flows Sensitivity (%) | (10.00) | (5.00) | (2.50) | +2.50 | +5.00 | +10.00 |
| Increase (decrease) in fair value of income properties due to: | | | | | | |
| Changes in forecasted future cash flows | (852,000) | (426,700) | (213,900) | 212,000 | 424,400 | 849,800 |

b) Dispositions

Disposition of investment properties during the six months ended June 30, 2022

In January 2022, the Trust sold its 40% interest in a parcel of land totalling 1.39 acres located in Markham, Ontario, for gross proceeds of \$800 to a joint venture, Boxgrove Self Storage Limited Partnership, for development of a self-storage facility (see also, Note 5(b)).

In March 2022, the Trust sold a parcel of land totalling 4.62 acres located in Laval East, Quebec, for gross proceeds of \$5,600, which was satisfied by cash.

In April 2022, the Trust sold a parcel of land totalling 6.48 acres located in Stouffville, Ontario, for gross proceeds of \$18,365, which was satisfied by cash.

Disposition of investment properties during the six months ended June 30, 2021

In January 2021, the Trust sold a parcel of land totalling 13.2 acres located in Niagara Falls, Ontario, for gross proceeds of \$4,725, of which \$1,415 was paid in cash and the balance was granted as an interest-bearing loan to the purchaser. See also Note 3, “Acquisitions and Earnouts” and Note 6, “Mortgages, loans and notes receivable”.

In February 2021, the Trust contributed its interest in a parcel of land totalling 1.5 acres located in Brampton, Ontario, for a value of \$3,250 to a joint venture, Kingspoint Self Storage LP, for development of a self-storage facility (see also, Note 5(b)).

In March 2021, the Trust sold a parcel of land totalling 2.4 acres located in Mascouche, Quebec, for gross proceeds of \$3,068, which was satisfied by cash.

In March 2021, the Trust contributed its interest in a parcel of land totalling 2.7 acres located in Mascouche, Quebec for a value of \$3,600 to a joint venture, Mascouche North Apartments Limited Partnership, for development of a rental apartment complex (see also, Note 5(b)).

c) Leasehold property interests

At June 30, 2022, 16 (December 31, 2021 – 16) investment properties with a fair value of \$971,478 (December 31, 2021 – \$977,376) are leasehold property interests accounted for as leases.

i) Leasehold property interests without bargain purchase options

The Trust previously prepaid its entire lease obligations for the 14 leasehold interests with Penguin (see also Note 20, “Related party transactions”) in the amount of \$889,931 (December 31, 2021 – \$889,931), including prepaid land rent of \$229,846 (December 31, 2021 – \$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 20, “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, 2021 – \$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 \$2,245 (December 31, 2021 – \$2,145), net of imputed interest at 9.18% of \$7,755 (December 31, 2021 – \$7,855) (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 in the amount of \$6,100 (December 31, 2021 – \$6,138), net of imputed interest at 6.25% of \$500 (December 31, 2021 – \$649) (see also Note 12, “Accounts and other payables”).

d) Properties under development

The following table presents properties under development:

| As at | June 30, 2022 | December 31, 2021 |
|--|------------------|-------------------|
| Properties under development not subject to development management agreements i) | 1,672,446 | 1,391,301 |
| Properties under development subject to development management agreements ii) | 49,807 | 60,700 |
| | 1,722,253 | 1,452,001 |

For the three months ended June 30, 2022, the Trust capitalized a total of \$7,977 (three months ended June 30, 2021 – \$3,781) of borrowing costs related to properties under development. For the six months ended June 30, 2022, the Trust capitalized a total of \$15,315 (six months ended June 30, 2021 – \$7,473) of borrowing costs related to properties under development.

i) Properties under development not subject to development management agreements

During the six months ended June 30, 2022, the Trust completed the development and leasing of certain properties under development not subject to development management agreements, for which the value of land and development costs incurred has been reclassified from properties under development to income properties.

For the three months ended June 30, 2022, the Trust incurred land and development costs of \$4,383 (three months ended June 30, 2021 – \$20,103). For the six months ended June 30, 2022, the Trust incurred land and development costs of \$24,293 (six months ended June 30, 2021 – \$22,514).

ii) Properties under development subject to development management agreements (Earnout 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 ten 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 any additional development costs not previously incurred by the Trust, 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 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 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 11, "Other financial liabilities".

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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|----------------------------|----------------------------|-------|--------------------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Development costs incurred | — | 4,155 | 6,735 | 5,280 |
| Earnout Fees paid | — | 1,476 | 612 | 2,160 |
| | — | 5,631 | 7,347 | 7,440 |

5. Equity accounted investments

The following table summarizes key components relating to the Trust's equity accounted investments:

| | Six Months Ended June 30, 2022 | | | Year Ended December 31, 2021 | | |
|---|--------------------------------|------------------------------|----------------|------------------------------|------------------------------|----------------|
| | Investment in Associates | Investment in Joint Ventures | Total | Investment in Associates | Investment in Joint Ventures | Total |
| Investment – beginning of period | 489,230 | 165,212 | 654,442 | 354,992 | 108,212 | 463,204 |
| Operating Activities: | | | | | | |
| Earnings (losses) | 3,598 | (387) | 3,211 | 183,431 | 27,989 | 211,420 |
| Distributions – VMC Residences condominium unit closings ⁽¹⁾ | (24,321) | — | (24,321) | (52,824) | — | (52,824) |
| Distributions – operating activities | (1,725) | (234) | (1,959) | (3,358) | (714) | (4,072) |
| Financing Activities: | | | | | | |
| Fair value adjustment on loan | 1,981 | — | 1,981 | 3,995 | — | 3,995 |
| Investing Activities: | | | | | | |
| Cash contribution | 3,796 | 15,062 | 18,858 | 6,355 | 29,589 | 35,944 |
| Property contribution | — | — | — | — | 6,850 | 6,850 |
| Return of contributions | (1,725) | — | (1,725) | (3,361) | (6,714) | (10,075) |
| Investment – end of period | 470,834 | 179,653 | 650,487 | 489,230 | 165,212 | 654,442 |

(1) During the six months ended June 30, 2022, the distribution in the amount of \$24,321 was satisfied by a non-cash settlement of the PCVP loan payable (for the year ended December 31, 2021 – the distribution in the amount of \$52,824 was satisfied by a non-cash settlement of the PCVP loan payable) (see Note 10(b)(iii)).

a) Investment in associates

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

| Business Focus | Partner(s) | Principal Intended Activity | Ownership Interest (%), As at | |
|---|---|--|-------------------------------|-------------------|
| | | | June 30, 2022 | December 31, 2021 |
| Mixed-use real estate development | | | | |
| <i>Penguin-Calloway Vaughan Partnership ("PCVP")</i> | <i>Penguin⁽¹⁾</i> | Own, develop and operate investment properties in the SmartVMC (Eastern 52.0 acres) | 50.0 | 50.0 |
| Residential condominium developments | | | | |
| <i>VMC Residences Limited Partnership ("Residences LP")</i> | <i>Penguin⁽¹⁾, CentreCourt</i> | Own, develop and sell two residential condominium towers and 22 townhomes (Transit City 1 and 2) at SmartVMC | 25.0 | 25.0 |
| <i>Residences III LP</i> | <i>Penguin⁽¹⁾, CentreCourt</i> | Own, develop and sell a residential condominium tower (Transit City 3) at SmartVMC | 25.0 | 25.0 |
| <i>East Block Residences LP</i> | <i>Penguin⁽¹⁾, CentreCourt</i> | Own, develop and sell two residential condominium towers (Transit City 4 and 5) at SmartVMC | 25.0 | 25.0 |
| <i>Residences (One) LP</i> | <i>Penguin⁽¹⁾</i> | Own, develop and sell residential condominium towers (ArtWalk) | 50.0 | 50.0 |
| <i>Residences (Two) LP</i> | <i>Penguin⁽¹⁾</i> | Own, develop and sell residential condominium towers (Park Place) | 66.7 | — |

(1) See also Note 20, "Related party transactions".

In December 2019, the Trust acquired, as part of a 50:50 joint arrangement with Penguin, through PCVP, a 50% interest in a parcel of land ("700 Applewood") with approximately 15.5 acres in Vaughan, Ontario, proximate to SmartVMC to relocate Walmart from SmartVMC and for other future development, for a purchase price of \$109,218 paid in cash, adjusted for other working capital amounts. In connection with this acquisition, an interest-free loan with a value of \$98,679 and a maturity of December 2029 was extended to Penguin to finance its interest in PCVP's acquisition of 700 Applewood. In March 2020, the Trust assumed this loan receivable from Penguin (see also Note 6(b), footnote 3), along with an offsetting non-interest-bearing note payable of an equal amount (see Note 10(b)(iii), footnote 2).

Note that the limited partnerships involved in residential condominium developments, as noted in the above table: Residences LP, Residences III LP, East Block Residences LP, Residences (One) LP, and Residences (Two) LP are herein collectively referred to as "VMC Residences".

i) Summary of balance sheets

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

| As at | June 30, 2022 | | | December 31, 2021 | | |
|--|------------------|----------------|------------------|-------------------|----------------|------------------|
| | PCVP | VMC Residences | Total | PCVP | VMC Residences | Total |
| Non-current assets | 1,378,579 | — | 1,378,579 | 1,322,717 | — | 1,322,717 |
| Current assets | 20,378 | 389,746 | 410,124 | 19,284 | 373,691 | 392,975 |
| Total assets | 1,398,957 | 389,746 | 1,788,703 | 1,342,001 | 373,691 | 1,715,692 |
| Non-current liabilities ⁽¹⁾ | 378,194 | 135,049 | 513,243 | 327,443 | 81,203 | 408,646 |
| Current liabilities | 111,522 | 200,674 | 312,196 | 111,782 | 157,729 | 269,511 |
| Total liabilities | 489,716 | 335,723 | 825,439 | 439,225 | 238,932 | 678,157 |
| Net assets | 909,241 | 54,023 | 963,264 | 902,776 | 134,759 | 1,037,535 |
| Trust's share of net assets before adjustments | 454,620 | 14,707 | 469,327 | 451,387 | 34,135 | 485,522 |
| Fair value adjustment on loan | 1,101 | 406 | 1,507 | 1,216 | 2,492 | 3,708 |
| Trust's share of net assets | 455,721 | 15,113 | 470,834 | 452,603 | 36,627 | 489,230 |

(1) Balance as at June 30, 2022 includes loan payable to the Trust of \$47,863 (December 31, 2021 – \$47,214), see also Note 6(b).

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

| As at | June 30, 2022 | | December 31, 2021 | |
|--------------------------|----------------|---------------|-------------------|---------------|
| | Commitments | Trust's Share | Commitments | Trust's Share |
| PCVP | 70,705 | 35,352 | 87,712 | 43,856 |
| East Block Residences LP | 81,603 | 20,401 | 128,923 | 32,231 |
| | 152,308 | 55,753 | 216,635 | 76,087 |

ii) Summary of earnings

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

| | Three Months Ended June 30, 2022 | | | Three Months Ended June 30, 2021 | | |
|--|----------------------------------|----------------|--------------|----------------------------------|----------------|---------------|
| | PCVP | VMC Residences | Total | PCVP | VMC Residences | Total |
| Revenue | | | | | | |
| Rental revenue ⁽¹⁾ | 7,990 | — | 7,990 | 6,901 | — | 6,901 |
| Condominium sales revenue ⁽²⁾ | — | 17,178 | 17,178 | — | 205,385 | 205,385 |
| Operating expense | | | | | | |
| Rental operating costs | (3,463) | 53 | (3,410) | (2,713) | — | (2,713) |
| Condominium cost of sales | — | (12,927) | (12,927) | — | (154,964) | (154,964) |
| Revenue net of operating expense | 4,527 | 4,304 | 8,831 | 4,188 | 50,421 | 54,609 |
| Interest income (expense) | (1,799) | 66 | (1,733) | (1,680) | 139 | (1,541) |
| Earnings | 3,640 | 4,370 | 8,010 | 2,508 | 50,560 | 53,068 |
| Trust's share of earnings before supplemental cost and additional profit sharing | 1,821 | 966 | 2,787 | 1,253 | 12,641 | 13,894 |
| Additional Trust's share of earnings ⁽³⁾ | — | 234 | 234 | — | 1,402 | 1,402 |
| Supplemental cost | (549) | — | (549) | (966) | — | (966) |
| Trust's share of earnings | 1,272 | 1,200 | 2,472 | 287 | 14,043 | 14,330 |

(1) Includes office rental revenue from the Trust in the amount of \$740 for the three months ended June 30, 2022 (three months ended June 30, 2021 – \$667).

(2) Includes condominium sales revenue recognized on the closings of units in Transit City 3 for the three months ended June 30, 2021.

(3) Additional profit allocated to the Trust for Transit City 3 closings pursuant to the development agreement and limited partnership agreement.

| | Six Months Ended June 30, 2022 | | | Six Months Ended June 30, 2021 | | |
|--|--------------------------------|----------------|---------------|--------------------------------|----------------|---------------|
| | PCVP | VMC Residences | Total | PCVP | VMC Residences | Total |
| Revenue | | | | | | |
| Rental revenue ⁽¹⁾ | 15,461 | — | 15,461 | 13,838 | — | 13,838 |
| Condominium sales revenue ⁽²⁾ | — | 17,198 | 17,198 | — | 206,060 | 206,060 |
| Operating expense | | | | | | |
| Rental operating costs | (6,672) | — | (6,672) | (5,639) | — | (5,639) |
| Condominium cost of sales | — | (12,921) | (12,921) | — | (155,358) | (155,358) |
| Revenue net of operating expense | 8,789 | 4,277 | 13,066 | 8,199 | 50,702 | 58,901 |
| Fair value adjustment on revaluation of investment properties | 1,730 | — | 1,730 | 13,344 | — | 13,344 |
| Interest (expense) income | (3,520) | 78 | (3,442) | (3,345) | 139 | (3,206) |
| Earnings | 6,999 | 4,355 | 11,354 | 18,198 | 50,841 | 69,039 |
| Trust's share of earnings before supplemental cost and additional profit sharing | 3,500 | 951 | 4,451 | 9,099 | 12,711 | 21,810 |
| Additional Trust's share of earnings ⁽³⁾ | — | 234 | 234 | — | 1,418 | 1,418 |
| Supplemental cost | (1,087) | — | (1,087) | (967) | — | (967) |
| Trust's share of earnings | 2,413 | 1,185 | 3,598 | 8,132 | 14,129 | 22,261 |

(1) Includes office rental revenue from the Trust in the amount of \$1,344 for the six months ended June 30, 2022 (six months ended June 30, 2021 – \$1,344).

(2) Includes condominium sales revenue recognized on the closings of units in Transit City 3 for the six months ended June 30, 2021.

(3) Additional profit allocated to the Trust for Transit City 3 closings pursuant to the development agreement and limited partnership agreement.

In accordance with the Supplemental Development Fee Agreement, the Trust invoiced PCVP a net amount of \$2,174 related to associated development fees for the six months ended June 30, 2022 (six months ended June 30, 2021 – \$1,934).

iii) Summary of development credit facilities

The development financing relating to PCVP and VMC Residences comprise pre-development, construction and letters of credit facilities. With respect to the development credit facilities relating to 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:

| (in thousands of dollars) | June 30, 2022 | December 31, 2021 |
|--|----------------|-------------------|
| Development facilities – beginning of period | 753,562 | 796,740 |
| Reduction | (4,434) | (131,154) |
| Repayments | (7,222) | (48,500) |
| Letters of credit released | — | (21,024) |
| Additional development credit facilities obtained | 13,234 | 157,500 |
| Development facilities – end of period | 755,140 | 753,562 |
| Amount drawn on development credit facilities | (418,425) | (317,105) |
| Letters of credit – outstanding | (64,713) | (42,832) |
| Remaining unused development credit facilities | 272,002 | 393,625 |
| Trust's share of remaining unused development credit facilities | 102,163 | 146,742 |

PCVP and VMC Residences had the following credit facilities available:

| As at | | | June 30, 2022 | | December 31, 2021 | |
|---|----------------|---|-----------------|-------------------|-------------------|-------------------|
| (in thousands of dollars) | 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 |
| Construction credit facility | June 2027 | BA + 1.20 | 400,000 | 200,000 | 386,766 | 193,383 |
| Letters of credit facility ⁽²⁾ | May 2023 | N/A | 60,000 | 30,000 | 60,000 | 30,000 |
| | | | 475,876 | 237,938 | 462,642 | 231,321 |
| VMC Residences | | | | | | |
| Development credit facility | April 2022 | BA + 1.75 | — | — | 11,656 | 2,914 |
| Development credit facility | September 2023 | BA + 1.60 | 279,264 | 69,816 | 279,264 | 69,816 |
| | | | 279,264 | 69,816 | 290,920 | 72,730 |
| | | | 755,140 | 307,754 | 753,562 | 304,051 |

(1) Annual interest rate is a function of Canadian Banker's Acceptance rate ("BA") rates plus a premium.

(2) Letter of credit fee rate is 0.75%.

b) Investment in joint ventures

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

| As at | | June 30, 2022 | | December 31, 2021 | |
|---|-------------------------|--------------------|------------------------|--------------------|------------------------|
| Business Focus | Joint Venture Partner | Number of Projects | Ownership Interest (%) | Number of Projects | Ownership Interest (%) |
| Retail investment properties | | 1 | 30.0 | 1 | 30.0 |
| <i>Joint Venture: 1500 Dundas East LP</i> | <i>Fieldgate</i> | | | | |
| Self-storage facilities | | 13 | 50.0 | 10 | 50.0 |
| <i>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, Kingspoint Self Storage LP, Jane Self Storage LP, Gilbert Self Storage LP, Boxgrove Self Storage LP, Whitby Self Storage LP and Regent Self Storage LP</i> | | | | | |
| | <i>SmartStop</i> | | | | |
| Seniors' apartments | | 1 | 50.0 | 1 | 50.0 |
| <i>Joint Venture: Vaughan NW SA PropCo LP</i> | <i>Revera</i> | | | | |
| Retirement residences | | | | | |
| <i>Joint Ventures: Vaughan NW RR (PropCo and OpCo LPs), Baymac RR PropCo LP, Oakville Garden Drive RR PropCo LP and Markham Main Street RR PropCo LP</i> | | | | | |
| | <i>Revera</i> | 4 | 50.0 | 5 | 50.0 |
| <i>Joint Ventures: Ottawa SW (PropCo and OpCo LPs)</i> | | | | | |
| | <i>Groupe Sélection</i> | 1 | 50.0 | 1 | 50.0 |
| Residential apartments | | | | | |
| <i>Joint Venture: Laval C Apartments LP</i> | <i>Jadco</i> | 1 | 50.0 | 1 | 50.0 |
| <i>Joint Venture: Balliol/Pailton LP</i> | <i>Greenwin</i> | 1 | 75.0 | 1 | 75.0 |
| <i>Joint Venture: Mascouche North Apartments LP</i> | <i>Cogir</i> | 1 | 80.0 | 1 | 80.0 |
| Total | | 23 | | 21 | |

Acquisitions completed during the six months ended June 30, 2022

In January 2022, pursuant to a 50:50 joint venture formed with SmartStop known as Boxgrove Self Storage Limited Partnership, each joint venture party contributed \$1,000 into the joint venture to fund the purchase of a parcel of land located in Markham, Ontario, totalling 1.39 acres, in which the Trust had a 40% interest, with the intention to develop and operate a self-storage facility.

In May 2022, the Trust formed a 50:50 joint venture with SmartStop known as Regent Self Storage Limited Partnership, and pursuant to the joint venture agreement, each joint venture party contributed \$3,490 into the joint venture to fund the purchase of a parcel of land located in Burnaby, British Columbia, totalling 0.89 acres with the intention to develop and operate a self-storage facility. See also Note 4, "Investment properties".

i) Summary of balance sheets

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

| As at | June 30, 2022 | December 31, 2021 |
|------------------------------------|----------------|-------------------|
| Non-current assets | 613,599 | 545,946 |
| Current assets | 16,142 | 2,009 |
| Total assets | 629,741 | 547,955 |
| Non-current liabilities | 258,014 | 163,840 |
| Current liabilities | 25,237 | 66,662 |
| Total liabilities | 283,251 | 230,502 |
| Net assets | 346,490 | 317,453 |
| Trust's share of net assets | 179,653 | 165,212 |

The joint ventures listed above have entered into various development construction contracts with existing commitments totalling \$62,330, of which the Trust's share is \$35,078 (December 31, 2021 – \$77,053, of which the Trust's share is \$47,497).

ii) Summary of earnings (losses)

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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|---------------|--------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenue | 6,137 | 3,812 | 11,675 | 7,955 |
| Operating expense | (2,560) | (1,317) | (5,502) | (3,192) |
| Revenue net of operating expense | 3,577 | 2,495 | 6,173 | 4,763 |
| Fair value adjustments on revaluation of investment properties | 557 | 14,194 | 739 | 28,360 |
| Interest expense | (1,631) | (1,263) | (2,860) | (2,582) |
| Earnings | 2,503 | 15,426 | 4,052 | 30,541 |
| Trust's share of earnings before supplemental cost | 1,369 | 7,421 | 1,793 | 14,808 |
| Supplemental cost | (55) | — | (2,180) | — |
| Trust's share of earnings (losses) | 1,314 | 7,421 | (387) | 14,808 |

In accordance with the Supplemental Development Fee Agreement, the Trust invoiced certain investments in joint ventures for a net amount of \$4,360 related to associated supplemental development fees for the six months ended June 30, 2022 (six months ended June 30, 2021 – \$nil).

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 additional self-storage facilities. From time to time, the facilities 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:

| (in thousands of dollars) | June 30, 2022 | December 31, 2021 |
|---|----------------|-------------------|
| Development facilities – beginning of period | 177,922 | 95,417 |
| Repayment | — | — |
| Additional development facility obtained ⁽¹⁾ | 25,000 | 69,100 |
| Development facilities – end of period | 202,922 | 164,517 |
| Amount drawn on development facility – Laval C Apartments | (7,344) | (35,417) |
| Amount drawn on development facility – Markham Main Street | (10,000) | (10,000) |
| Amount drawn on development facility – Self-storage | (101,170) | (85,213) |
| Amount drawn on development facility – Mascouche | (19,829) | — |
| Letters of credit – outstanding | (887) | (887) |
| Remaining unused development facilities | 63,692 | 33,000 |
| Trust's share of remaining unused development facilities | 31,846 | 16,500 |

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

As at June 30, 2022 and December 31, 2021, the Trust's joint ventures had the following credit facilities:

| As at | June 30, 2022 | | | December 31, 2021 | | |
|--|---------------|---|-----------------|-------------------|-----------------|-------------------|
| (in thousands of dollars) | Maturity in | Annual Interest Rate (%) ⁽¹⁾ | Facility Amount | The Trust's Share | Facility Amount | The Trust's Share |
| Laval C Apartments LP | | | | | | |
| Construction facility – Tower A ⁽²⁾ | February 2022 | BA + 1.60 | — | — | 35,417 | 17,709 |
| Construction facility – Tower B ⁽²⁾ | November 2024 | BA + 1.60 | 48,822 | 24,411 | — | — |
| SmartStop | | | | | | |
| Construction facility ⁽³⁾ | May 2024 | BA + 2.20 | 118,100 | 59,050 | 118,100 | 59,050 |
| Markham Main Street | | | | | | |
| Development facility | December 2023 | BA + 1.75 | 11,000 | 5,500 | 11,000 | 5,500 |
| Mascouche North Apartments LP | | | | | | |
| Construction facility ⁽³⁾ | August 2022 | BA + 1.20 | 25,000 | 20,000 | — | — |
| | | | 202,922 | 108,961 | 164,517 | 82,259 |

(1) Annual interest rate is a function of BA rates plus a premium.

(2) Management is renegotiating the facility.

(3) This construction facility was provided by the Trust and is used to fund construction and development costs.

6. Mortgages, loans and notes receivable

The following table summarizes mortgages, loans and notes receivable:

| As at | Note | June 30, 2022 | December 31, 2021 |
|--------------------------|------|----------------|-------------------|
| Mortgages receivable (a) | 20 | 139,286 | 139,589 |
| Loans receivable (b) | | 305,965 | 274,523 |
| Notes receivable (c) | 20 | 2,924 | 2,924 |
| | | 448,175 | 417,036 |
| Current | | 95,254 | 71,947 |
| Non-current | | 352,921 | 345,089 |
| | | 448,175 | 417,036 |

- a) Mortgages receivable of \$139,286 (December 31, 2021 – \$139,589) are provided pursuant to agreements with Penguin (see also Note 20, “Related party transactions”). These amounts are provided to fund costs associated with both the original acquisition and development of seven properties (December 31, 2021 – seven properties). The Trust is committed to lend up to \$293,718 (December 31, 2021 – \$300,796) 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 Period-End (%) | Purchase Option of Property (%) ⁽¹⁾ | June 30, 2022 | December 31, 2021 |
|--|----------------|---------------|---------------------------------------|---|--|----------------|-------------------|
| Aurora (South), ON ⁽⁵⁾ | 31,733 | August 2028 | N/A | 5.79 | 50 | 16,295 | 17,940 |
| Innisfil, ON ⁽²⁾⁽⁷⁾⁽⁸⁾ | 33,100 | October 2023 | N/A | 6.34 | — | 16,781 | 16,642 |
| Salmon Arm, BC ⁽²⁾⁽⁴⁾ | 29,920 | August 2028 | N/A | 6.46 | — | 16,247 | 15,860 |
| Pitt Meadows, BC ⁽⁶⁾ | 85,653 | November 2023 | August 2028 | 5.20 | 50 | 32,595 | 31,894 |
| Vaughan (7 & 427), ON ⁽⁵⁾ | 36,100 | December 2023 | August 2028 | 4.93 | 50 | 19,991 | 19,588 |
| Caledon (Mayfield), ON ⁽⁷⁾ | 26,688 | April 2024 | August 2028 | 5.06 | 50 | 10,979 | 10,750 |
| Toronto (StudioCentre), ON ⁽²⁾⁽⁶⁾ | 50,524 | August 2028 | N/A | 4.85 | 25 | 26,398 | 26,915 |
| | 293,718 | | | 5.44 ⁽⁹⁾ | | 139,286 | 139,589 |

- (1) The Trust has a purchase option from the borrower in these properties upon a certain level of development and leasing being achieved. As at June 30, 2022, 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 dates for these mortgages are 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 Canadian 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) This property was disposed in October 2021, and \$6,243 of this mortgage receivable was repaid upon the disposition. A vendor take-back loan was issued to the purchaser, with Penguin assigning its 50% interest in the vendor take-back loan to the Trust as security for the mortgage receivable.
- (9) Represents the weighted average interest rate on the loan balance.

Mortgages receivable amendments

Interest on these mortgages accrues monthly as follows: from December 9, 2020 to the maturity date of each mortgage, at a variable rate based on the Canadian Banker's Acceptance rate plus 2.75% to 4.20%; and from the maturity date of each mortgage to the extended maturity date (August 31, 2028), at a variable rate based on the Canadian Banker's Acceptance rate plus 4.00% to 5.00%. Prior to December 9, 2020, interest on these mortgages accrued as follows: i) at a variable rate based on the Canadian Banker's Acceptance rate plus 1.75% to 4.20% or at the Trust's cost of capital (as defined in the applicable mortgage agreement) plus 0.25%; or ii) at fixed rates of 6.35% to 7.50%, which was added to the outstanding principal up to a predetermined maximum accrual, after which it was payable in cash on a monthly or quarterly basis. Additional interest of \$100,833 (December 31, 2021 – \$103,808) 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, 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 amounts that are guaranteed decrease on achievement of certain specified value-enhancing events. Management considers all mortgages receivable to be fully collectible.

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

| Issued to | Committed | Maturity Date | Interest Rate (%) | Note | June 30, 2022 | December 31, 2021 |
|---|-----------|----------------|-------------------|----------------|----------------|-------------------|
| Penguin ⁽¹⁾ | 12,493 | January 2023 | Variable | 20 | 7,152 | 9,707 |
| Penguin ⁽²⁾ | 26,227 | January 2023 | Variable | 20 | 13,950 | 14,027 |
| Penguin ⁽³⁾ | N/A | December 2029 | Interest-free | 10(b)(iii), 20 | 78,315 | 77,828 |
| Penguin ⁽⁴⁾ | 18,450 | August 2030 | Variable | 20 | 16,128 | 15,404 |
| Total loans issued to Penguin | | | | | 115,545 | 116,966 |
| PCVP ⁽⁵⁾ | N/A | January 2023 | 2.76 | 20 | 47,863 | 47,214 |
| Self-storage facilities ⁽⁶⁾ | 115,100 | May 2024 | Variable | | 101,170 | 91,938 |
| Mascouche North Apartments ⁽¹¹⁾ | 25,000 | August 2022 | Variable | | 23,982 | — |
| Total loans issued to equity accounted investments | | | | | 173,015 | 139,152 |
| Other ⁽⁷⁾ | N/A | January 2023 | 5.00 | | 2,308 | 3,308 |
| Greenwin ⁽⁸⁾ | 11,694 | September 2024 | Variable | | — | — |
| Greenwin ⁽⁹⁾ | 1,280 | January 2025 | Variable | | — | — |
| Other ⁽¹⁰⁾ | N/A | October 2023 | 4.00 | | 15,097 | 15,097 |
| Total loans issued to unrelated parties | | | | | 17,405 | 18,405 |
| | | | | | 305,965 | 274,523 |

- (1) This loan receivable was provided pursuant to a development management agreement with Penguin with a total loan facility of \$12,493. 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 ten 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. The loan receivable's maturity was extended from June 2021 to August 2021, subsequently to December 2021, and presently to January 2023.
- (2) 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 Canadian 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 were to be repaid in full in June 2021. The loan receivable's maturity was extended from June 2021 to December 2021, and subsequently to June 2022, and then further extended to January 2023.
- (3) 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 \$98,679, is non-interest-bearing, and is repayable at the end of ten years. As at June 30, 2022, the loan balance of \$78,315 is net of a cumulative fair value adjustment totalling \$20,364. See also Note 10(b)(iii) reflecting the corresponding non-interest-bearing loan payable amount.
- (4) This loan receivable was provided in December 2021 in connection with the acquisition of a 50% interest in development lands in Toronto (Leaside), Ontario. The loan bears interest at: i) the Canadian Banker's Acceptance rate plus 220 basis points, up to 60% of the facility limit, and ii) the Canadian Banker's Acceptance rate plus 370 basis points, for the remainder.
- (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 were to be repaid in full in June 2021. The loan receivable's maturity was extended from June 2021 to December 2021, and subsequently to June 2022, and then further extended to January 2023. The Trust reflects the activity from the PCVP as an equity accounted investment (see also Note 5, "Equity accounted investments") and 100% of the loan provided to the PCVP is recorded in the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2022.
- (6) In July 2020, the Trust entered into a master credit loan agreement with its partner SmartStop to provide funding for the development of certain self-storage facilities. The master credit loan agreement matures in July 2023 and bears interest at a variable rate based on the Canadian Banker's Acceptance rate plus 245 basis points. In April 2021, this master credit loan agreement was amended which resulted in an increase to total committed amounts from \$65,500 to \$80,800, and the maturity was extended to May 2024. Also in April 2021, the Trust entered into a second master credit loan agreement with SmartStop to provide funding for the development of additional self-storage facilities. This second master credit loan agreement matures in May 2024 with a committed amount of \$34,300. See further details in Note 5(b).
- (7) In January 2021, the Trust entered into a loan agreement pursuant to the closing of the Niagara Falls parcel sale to a third party. The Trust agreed to take back a first charge as security for the loan. The loan agreement matures in January 2023 and bears interest at 5.0% per annum, calculated semi-annually.
- (8) In September 2019, the Trust entered into a loan agreement with Greenwin in connection with the acquisition of a 50% interest in development lands in Barrie, Ontario. As at June 30, 2022, 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.
- (9) In January 2020, the Trust entered into a loan agreement with Greenwin, whereby the Trust assisted Greenwin to fund the acquisition of its 25% interest in development lands in Toronto, Ontario (see also Note 5, "Equity accounted investments"). As at June 30, 2022, 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.
- (10) In October 2021, the Trust entered into a loan agreement pursuant to the sale of the Innisfil property to a third party. The Trust agreed to take back a first charge as security for the loan. The loan matures in October 2023 and bears interest at 4.00% per annum, calculated annually. Penguin has assigned its 50% interest in the vendor take-back loan to the Trust as security for the mortgage receivable.
- (11) In 2022, the Trust entered into a loan agreement with Mascouche North Apartments Limited Partnership to provide Construction Facility Loan with maximum limit up to \$14,000 which bears Canadian Banker's Acceptance rate plus 120 basis points maturing on May 6, 2022. This agreement was amended in April 2022 with increased limit up to \$17,000 maturing June 10, 2022, and further amended in May 2022 with increased limit up to \$20,000 maturing July 8, 2022, and further amended in June 2022 with increased limit up to \$25,000 maturing August 10, 2022. This loan was fully repaid upon its maturity.

Management considers all outstanding loans to be fully collectible.

c) Notes receivable of \$2,924 (December 31, 2021 – \$2,924) have been granted to Penguin (see also Note 20, "Related party transactions"). As at June 30, 2022, these secured demand notes bear interest at the rate of 9.00% per annum (December 31, 2021 – 9.00%).

The estimated fair values of mortgages, loans and notes receivable are based on their respective current market rates, bearing similar terms and risks. This information is disclosed in Note 13, "Fair value of financial instruments".

7. Other financial assets

The following table summarizes the components of other financial assets:

| As at | Note | June 30, 2022 | December 31, 2021 |
|----------------------------------|------|----------------|-------------------|
| Cash held as collateral (a) | | 100,611 | 50,279 |
| Total return swap receivable (b) | | 96,201 | 46,869 |
| Interest rate swap agreements | 11 | 31,895 | — |
| | | 228,707 | 97,148 |

a) Cash held as collateral

The Trust has pledged \$100,611 (December 31, 2021 – \$50,279) of cash and cash equivalents with a Canadian financial institution as collateral to secure the payment and performance of all secured obligations under the total return swap agreement, see also Note 7(b).

b) Total return swap receivable

The following table summarizes the activity in the total return swap receivable:

| | December 31, 2021 | Additions | Distributions received | Fair value adjustments | June 30, 2022 |
|------------------------------|-------------------|-----------|------------------------|------------------------|---------------|
| Total return swap receivable | 46,869 | 56,917 | (1,347) | (6,238) | 96,201 |

8. Other assets

The following table summarizes the activity in other assets:

| | December 31, 2021 | Additions | Write-offs | Amortization and other adjustments | June 30, 2022 |
|--------------------------------|-------------------|-----------|------------|------------------------------------|---------------|
| Straight-line rents receivable | 43,564 | 4,289 | (127) | (3,765) | 43,961 |
| Tenant incentives | 32,478 | 5,708 | (25) | (3,259) | 34,902 |
| | 76,042 | 9,997 | (152) | (7,024) | 78,863 |
| Equipment | 1,285 | 283 | — | (306) | 1,262 |
| Right-of-use assets | 3,613 | — | — | (924) | 2,689 |
| | 80,940 | 10,280 | (152) | (8,254) | 82,814 |

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

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

| As at | June 30, 2022 | December 31, 2021 |
|---|---------------|-------------------|
| Amounts receivable and other | | |
| Tenant receivables | 31,492 | 36,305 |
| Unbilled other tenant receivables | 14,068 | 11,847 |
| Receivables from related party – excluding equity accounted investments | 5,138 | 6,966 |
| Receivables from related party – equity accounted investments | 883 | 581 |
| Other non-tenant receivables | 1,939 | 1,414 |
| Other ⁽¹⁾ | 13,491 | 11,383 |
| | 67,011 | 68,496 |
| Allowance for ECL | (11,182) | (18,954) |
| Amounts receivable and other, net of allowance for ECL | 55,829 | 49,542 |
| Prepaid expenses, deposits and deferred financing costs | 44,393 | 12,289 |
| | 100,222 | 61,831 |

(1) The amount includes a related party amount of \$9,121 (December 31, 2021 – \$7,987).

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:

| | Six Months Ended June 30 | |
|--|--------------------------|---------------|
| | 2022 | 2021 |
| Balance – beginning of period | 18,954 | 19,742 |
| Net allowance recognized as expense (reversal) | (2,055) | 4,741 |
| Tenant receivables written off | (5,717) | (2,300) |
| Balance – end of period | 11,182 | 22,183 |

10. Debt

The following table presents debt balances:

| As at | June 30, 2022 | December 31, 2021 |
|------------------------------------|------------------|-------------------|
| Secured debt (a) | 1,167,493 | 1,294,546 |
| Unsecured debt (b) | 3,577,071 | 3,262,356 |
| Revolving operating facilities (c) | 384,040 | 297,625 |
| | 5,128,604 | 4,854,527 |
| Current | 378,239 | 678,406 |
| Non-current | 4,750,365 | 4,176,121 |
| | 5,128,604 | 4,854,527 |

a) Secured debt

Secured debt bears interest at a weighted average interest rate of 3.67% as at June 30, 2022 (December 31, 2021 – 3.49%). Total secured debt of \$1,167,493 (December 31, 2021 – \$1,294,546) includes \$1,050,117 (December 31, 2021 – \$1,182,078) at fixed interest rates, \$18,267 (December 31, 2021 – \$70,277) at variable interest rates of the Canadian Banker's Acceptance rate plus 170 basis points, and \$99,109 (December 31, 2021 – \$42,191) at a variable interest rate of CDOR plus 106 basis points. Except for the \$99,109 variable rate secured debt noted above, secured debt matures at various dates between 2022 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.

As at June 30, 2022, secured debt of \$99,109 carries variable rate interest at a rate of CDOR plus 106 basis points and is secured by the Trust's security bank deposit. The Trust borrowed this non-cash secured debt from a Canadian financial institution concurrent with entering the TRS agreement in February 2021. The interest on this secured debt includes floating amounts that are payable at each May, August, November and February commencing in May 2021 to the date the TRS agreement matures or is unwound. See also Note 7(b), "Other financial assets", for further details.

b) Unsecured debt

The following table summarizes the components of unsecured debt:

| As at | June 30, 2022 | December 31, 2021 |
|---------------------------|------------------|-------------------|
| Unsecured debentures i) | 2,651,449 | 2,650,571 |
| Credit facilities ii) | 753,638 | 416,223 |
| Other unsecured debt iii) | 171,984 | 195,562 |
| | 3,577,071 | 3,262,356 |

i) Unsecured debentures

As at June 30, 2022, unsecured debentures totalled \$2,651,449 (December 31, 2021 – \$2,650,571). Unsecured debentures mature at various dates between 2023 and 2030, with interest rates ranging from 1.74% to 3.99%, and a weighted average interest rate of 3.17% as at June 30, 2022 (December 31, 2021 – 3.17%).

Unsecured debenture activities for the six months ended June 30, 2022

There was no significant activity relating to unsecured debentures during the six months ended June 30, 2022.

Unsecured debenture activities for the six months ended June 30, 2021**Redemptions and Maturity**

In January 2021, the Trust completed the redemption of its 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 yield maintenance costs of \$11,084 relating to the redemptions were recorded in the Trust's consolidated financial statements for the year ended December 31, 2020.

In June 2021, the Trust's 2.757% Series T senior unsecured debentures (the "Senior T Debentures") matured. Aggregate principal amount of Senior T Debentures outstanding was \$323,120 and was fully repaid on maturity.

Credit rating of unsecured debentures

Dominion Bond Rating Services (“DBRS”) provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower’s capabilities to fulfil its obligations. An investment-grade rating must exceed “BB”, with the highest rating being “AAA”. In December 2021, DBRS confirmed the Trust’s BBB(high) rating and changed the trend from stable to negative.

ii) Credit facilities

The following table summarizes the activity for unsecured credit facilities:

| (Issued In) | Maturity Date | Annual Interest Rate (%) | Facility Amount | June 30, 2022 | December 31, 2021 |
|---|------------------|--------------------------|-----------------|----------------|-------------------|
| Non-revolving: | | | | | |
| August 2018 ⁽¹⁾ | January 31, 2025 | 2.980 | 80,000 | 80,000 | 80,000 |
| March 2019 ⁽¹⁾ | July 31, 2026 | 3.520 | 150,000 | 150,000 | 150,000 |
| May 2019 ⁽¹⁾ | June 24, 2024 | 3.146 | 170,000 | 170,000 | 170,000 |
| January 2022 | January 19, 2027 | BA + 1.20 | 300,000 | 300,000 | — |
| Revolving: | | | | | |
| May 2020 | May 11, 2024 | BA + 1.20 | 60,000 | 57,000 | 17,000 |
| | | | | 757,000 | 417,000 |
| Less: | | | | | |
| Unamortized financing costs | | | | (1,403) | (777) |
| Unamortized debt modification adjustments | | | | (1,959) | — |
| | | | | 753,638 | 416,223 |

(1) The Trust entered into interest rate swap agreements to convert the variable interest rate of the Canadian Banker’s Acceptance rate plus 1.20% into a weighted average fixed interest rate of 3.26% per annum. The weighted average term to maturity of the interest rate swaps is 2.76 years. Hedge accounting has not been applied to the interest rate swap agreements.

iii) Other unsecured debt

Other unsecured debt net of fair value adjustments totalling \$171,984 (December 31, 2021 – \$195,562) 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 | June 30, 2022 | December 31, 2021 |
|---|----------------|-------------------|
| PCVP (5.00% discount rate) ⁽¹⁾ | 80,516 | 80,259 |
| PCVP (5.75% discount rate) ⁽²⁾ | 78,315 | 77,828 |
| Vaughan NW RR PropCo LP | 12,500 | 12,500 |
| VMC Residences ⁽³⁾ | 653 | 24,975 |
| | 171,984 | 195,562 |

(1) In connection with the 700 Applewood purchase, in December 2019, the loan has a principal amount outstanding of \$98,679 (December 31, 2021 – \$100,404), is non-interest-bearing, and is repayable at the end of ten years. As at June 30, 2022, the loan balance of \$80,516 is net of a fair value adjustment totalling \$18,163 (December 31, 2021 – the loan balance of \$80,259 is net of a fair value adjustment totalling \$20,145).

(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 \$98,679 (December 31, 2021 – \$100,404), is non-interest bearing, and is repayable at the end of ten years. As at June 30, 2022, the loan balance of \$78,315 is net of a fair value adjustment totalling \$20,364 (December 31, 2021 – the loan balance of \$77,828 is net of a fair value adjustment totalling \$22,576). See also Note 6(b) reflecting offsetting loan receivable amount.

(3) In connection with the Transit City condominium closings, \$nil was received and \$24,321 was settled during the six months ended June 30, 2022 (year ended December 31, 2021 – \$24,321 was received and \$52,824 was settled). See Note 5, “Equity accounted investments.”

c) Revolving operating facilities

As at June 30, 2022, the Trust had:

i) 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 Canadian Banker’s Acceptance rate plus 120 basis points, which matures on August 20, 2026 (in addition, the Trust has an accordion feature of \$250,000 whereby the Trust has an option to increase its facility amount with the lenders to sustain future operations as required); and

ii) a \$150,000 revolving senior unsecured term facility under which the Trust has the ability to draw funds based on bank prime rates and Canadian Banker’s Acceptance rate for Canadian dollar-denominated borrowings, and LIBOR rates or U.S.

prime rates for U.S. dollar-denominated borrowings. Concurrently with the U.S. dollar draws, the Trust enters into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings.

The following table summarizes components of the Trust's revolving operating facilities:

| | Annual Interest Rate (%) | Facility Amount | Amount Drawn | Outstanding Letters of Credit | Remaining Undrawn Facilities | |
|--|--------------------------|-----------------|----------------|-------------------------------|------------------------------|-------------------|
| | | | | | June 30, 2022 | December 31, 2021 |
| Revolving facility maturing August 2026 | BA + 1.20 | 500,000 | 235,000 | 14,082 | 250,918 | 341,715 |
| Revolving facility maturing February 2024 ⁽¹⁾ | US\$ LIBOR + 1.20 | 150,000 | 149,040 | — | — | — |
| | | | 384,040 | | 250,918 | 341,715 |

(1) The Trust has drawn in U.S. dollars the equivalent of CAD \$150,000, which was translated to \$149,040 as at June 30, 2022 (December 31, 2021 – \$147,625).

d) Interest expense

The following table summarizes interest expense:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|---------------|--------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest at stated rates | 38,900 | 38,412 | 76,629 | 77,141 |
| Amortization of acquisition date fair value adjustments on assumed debt | (122) | (132) | (247) | (270) |
| Adjustment on debt modification | (1,960) | — | (1,960) | — |
| Amortization of deferred financing costs | 884 | 1,008 | 1,906 | 2,045 |
| | 37,702 | 39,288 | 76,328 | 78,916 |
| Interest capitalized to properties under development | (5,408) | (3,781) | (10,178) | (7,473) |
| Interest capitalized to residential development inventory | (252) | (242) | (497) | (478) |
| | A | 32,042 | 35,265 | 70,965 |
| Distributions on Units classified as liabilities and vested deferred units | 4,379 | 1,388 | 8,669 | 2,889 |
| Distributions capitalized to properties under development | (2,569) | — | (5,137) | — |
| | B | 1,810 | 3,532 | 2,889 |
| | A + B | 33,852 | 36,653 | 73,854 |

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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|---------------|--------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest expense | 33,852 | 36,653 | 69,185 | 73,854 |
| Amortization of acquisition date fair value adjustments on assumed debt | 122 | 132 | 247 | 270 |
| Adjustment on debt modification | 1,960 | — | 1,960 | — |
| Amortization of deferred financing costs | (884) | (1,008) | (1,906) | (2,045) |
| Distributions on Units classified as liabilities and vested deferred units | (4,379) | (1,388) | (8,669) | (2,889) |
| Change in accrued interest payable | 12,363 | 15,184 | 358 | 15,727 |
| Cash interest paid | 43,034 | 49,573 | 61,175 | 84,917 |

For the six months ended June 30, 2022, including cash interest paid of \$61,175 (six months ended June 30, 2021 – \$84,917) and interest capitalized to both properties under development and residential development inventory of \$10,675 (six months ended June 30, 2021 – \$7,951), total interest paid was \$71,850 (six months ended June 30, 2021 – \$92,868).

e) **Liquidity**

The Trust's liquidity position is monitored by management on a regular basis. The table below provides the contractual maturities of the Trust's material financial obligations including debentures, mortgage receivable advances and development commitments:

| | Total | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter |
|--|------------------|----------------|----------------|----------------|------------------|----------------|-------------------|
| Secured debt | 1,168,775 | 101,296 | 238,028 | 151,032 | 510,449 | 98,121 | 69,849 |
| Unsecured debt | 3,627,512 | 13,153 | 200,000 | 327,000 | 590,000 | 400,000 | 2,097,359 |
| Revolving operating facilities | 385,000 | — | 385,000 | — | — | — | — |
| Interest obligations ⁽¹⁾ | 642,817 | 118,256 | 136,068 | 121,357 | 106,318 | 83,934 | 76,884 |
| Accounts payable | 251,313 | 251,313 | — | — | — | — | — |
| Other payable | 38,306 | 11,607 | 8,037 | 72 | 8,590 | — | 10,000 |
| Long term incentive plan | 741 | — | 741 | — | — | — | — |
| | 6,114,464 | 495,625 | 967,874 | 599,461 | 1,215,357 | 582,055 | 2,254,092 |
| Mortgage receivable advances (repayments) ⁽²⁾ | 154,432 | 430 | 6,768 | 32,749 | (30,502) | 7,408 | 137,579 |
| Development obligations (commitments) | 20,408 | 20,408 | — | — | — | — | — |
| Total | 6,289,304 | 516,463 | 974,642 | 632,210 | 1,184,855 | 589,463 | 2,391,671 |

(1) Interest obligations represent expected interest payments on secured debt, unsecured debt, and revolving operating facilities under the assumption that the balances are repaid at maturity, and do not represent a separate contractual obligation.

(2) Mortgages receivable of \$139,286 at June 30, 2022, and further forecasted commitments of \$154,432, mature over a period extending to 2028 if the Trust does not exercise its option to acquire the investment properties. Refer to Note 6, "Mortgages, loans and notes receivable", for timing of principal repayments.

11. Other financial liabilities

The following table summarizes the components of other financial liabilities:

| As at | Note | June 30, 2022 | December 31, 2021 |
|-------------------------------------|------|----------------|-------------------|
| Units classified as liabilities (a) | | 217,104 | 254,223 |
| Deferred unit plan (c) | | 47,004 | 50,660 |
| LTIP (d) | | 741 | 697 |
| EIP (e) | | 13,119 | 10,377 |
| Currency swap agreement | | 976 | 2,374 |
| Interest rate swap agreements | 7 | — | 7,754 |
| | | 278,944 | 326,085 |

a) Units classified as liabilities

The following table represents the number and carrying value of Units classified as liabilities that are issued and outstanding. The fair value measurement of the Units classified as liabilities is described in Note 13, "Fair value of financial instruments".

| | Number of Units Issued and Outstanding (#) | Carrying Value (\$) |
|----------------------------------|--|---------------------|
| Balance – January 1, 2022 | 7,897,571 | 254,223 |
| Change in carrying value | N/A | (37,119) |
| Balance – June 30, 2022 | 7,897,571 | 217,104 |
| Balance – January 1, 2021 | 2,100,470 | 48,479 |
| Change in carrying value | N/A | 13,212 |
| Balance – June 30, 2021 | 2,100,470 | 61,691 |

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)).

The following table summarizes the number of Earnout options exercised and proceeds received during the six months ended June 30, 2022 and June 30, 2021:

| Options | Strike Price | Six Months Ended June 30, 2022 | | Six Months Ended June 30, 2021 | |
|--|--------------|--------------------------------|-------------------------------------|--------------------------------|-------------------------------------|
| | | Options Exercised (#) | Amounts from Options Exercised (\$) | Options Exercised (#) | Amounts from Options Exercised (\$) |
| Options to acquire Class B Smart LP III Units ⁽¹⁾ | Market price | 121,426 | 392 | 33,287 | 814 |
| Options to acquire Class B Smart LP IV Units ⁽²⁾ | Market price | 21,785 | 572 | 24,516 | 695 |
| Options to acquire Class B ONR LP I Units ⁽³⁾ | Market price | — | — | 52,487 | — |
| | | 143,211 | 964 | 110,290 | 1,509 |

(1) Each option is represented by a corresponding Class C Smart LP III Unit.

(2) Each option is represented by a corresponding Class C Smart LP IV Unit.

(3) Each option is represented by a corresponding Class C ONR LP I Unit.

c) Deferred unit plan

The following table summarizes the number of outstanding deferred units:

| | Outstanding | Vested | Unvested |
|-------------------------------------|------------------|------------------|----------------|
| Balance – January 1, 2022 | 1,667,421 | 1,397,141 | 270,280 |
| Granted | | | |
| Trustees | 44,970 | 44,970 | — |
| Eligible associates | 181,388 | 92,043 | 89,345 |
| Reinvested units from distributions | 56,407 | 47,129 | 9,278 |
| Vested | — | 47,566 | (47,566) |
| Redeemed for cash | (82,637) | (82,637) | — |
| Forfeited | (8,969) | — | (8,969) |
| Balance – June 30, 2022 | 1,858,580 | 1,546,212 | 312,368 |
| Balance – January 1, 2021 | 1,305,275 | 1,068,243 | 237,032 |
| Granted | | | |
| Trustees | 71,205 | 71,205 | — |
| Eligible associates | 231,360 | 115,680 | 115,680 |
| Reinvested units from distributions | 51,898 | 43,009 | 8,889 |
| Vested | — | 46,103 | (46,103) |
| Exchanged for Trust Units | (197) | (197) | — |
| Redeemed for cash | (9,687) | (9,687) | — |
| Forfeited | (621) | — | (621) |
| Balance – June 30, 2021 | 1,649,233 | 1,334,356 | 314,877 |

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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|---------------|--------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Carrying value – beginning of period | 54,265 | 36,541 | 50,660 | 28,051 |
| Deferred units granted for trustee fees | — | 50 | 712 | 846 |
| Deferred units granted for bonuses | 1,486 | 1,544 | 2,900 | 2,702 |
| Reinvested distributions on vested deferred units | 729 | 416 | 1,405 | 948 |
| Compensation expense – reinvested distributions and amortization | 848 | 1,004 | 1,576 | 1,778 |
| Exchanged for Trust Units | — | (4) | — | (4) |
| Redeemed for cash | (1,423) | (62) | (2,593) | (258) |
| Fair value adjustment – vested and unvested deferred units | (8,901) | 4,046 | (7,656) | 9,472 |
| Carrying value – end of period | 47,004 | 43,535 | 47,004 | 43,535 |

d) LTIP

The following table summarizes the activities in the LTIP:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--------------------------------|----------------------------|------------|--------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Balance – beginning of period | 722 | 902 | 697 | 1,540 |
| Amortization | 72 | 104 | 144 | 343 |
| Fair value adjustment | (53) | (96) | (100) | 30 |
| LTIP vested and paid out | — | — | — | (1,003) |
| Balance – end of period | 741 | 910 | 741 | 910 |

e) *EIP*

The following summarizes the outstanding number of performance units associated with the EIP:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|------------------|--------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Balance – beginning of period ⁽¹⁾ | 1,359,457 | 911,047 | 1,339,699 | — |
| Granted | | | | |
| Mitchell Goldhar ⁽²⁾ | — | — | — | 900,000 |
| Eligible associates ⁽²⁾ | — | 471,000 | — | 471,000 |
| Reinvested units from distributions | 21,051 | 14,768 | 40,809 | 25,815 |
| Balance – end of period | 1,380,508 | 1,396,815 | 1,380,508 | 1,396,815 |

(1) The beginning balance of 2022 includes performance units that were granted to Mitchell Goldhar and eligible associates during the year ended December 31, 2021, as well as performance units that were reinvested from distributions, and certain performance units that were terminated.

(2) Under the EIP granted to Mitchell Goldhar, the \$26.00 Unit price threshold was achieved on April 5, 2021, and the \$28.00 Unit price threshold was achieved on May 18, 2021, and under the EIP granted to Mitchell Goldhar and other eligible associates, the \$30.00 Unit price threshold was achieved on September 22, 2021, and the \$32.00 Unit price threshold was achieved on April 5, 2022. The performance units for these Unit price thresholds will vest on April 4, 2024, May 17, 2024, September 21, 2024 and April 4, 2025, respectively.

The following table summarizes the change in the carrying value of the EIP:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|----------------------------|--------------|--------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Balance – beginning of period | 14,052 | 1,385 | 10,377 | — |
| Amortization costs – Mitchell Goldhar ⁽¹⁾ | 1,171 | 1,361 | 2,559 | 2,433 |
| Amortization costs – eligible associates | 568 | 214 | 1,377 | 214 |
| Fair value adjustment – Mitchell Goldhar ⁽²⁾ | (1,898) | 832 | (625) | 1,145 |
| Fair value adjustment – eligible associates ⁽²⁾ | (774) | (9) | (569) | (9) |
| Balance – end of period | 13,119 | 3,783 | 13,119 | 3,783 |

(1) These amounts were capitalized to properties under development in connection with Mitchell Goldhar's role in leading and completing development activities.

(2) Represents the fair value adjustments on EIP, see Note 23, "Fair value adjustments".

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 | June 30, 2022 | December 31, 2021 |
|---|------|----------------|-------------------|
| Accounts payable | | 69,024 | 75,148 |
| Accounts payable and accrued liabilities with Penguin | 20 | 2,223 | 3,370 |
| Tenant prepaid rent, deposits, and other payables | | 123,617 | 118,457 |
| Residential sales deposits | | 8,954 | 375 |
| Accrued interest payable | | 13,052 | 13,410 |
| Distributions payable | | 26,567 | 26,600 |
| Realty taxes payable | | 7,876 | 3,193 |
| Current portion of other payables | | 12,078 | 12,525 |
| | | 263,391 | 253,078 |

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

| As at | Note | June 30, 2022 | December 31, 2021 |
|--|----------|---------------|-------------------|
| Future land development obligations with Penguin | 12(a) | 18,798 | 18,931 |
| Lease liability – investment properties ⁽¹⁾ | 4(c)(ii) | 8,345 | 8,283 |
| Lease liability – other | | 2,667 | 3,554 |
| Total other payables | | 29,810 | 30,768 |
| Less: Current portion of other payables | | (12,078) | (12,525) |
| Total non-current portion of other payables | | 17,732 | 18,243 |

(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 20, “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 2022 to 2025, which may be extended up 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 six months ended June 30, 2022, imputed interest of \$209 (six months ended June 30, 2021 – \$426) was capitalized to properties under development.

13. 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 | June 30, 2022 | | | December 31, 2021 | | |
|---------------------------------------|---------------|----------------|-----------|-------------------|----------------|-----------|
| | FVTPL | Amortized cost | Total | FVTPL | Amortized cost | Total |
| Financial assets | | | | | | |
| Mortgages, loans and notes receivable | — | 449,677 | 449,677 | — | 414,215 | 414,215 |
| Amounts receivable and other | — | 55,829 | 55,829 | — | 49,542 | 49,542 |
| Cash and cash equivalents | — | 34,686 | 34,686 | — | 62,235 | 62,235 |
| Cash held as collateral | — | 100,611 | 100,611 | — | 50,279 | 50,279 |
| Total return swap receivable | 96,201 | — | 96,201 | 46,869 | — | 46,869 |
| Interest rate swap agreements | 31,895 | — | 31,895 | — | — | — |
| Financial liabilities | | | | | | |
| Accounts and other payables | — | 263,391 | 263,391 | — | 253,078 | 253,078 |
| Secured debt | — | 1,152,282 | 1,152,282 | — | 1,344,257 | 1,344,257 |
| Unsecured debt | — | 3,278,619 | 3,278,619 | — | 3,284,160 | 3,284,160 |
| Revolving operating facilities | — | 384,040 | 384,040 | — | 297,625 | 297,625 |
| Units classified as liabilities | 217,104 | — | 217,104 | 254,223 | — | 254,223 |
| Deferred unit plan | 47,004 | — | 47,004 | 50,660 | — | 50,660 |
| LTIP | 741 | — | 741 | 697 | — | 697 |
| EIP | 13,119 | — | 13,119 | 10,377 | — | 10,377 |
| Currency swap agreements | 976 | — | 976 | 2,374 | — | 2,374 |
| Interest rate swap agreements | — | — | — | 7,754 | — | 7,754 |

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 | June 30, 2022 | | | December 31, 2021 | | |
|---|---------------|---------|---------|-------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Recurring measurements: | | | | | | |
| Financial asset | | | | | | |
| Fair value of total return swap agreements | — | 96,201 | — | — | 46,869 | — |
| Fair value of interest rate swap agreements | — | 31,895 | — | — | — | — |
| Financial liabilities | | | | | | |
| Units classified as liabilities | — | 217,104 | — | — | 254,223 | — |
| Deferred unit plan | — | 47,004 | — | — | 50,660 | — |
| LTIP | — | 741 | — | — | 697 | — |
| EIP | — | 13,119 | — | — | 10,377 | — |
| Fair value of currency swap agreements | — | 976 | — | — | 2,374 | — |
| Fair value of interest rate swap agreements | — | — | — | — | 7,754 | — |

Refer to Note 11, "Other financial liabilities", for a reconciliation of fair value measurements.

14. Unit equity

The following table presents the number of Units issued and outstanding and the related carrying value of Unit equity. The Limited Partnership Units are classified as non-controlling interests in the unaudited interim condensed consolidated balance sheets and the unaudited interim condensed consolidated statements of equity.

| | Note | Number of Units Issued and Outstanding (#) | | | Carrying Value (\$) | | |
|--|-------------|--|-------------------|--------------------|---------------------|----------------|------------------|
| | | Trust Units | Smart LP Units | Total Units | Trust Units | Smart LP Units | Total |
| Balance – January 1, 2022 | | 144,625,322 | 25,568,688 | 170,194,010 | 3,090,368 | 641,944 | 3,732,312 |
| Options exercised | 4(d), 11(b) | — | 31,074 | 31,074 | — | 964 | 964 |
| Unit issuance costs | | — | — | — | (250) | — | (250) |
| Balance – June 30, 2022 | | 144,625,322 | 25,599,762 | 170,225,084 | 3,090,118 | 642,908 | 3,733,026 |
| Balance – January 1, 2021 | | 144,618,657 | 25,502,085 | 170,120,742 | 3,090,188 | 640,206 | 3,730,394 |
| Options exercised | 4(d), 11(b) | — | 58,840 | 58,840 | — | 1,509 | 1,509 |
| Deferred units exchanged for Trust Units | 11(c) | 135 | — | 135 | 4 | — | 4 |
| Unit issuance costs | | — | — | — | (18) | — | (18) |
| Balance – June 30, 2021 | | 144,618,792 | 25,560,925 | 170,179,717 | 3,090,174 | 641,715 | 3,731,889 |

The following table presents the number and carrying values of LP Class B Units issued and outstanding:

| LP Class B Unit Type | Number of Units Issued and Outstanding (#) | | | Carrying Value (\$) | | |
|--|--|--------------------------------|-------------------------|---------------------------|---|-------------------------|
| | Balance – January 1, 2022 | Options Exercised (Note 11(b)) | Balance – June 30, 2022 | Balance – January 1, 2022 | Value From Options Exercised (Note 11(b)) | Balance – June 30, 2022 |
| Smart Limited Partnership | 16,424,430 | — | 16,424,430 | 392,327 | — | 392,327 |
| Smart Limited Partnership II | 756,525 | — | 756,525 | 17,680 | — | 17,680 |
| Smart Limited Partnership III | 4,039,184 | 12,419 | 4,051,603 | 108,097 | 392 | 108,489 |
| Smart Limited Partnership IV | 3,093,910 | 18,655 | 3,112,565 | 88,857 | 572 | 89,429 |
| Smart Oshawa South Limited Partnership | 710,416 | — | 710,416 | 20,441 | — | 20,441 |
| Smart Oshawa Taunton Limited Partnership | 374,223 | — | 374,223 | 11,033 | — | 11,033 |
| Smart Boxgrove Limited Partnership | 170,000 | — | 170,000 | 3,509 | — | 3,509 |
| | 25,568,688 | 31,074 | 25,599,762 | 641,944 | 964 | 642,908 |

| LP Class B Unit Type | Number of Units Issued and Outstanding (#) | | | Carrying Value (\$) | | |
|--|--|--------------------------------|-------------------------|---------------------------|---|-------------------------|
| | Balance – January 1, 2021 | Options Exercised (Note 11(b)) | Balance – June 30, 2021 | Balance – January 1, 2021 | Value From Options Exercised (Note 11(b)) | Balance – June 30, 2021 |
| Smart Limited Partnership | 16,416,667 | — | 16,416,667 | 392,097 | — | 392,097 |
| Smart Limited Partnership II | 756,525 | — | 756,525 | 17,680 | — | 17,680 |
| Smart Limited Partnership III | 4,006,661 | 32,523 | 4,039,184 | 107,284 | 814 | 108,098 |
| Smart Limited Partnership IV | 3,067,593 | 26,317 | 3,093,910 | 88,162 | 695 | 88,857 |
| Smart Oshawa South Limited Partnership | 710,416 | — | 710,416 | 20,441 | — | 20,441 |
| Smart Oshawa Taunton Limited Partnership | 374,223 | — | 374,223 | 11,033 | — | 11,033 |
| Smart Boxgrove Limited Partnership | 170,000 | — | 170,000 | 3,509 | — | 3,509 |
| | 25,502,085 | 58,840 | 25,560,925 | 640,206 | 1,509 | 641,715 |

a) Authorized Units*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 Units 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 June 30, 2022, there were 33,519,699 (December 31, 2021 – 33,457,551) 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 20, "Related party transactions").

15. 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:

| Unit Type Subject to Distributions | Six Months Ended June 30 | |
|---|--------------------------|----------------|
| | 2022 | 2021 |
| Trust Units | 133,781 | 133,775 |
| Limited Partnership Units | 23,677 | 23,629 |
| Other non-controlling interest | 283 | — |
| Distributions on Units classified as equity | 157,741 | 157,404 |
| Distributions on Units classified as liabilities | 7,303 | 1,941 |
| Total Unit distributions | 165,044 | 159,345 |

On July 22, 2022, the Trust declared a distribution for the month of July 2022 of \$0.15417 per Unit, representing \$1.85 per Unit on an annualized basis, to Unitholders of record on July 29, 2022.

16. Rentals from investment properties and other

The following table presents rentals from investment properties and other:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|----------------|--------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Gross base rent | 128,831 | 125,352 | 255,790 | 249,013 |
| Less: Amortization of tenant incentives | (1,599) | (1,852) | (3,284) | (4,183) |
| Net base rent | 127,232 | 123,500 | 252,506 | 244,830 |
| Property tax and insurance recoveries | 44,788 | 45,370 | 89,850 | 92,744 |
| Property operating cost recoveries | 20,331 | 18,625 | 47,655 | 43,033 |
| | 65,119 | 63,995 | 137,505 | 135,777 |
| Miscellaneous revenue | 3,416 | 2,998 | 5,731 | 5,839 |
| Rentals from investment properties | 195,767 | 190,493 | 395,742 | 386,446 |
| Service and other revenues ⁽¹⁾ | 2,529 | 3,444 | 5,077 | 6,329 |
| Rentals from investment properties and other | 198,296 | 193,937 | 400,819 | 392,775 |

(1) For the three months ended June 30, 2022, service and other revenues included \$2,202 relating to the fees associated with the Development and Services Agreement with Penguin (three months ended June 30, 2021 – \$3,122). For the six months ended June 30, 2022, service and other revenues included \$4,314 relating to the recovery of costs and billed as fees associated with the Development and Services Agreement with Penguin (six months ended June 30, 2021 – \$5,636). See also Note 17, "Property operating costs and other" and Note 20, "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 | June 30, 2022 | June 30, 2021 |
|---------------------|---------------|---------------|
| 2021 ⁽¹⁾ | — | 245,265 |
| 2022 ⁽¹⁾ | 251,927 | 465,038 |
| 2023 | 468,180 | 397,493 |
| 2024 | 396,815 | 325,963 |
| 2025 | 327,986 | 260,198 |
| 2026 | 264,222 | 198,835 |
| Thereafter | 644,098 | 477,008 |

(1) Amounts related to remainder of the year.

17. Property operating costs and other

The following table summarizes property operating costs and other:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|---------------|--------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Recoverable property operating costs ⁽¹⁾ | 68,354 | 67,404 | 145,440 | 143,148 |
| Property management fees and costs | 882 | 172 | 1,940 | 461 |
| Bad debt expense adjustments/ECL | (1,237) | 2,262 | (2,350) | 4,571 |
| Non-recoverable costs | 2,435 | 1,508 | 4,939 | 2,982 |
| Property operating costs | 70,434 | 71,346 | 149,969 | 151,162 |
| Other expenses ⁽²⁾ | 2,898 | 3,459 | 5,472 | 6,344 |
| Property operating costs and other | 73,332 | 74,805 | 155,441 | 157,506 |

(1) Includes recoverable property tax and insurance costs.

(2) Includes expenses relating to service and other revenues as disclosed in Note 16, "Rentals from investment properties and other" in the amount of \$2,529 for the three months ended June 30, 2022 and \$5,077 for the six months ended June 30, 2022, and marketing costs for residential inventory in the amount of \$369 for the three months ended June 30, 2022 and \$395 for the six months ended June 30, 2022.

18. General and administrative expense, net

The following table summarizes general and administrative expense, net:

| | Note | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|------|----------------------------|--------------|--------------------------|---------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Salaries and benefits | | 17,770 | 15,534 | 35,712 | 31,420 |
| Services fee – by Penguin | 20 | 1,818 | 1,625 | 3,641 | 3,416 |
| Professional fees | | 1,724 | 1,522 | 2,964 | 2,906 |
| Public company costs | | 525 | 613 | 1,031 | 1,074 |
| Amortization of intangible assets | | 333 | 333 | 666 | 666 |
| Other costs including office rent, information technology, marketing, communications, and other employee expenses | | 2,852 | 2,668 | 5,579 | 5,980 |
| Subtotal | | 25,022 | 22,295 | 49,593 | 45,462 |
| Previously capitalized general and administrative expenses on completed developments | | 60 | 733 | 60 | 733 |
| Previously capitalized general and administrative expenses on sale of real estate assets | | 332 | — | 332 | — |
| Total general and administrative expense before allocation | | 25,414 | 23,028 | 49,985 | 46,195 |
| Less: | | | | | |
| Capitalized to properties under development and other assets | | (10,492) | (8,605) | (21,092) | (17,791) |
| Allocated to property operating costs | | (4,479) | (3,674) | (9,136) | (7,611) |
| Recoverable costs billed to Penguin and others | | (2,527) | (3,445) | (4,974) | (6,009) |
| Total amounts capitalized, allocated and charged | | (17,498) | (15,724) | (35,202) | (31,411) |
| General and administrative expense, net | | 7,916 | 7,304 | 14,783 | 14,784 |

19. Supplemental cash flow information

The following table presents items not affecting cash and other items relating to the Trust's operating activities:

| | Note | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-------|----------------------------|----------|--------------------------|----------|
| | | 2022 | 2021 | 2022 | 2021 |
| Fair value adjustments | 23 | (71,166) | 3,268 | (360,493) | 33,095 |
| Loss (gain) on sale of investment properties | | (18) | 68 | 104 | 58 |
| Earnings from equity accounted investments | 5 | (3,785) | (21,751) | (3,211) | (37,069) |
| Interest expense | 10(d) | 33,852 | 36,653 | 69,185 | 73,854 |
| Other financing costs | | (30) | 135 | (1,017) | (126) |
| Interest income | | (3,866) | (3,395) | (6,826) | (6,997) |
| Amortization of other assets and intangible assets | | 2,217 | 1,805 | 4,783 | 7,429 |
| Lease obligation interest | | 138 | 141 | 281 | 281 |
| Deferred unit compensation expense, net of redemptions | 11 | (575) | 942 | (1,017) | 1,520 |
| LTIP and EIP amortization, net of payment | 11 | 640 | 104 | 1,521 | (660) |
| | | (42,593) | 17,970 | (296,690) | 71,385 |

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

| | Note | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|------|----------------------------|----------|--------------------------|----------|
| | | 2022 | 2021 | 2022 | 2021 |
| Amounts receivable and other | 9 | (5,957) | 112 | (6,287) | 749 |
| Prepaid expenses, deposits and deferred financing costs | 9 | (19,356) | (17,988) | (19,279) | (24,170) |
| Accounts payable | 12 | (13,404) | (5,658) | (13,404) | (9,211) |
| Realty taxes payable | 12 | (9,488) | (9,457) | (9,488) | 5,670 |
| Tenant prepaid rent, deposits and other payables | 12 | 10,352 | 25,651 | 10,352 | 16,698 |
| Other working capital changes | | 4,143 | 849 | 9,238 | 2,472 |
| | | (33,634) | (6,491) | (28,868) | (7,792) |

The following table presents the Trust's non-cash investing and financing activities:

| | Note | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|------|----------------------------|--------|--------------------------|--------|
| | | 2022 | 2021 | 2022 | 2021 |
| Non-cash investing and financing activities | | | | | |
| Units issued on acquisition | 3 | — | 348 | 964 | 1,509 |
| Liabilities assumed on acquisition, net of other assets | 3 | 2,008 | — | 2,008 | — |
| Distributions payable | 12 | 26,567 | 26,560 | 26,567 | 26,600 |

The following table presents the composition of Trust's cash and cash equivalents:

| As at | June 30, 2022 | December 31, 2021 |
|---------------------------|---------------|-------------------|
| Cash | 34,686 | 62,235 |
| Cash and cash equivalents | 34,686 | 62,235 |

20. 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 June 30, 2022, which in total represent approximately 20.8% of the issued and outstanding Units (December 31, 2021 – 20.8%) of the Trust:

| Type | Class | Units owned by Penguin | |
|--|---------|---|---|
| | | June 30, 2022 | December 31, 2021 |
| Trust Units | N/A | 15,032,063 | 15,032,063 |
| Smart Limited Partnership | Class B | 13,584,561 | 13,584,561 |
| Smart Limited Partnership | Class F | 8,708 | 8,708 |
| Smart Limited Partnership III | Class B | 4,051,603 | 4,039,184 |
| Smart Limited Partnership IV | Class B | 2,873,132 | 2,858,950 |
| Smart Oshawa South Limited Partnership | Class B | 630,880 | 630,880 |
| Smart Oshawa Taunton Limited Partnership | Class B | 374,223 | 374,223 |
| Smart Boxgrove Limited Partnership | Class B | 170,000 | 170,000 |
| ONR Limited Partnership I | Class B | 272,183 | 272,183 |
| Units owned by Penguin | | 36,997,353 | 36,970,752 |
| | | Six Months Ended June 30, 2022 | Year ended December 31, 2021 |
| Distributions declared to Penguin (in thousands of dollars) | | 34,218 | 68,372 |

Pursuant to the Declaration of Trust, provided certain ownership thresholds are met, the Trust is required to issue or cancel such number of additional Special Voting Units to Penguin that will entitle Penguin to cast 25.0% of the aggregate votes eligible to be cast at a meeting of the Unitholders and Special Voting Unitholders ("Voting Top-Up Right"). As at June 30, 2022, there were 10,053,123 additional Special Voting Units outstanding (December 31, 2021 – 8,163,976). 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 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 those Units which Penguin has Earnout options to acquire, upon completion of Earnout events:

| Type | Class | June 30, 2022 | December 31, 2021 |
|--|---------|------------------|-------------------|
| Trust Units | N/A | 1,286,833 | 1,286,833 |
| Smart Limited Partnership | Class B | 5,031,072 | 5,031,072 |
| Smart Limited Partnership III | Class B | 1,725,046 | 1,846,472 |
| Smart Limited Partnership IV | Class B | 353,135 | 369,472 |
| Smart Oshawa South Limited Partnership | Class B | 16,082 | 16,082 |
| Smart Oshawa Taunton Limited Partnership | Class B | 132,711 | 132,711 |
| Smart Boxgrove Limited Partnership | Class B | 267,179 | 267,179 |
| ONR Limited Partnership I | Class B | 429,599 | 429,599 |
| | | 9,241,657 | 9,379,420 |

At June 30, 2022, Penguin's ownership would increase to 24.5% (December 31, 2021 – 24.6%) if Penguin were to exercise all remaining Earnout options.

Pursuant to its rights under the Declaration of Trust, at June 30, 2022, 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 SmartVMC commercial phases and certain properties currently owned by Penguin (for which the Trust has 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, British Columbia, the Trust will be paid 50% of the management and leasing fees, and 100% of costs associated with the Trust's 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 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 6, "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

Effective November 2020, a non-competition agreement with Penguin replaced and superseded the previous non-competition agreement extending the term by five years and broadening restricted competing initiatives to include various forms of mixed-use development.

Executive Employment Agreement

This 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 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 11, "Other financial liabilities".

Related party transactions and balances are also disclosed elsewhere in these unaudited interim condensed consolidated financial statements, which include:

- Note 3(c) referring to the purchase of Earnouts
- Note 4(c) referring to Leasehold property interests
- Note 5(a)(ii) referring to a Supplemental Development Fee Agreement
- Note 6 referring to Mortgages, loans and notes receivable
- Note 8 referring to Other assets
- Note 9 referring to Amounts receivable and other
- Note 11 referring to Other financial liabilities
- Note 12 referring to Accounts and other payables (including future land obligations)
- Note 16 referring to Rentals from investment properties and other
- Note 17 referring to Property operating costs and other, and
- Note 18 relating to General and administrative expenses, net.

The following table summarizes related party transactions and balances with Penguin and other related parties, including amounts relating to the Trust's share in equity accounted investments:

| | Note | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|--------|----------------------------|-------|--------------------------|--------|
| | | 2022 | 2021 | 2022 | 2021 |
| Related party transactions with Penguin | | | | | |
| Acquisitions and Earnouts: | | | | | |
| Earnouts | | — | 8,202 | 7,363 | 10,340 |
| Revenues: | | | | | |
| Service and other revenues: | | | | | |
| Management fee and other services revenue pursuant to the Development and Services Agreement | | 662 | 1,498 | 1,234 | 2,154 |
| Supplement to the Development Services Agreement fees – time billings | | 1,274 | 1,274 | 2,548 | 2,548 |
| Support services | | 266 | 350 | 532 | 934 |
| | 16 | 2,202 | 3,122 | 4,314 | 5,636 |
| Interest income from mortgages and loans receivable | 6 | 2,020 | 1,549 | 3,673 | 3,083 |
| Rents and operating cost recoveries included in rentals from income properties (includes rental income from Penguin Pick-Up of \$74 (three months ended June 30, 2021 – \$69)) | | 254 | 45 | 366 | 306 |
| | | 4,476 | 4,716 | 8,353 | 9,025 |
| Expenses and other payments: | | | | | |
| Fees paid – capitalized to properties under development | 18 | 1,819 | 1,625 | 3,642 | 3,416 |
| EIP – capitalized to properties under development | | 1,172 | 1361 | 2,559 | 2,433 |
| Development fees and interest expense (capitalized to investment properties) | | — | 12 | — | 114 |
| Opportunity fees capitalized to properties under development ⁽¹⁾ | | 15 | 788 | 30 | 1,557 |
| Marketing, time billings and other administrative costs (included in general and administrative expense and property operating costs) | | 1 | 24 | 1 | 44 |
| Disposition fees (included in general and administrative expenses) | | — | 222 | 48 | 280 |
| | | 3,007 | 4,032 | 6,280 | 7,844 |
| Related party transactions with PCVP | | | | | |
| Revenues: | | | | | |
| Interest income from mortgages and loans receivable | 6 | 327 | 637 | 649 | 1,284 |
| Expenses and other payments: | | | | | |
| Rent and operating costs (included in general and administrative expense and property operating costs) | 17, 18 | 740 | 667 | 1,344 | 1,344 |

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

| As at | Note | June 30, 2022 | December 31, 2021 |
|--|------|----------------|-------------------|
| Related party balances with Penguin disclosed elsewhere in the financial statements | | | |
| Receivables: | | | |
| Amounts receivable and other ⁽¹⁾ | 9 | 14,261 | 14,953 |
| Mortgages receivable | 6(a) | 139,286 | 139,589 |
| Loans receivable | 6(b) | 115,545 | 116,966 |
| Notes receivable | 6(c) | 2,924 | 2,924 |
| Total receivables | | 272,016 | 274,432 |
| Payables and other accruals: | | | |
| Accounts payable and accrued liabilities | 12 | 2,223 | 3,370 |
| Future land development obligations | 12 | 18,798 | 18,931 |
| Total payables and other accruals | | 21,021 | 22,301 |

(1) Excludes amounts receivable presented below as part of balances with equity accounted investments. This amount includes amounts receivable of \$5,140 and other of \$9,121 (December 31, 2021 – \$6,966 and other of \$7,987).

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

| As at | Note | June 30, 2022 | December 31, 2021 |
|---|------------|---------------|-------------------|
| Related party balances disclosed elsewhere in the financial statements | | | |
| Amounts receivable ⁽¹⁾ | 9 | 883 | 581 |
| Loans receivable ⁽²⁾ | 6(b) | 173,015 | 139,152 |
| Other unsecured debt ⁽³⁾ | 10(b)(iii) | 171,984 | 195,562 |

(1) Amounts receivable includes Penguin's portion, which represents \$10 (December 31, 2021 – \$4) relating to Penguin's 50% investment in the PCVP and 50% in Residences (One) LP.

(2) Loans receivable includes Penguin's portion, which represents \$23,932 (December 31, 2021 – \$23,607) relating to Penguin's 50% investment in the PCVP.

(3) Other unsecured debt includes Penguin's portion, which represents \$163 (December 31, 2021 – \$6,243) relating to Penguin's 25% investment in the Residences LP.

Other related party transactions

The following table summarizes other related party transactions:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|------------|--------------------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Legal fees incurred from a law firm in which a partner is a Trustee: | | | | |
| Capitalized to investment properties | 539 | 72 | 1,122 | 150 |
| Included in general and administrative expense | 121 | 434 | 685 | 925 |
| | 660 | 506 | 1,807 | 1,075 |

21. Key management and Trustees' compensation

The following table presents the compensation relating to key management:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|----------------------------|-------|--------------------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Salaries and other short-term employee benefits | 692 | 900 | 1,385 | 1,752 |
| Deferred unit plan | 679 | 942 | 1,338 | 1,678 |
| EIP | (893) | 2,366 | 2,590 | 3,751 |
| LTIP | 19 | 8 | 44 | 373 |
| | 497 | 4,216 | 5,357 | 7,554 |

The following table presents the compensation relating to Trustees:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--------------------|----------------------------|------|--------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Trustees' fees | 168 | 158 | 337 | 302 |
| Deferred unit plan | 168 | 158 | 337 | 302 |
| | 336 | 316 | 674 | 604 |

22. Segmented information

As at June 30, 2022, 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 25.4% of the Trust's annualized rentals from investment properties for the six months ended June 30, 2022 (six months ended June 30, 2021 – 25.3%).

23. Fair value adjustments

The following table summarizes the fair value adjustments:

| | Note | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-------|----------------------------|-----------------|--------------------------|-----------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Investment properties | | | | | |
| Income properties | 4 | 9,464 | 14,961 | 39,668 | (7,917) |
| Properties under development | 4 | 205 | (4,107) | 241,346 | 12 |
| Fair value adjustment on revaluation of investment properties | | 9,669 | 10,854 | 281,014 | (7,905) |
| Financial instruments | | | | | |
| Total return swap receivable | 7 | (7,843) | 557 | (6,238) | 1,070 |
| Units classified as liabilities | 11(a) | 42,173 | (5,293) | 37,119 | (13,212) |
| Deferred unit plan | 11(c) | 8,901 | (4,046) | 7,656 | (9,472) |
| Long term incentive plan | 11(d) | 53 | 96 | 100 | (30) |
| Equity incentive plan | 11(e) | 2,672 | (1,136) | 1,194 | (1,136) |
| Interest rate swap agreements | 7,11 | 15,541 | (4,300) | 39,648 | (2,410) |
| Fair value adjustment on financial instruments | | 61,497 | (14,122) | 79,479 | (25,190) |
| Total fair value adjustments | | 71,166 | (3,268) | 360,493 | (33,095) |

24. Risk management

The Trust analyzes its interest rate exposure on a regular basis. 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 for secured debt, unsecured debt, revolving operating facilities, and mortgages and loans receivable:

| Change in interest rate of: | -1.50% | -1.00% | -0.50% | +0.50% | +1.00% | +1.50% |
|--|---------|---------|---------|---------|---------|----------|
| Net income increase (decrease) from variable-rate debt | 12,876 | 8,584 | 4,292 | (4,292) | (8,584) | (12,876) |
| Net income increase (decrease) from variable-rate mortgages and loans receivable | (4,322) | (2,881) | (1,441) | 1,441 | 2,881 | 4,322 |

The Trust is managing risks arising from the interest rate benchmark reform through: i) managing the maturities of its debt agreements, ii) designating successor rates, and iii) holding onto CDOR and LIBOR rates for as long as practicable, prior to transitioning its financial and debt instruments to successor rates.

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

The sensitivity analysis in the table below reflects the fair value gain (loss) on interest rate swap agreements from possible changes in interest rates.

| Change in interest rate of: | -1.50% | -1.00% | -0.50% | +0.50% | +1.00% | +1.50% |
|---|----------|----------|----------|--------|--------|--------|
| Fair value gain (loss) on interest rate swap agreements | (33,520) | (21,999) | (10,647) | 11,568 | 22,440 | 33,161 |

The Trust's exposure to interest rate risk is monitored by management on a regular basis (see also Note 10, "Debt").

25. Commitments and contingencies

The Trust has certain obligations and commitments pursuant to development management agreements to complete the purchase of Earnouts totalling approximately 142,000 square feet (December 31, 2021 – 131,000 square feet) of development space from Penguin and others, based on a pre-negotiated formula, as more fully described in Note 4, "Investment properties". As at June 30, 2022, the carrying value of these obligations and commitments included in properties under development was \$49,807 (December 31, 2021 – \$60,700). 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 \$20,408 (December 31, 2021 – \$14,934) and commitments relating to equity accounted investments that total \$214,637 (December 31, 2021 – \$293,688), of which the Trust's share is \$90,831 (December 31, 2021 – \$123,584) – see Note 5, "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 6(a). The maximum amount that may be provided under the agreements totals \$293,718 (December 31, 2021 – \$300,796) (see also Note 6, "Mortgages, loans and notes receivable"), of which \$139,286 has been provided as at June 30, 2022 (December 31, 2021 – \$139,589).

As at June 30, 2022, letters of credit totalling \$43,231 (December 31, 2021 – \$34,783) – including letters of credit drawn down under the revolving operating facilities described in Note 10(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 unaudited interim condensed consolidated financial statements.