2020 ANNUAL REPORT

THE SHAPE OF THINGS TO COME

SMARTCENTRES®
REAL ESTATE INVESTMENT TRUST

FROM SHOPPING CENTRES

167 **properties** in all Canadian provinces

34.1M
income producing square feet

97.3%
industry-leading occupancy rate

$10.7B
total real estate assets

TO CITY CENTRES

$13.5B transformation program[1] **("Project 512")**

284
projects announced to date

55.4M
incremental square feet[2]

$3.2 – $3.6B
potential value creation[3]

[1] **REIT** share $7.9B

[2] **REIT** share 32.5M square feet

[3] **REIT** share $1.8B - $2.0B

TABLE OF CONTENTS

3 **Section I — About this Management's Discussion and Analysis**

3 Presentation of Certain Terms Including Non-GAAP Measures

4 Forward-Looking Statements

5 **Section II — Business Overview, Outlook and Strategic Direction**

5 Business Overview and Strategic Direction

8 Outlook

13 Key Business Development, Financial and Operational Highlights for the Year Ended December 31, 2020

18 **Section III — Development Activities**

18 Mixed-Use Development Initiatives

23 Properties Under Development

24 Residential Development Inventory

26 Earnouts and Developments Completed on Existing Properties

27 **Section IV — Business Operations and Performance**

27 Results of Operations – Balance Sheets, Income Statements, NOI, SPNOI, Adjusted EBITDA

35 Other Measures of Performance – Weighted Average Units, FFO, ACFO, Distributions

46 Quarterly Results and Trends

48 General and Administrative Expense

50 **Section V — Leasing Activities and Lease Expiries**

50 Leasing Activities

52 Tenant Profile

54 Leasing Expiries

56 **Section VI — Asset Profile**

56 Investment Properties

60 Equity Accounted Investments

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

64 Mortgages, Loans and Notes Receivable, and Interest Income

68 **Section VII — Financing and Capital Resources**

68 Capital Resources and Liquidity

70 Maintenance of Productive Capacity

71 Debt

75 Interest Expense

76 Financial Covenants

77 Unitholders' Equity

79 **Section VIII — Related Party Transactions**

83 **Section IX — Accounting Policies, Risk Management and Compliance**

83 Significant Accounting Estimates and Policies

88 Risks and Uncertainties

94 Income Taxes and the REIT Exception

95 Disclosure Controls and Procedures and Internal Control Over Financial Reporting

96 **Section X — Glossary of Terms**

100 **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

101 **INDEPENDENT AUDITOR'S REPORT**

106 **CONSOLIDATED BALANCE SHEETS**

107 **CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

108 **CONSOLIDATED STATEMENTS OF CASH FLOWS**

109 **CONSOLIDATED STATEMENTS OF EQUITY**

110 **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

168 **CORPORATE INFORMATION**

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2020

Section I — About this Management's Discussion and Analysis

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

This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2020 and December 31, 2019, the notes contained therein, and the Trust's annual information form ("AIF"). Such consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The Canadian dollar is the functional and reporting currency for purposes of preparing the consolidated financial statements.

This MD&A is dated February 10, 2021, which is the date of the press release announcing the Trust's results for the year ended December 31, 2020. Disclosure contained in this MD&A is current to that date, unless otherwise noted.

Certain definitions of terms and ratios capitalized throughout this MD&A can be found in Section X – Glossary of Terms.

Presentation of Certain Terms Including Non-GAAP Measures

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

Proportionate Share of Equity Accounted Investments

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

Forward-Looking Statements (see also "Risks and Uncertainties")

Certain statements in this MD&A are "forward-looking statements" that reflect management's expectations regarding the Trust's future growth, results of operations, performance and business prospects and opportunities, including those statements outlined under the headings "Business Overview and Strategic Direction", "Outlook", "Key Business Development, Financial and Operational Highlights for the Year Ended December 31, 2020", "Mixed-Use Development Initiatives", "Properties Under Development", "Status of Current Development Initiatives", "Leasing Activities and Lease Expiries", "Amounts Receivable and Other, Deferred Financing Costs, and Prepaid Expenses and Deposits", "Future Retail Developments, Earnouts and Mezzanine Financing", "Uncommitted Retail Pipeline", "Capital Resources and Liquidity", and "Unencumbered Assets". More specifically, certain statements contained in this MD&A, including statements related to the impact of the COVID-19 pandemic including the Trust's plans, expectations and intentions with respect to the collection of rent from tenants, the operation, maintenance and development of its properties and its expectations with respect to liquidity; expected replacement income to be generated by backfilling existing vacant space over time; the Trust's maintenance of productive capacity, estimated future development plans and joint venture projects, including the described type, scope, costs and other financial metrics related thereto; the Trust's expectation that Walmart will continue to be the dominant Anchor tenant in the Trust's property portfolio and that its presence will continue to attract other retailers and consumers; the Trust's expectations regarding future potential mixed-use development opportunities, the timing of construction and costs thereof and returns therefrom; ability to pay future distributions to Unitholders, view of term mortgage renewals including rates and upfinancing amounts, timing of future payments of obligations, intentions to obtain additional secured and unsecured financing and potential financing sources; the Trust's potential future pipeline and uncommitted pipeline; Forecasted Annualized NOI and Annual Run-Rate NOI]; vacancy and leasing assumptions, and statements that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "plan", "potential", "propose", "schedule", "estimate", "intend", "project", "will", "may", "might", "vision", and similar expressions and statements relating to matters that are not historical facts, constitute "forward-looking statements". These forward-looking statements are presented for the purpose of assisting Unitholders and financial analysts to understand the Trust's operating environment, and may not be appropriate for other purposes. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

However, such forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. These risks include risks associated with public health crises such as the COVID-19 pandemic; real property ownership and leasing/tenant risk; liquidity risk; capital requirements and access to capital; environmental and climate change risk; availability of cash flow; potential conflicts of interest; significant Unitholder risk; cyber security risk; debt financing; interest and financing risk; potential volatility of Unit prices; joint venture risk; development and construction risk; credit risk; cash distributions are not guaranteed and will fluctuate with SmartCentres' performance; litigation and regulatory risks; and tax-related risk factors. These risks and others are more fully discussed under the heading "Risks and Uncertainties" and elsewhere in this MD&A, as well as under the heading "Risk Factors" in the Trust's most recent AIF. The Trust has attempted to identify important factors that could cause actual results, performance or achievements to be other than as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. These factors are not intended to represent a complete list of the factors that could affect the Trust. Although the forward-looking statements contained in this MD&A are based on what management believes to be reasonable assumptions, including those discussed under the heading "Outlook" and elsewhere in this MD&A, the Trust cannot assure investors that actual results will be consistent with these forward-looking statements.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: that government restrictions, due to COVID-19, on the ability of tenants to operate their businesses at our properties will continue to ease and will not be re-imposed in any material respects, that COVID-19 will not materially change the willingness of consumers to shop at open-format retail malls of the type operated by the Trust, that there will be a return to a reasonably stable retail environment; relatively low and stable interest costs; a continuing trend toward land use intensification, including residential development in urban and suburban markets, access to equity and debt capital markets to fund, at acceptable costs, future capital requirements and to enable the refinancing of debts as they mature; the availability of investment opportunities for growth in Canada; the timing and ability of the Trust to sell certain properties; and the valuations to be realized on property sales relative to current IFRS values. Certain statements included in this MD&A may be considered "financial outlook" for purposes of applicable Canadian securities laws and, as such, the financial outlook may not be appropriate for purposes other than this MD&A. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement and readers should not place undue reliance on such forward-looking statements. These forward-looking statements are made as at the date of this MD&A and the Trust assumes no obligation to update or revise them to reflect new events or circumstances unless otherwise required by applicable securities legislation.

All amounts in the MD&A are expressed in millions of Canadian dollars, except where otherwise stated. Per Unit amounts are expressed on a diluted basis, except where otherwise stated. Additional information relating to the Trust, including the Trust's AIF for the year ended December 31, 2020, can be found at www.sedar.com.

Section II — Business Overview, Outlook and Strategic Direction

Business Overview and Strategic Direction

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

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

Strategic Overview

The Trust's vision is to create exceptional places to shop, work and live in Canada. Together with its 'best-in-class' partners, the Trust's purpose is to develop, lease, construct, own and manage interests in shopping centres, residential rental buildings, retirement homes, office buildings and self-storage facilities. In addition, together with its 'best-in-class' partners, the Trust has commenced a program to develop, pre-sell, construct and deliver high-rise condominium and townhome projects. These initiatives are intended to be developed primarily within the Trust's current portfolio of convenient locations. The Trust expects these projects to provide intelligent designs, a desirable mix of retail and office tenants, high-quality residential space for residential owners, tenants and seniors, and industry-leading self-storage facility designs. The Trust is continuing to work on opportunities to provide these additional sources of FFO and NAV growth, and to date has identified 284 mixed-use development initiatives expected to be developed on 95 of its existing properties which are expected to add approximately 32.5 million square feet of mixed-use rental space and condominium and townhome developments to the Trust's existing portfolio of approximately 33.8 million (December 31, 2019 – 34.1 million) square feet of retail space. This robust development pipeline is expected to be further increased over time as the Trust continues to identify additional opportunities for intensification and further development within its existing portfolio of shopping centre properties across Canada.

From the Trust's inception in 2001 and prior to 2015, the Trust's growth was principally a result of the acquisition and Earnout of completed and fully leased retail shopping centres, predominately with the Anchor or Shadow Anchor tenant (i.e., located on a nearby property not owned by SmartCentres) being Walmart. Although the current COVID-19 pandemic has resulted in the closure of a limited number of tenants, this portfolio of shopping centres continues to focus on value-oriented retailers and includes large, well-capitalized and well-known national and regional retailers as well as strong neighbourhood merchants, resulting in the Trust continuing to experience an industry-leading in-place occupancy rate of 97.0% as at December 31, 2020 (December 31, 2019 – 98.1%). The Trust's shopping centres are typically located close to major highways and other major arterial roadways, which, along with the Anchor and Shadow Anchor stores, provide significant draws to the Trust's portfolio, attracting both value-oriented retailers and consumers. It is expected that Walmart will continue to be the dominant Anchor tenant in the Trust's retail portfolio and that its presence will continue to generate, over the long-term, high traffic levels and therefore provide a strong basis for the Trust to both retain existing retail tenants and have the ability to attract new retailers.

In May of 2015, as part of a transformative transaction (the "Transaction") the Trust acquired the SmartCentres platform and the "SmartCentres" brand from Penguin. This brand has historically represented a family and value-oriented shopping experience. Among other things, this strategic acquisition of the SmartCentres platform resulted in the Trust absorbing a large team of professionals working in the areas of land acquisition, planning, development, leasing, construction and other complementary services. This team of professionals that was responsible for the successful development, leasing and construction of more than 60.0 million square feet of retail space, and on average, over a period of 14 consecutive years, completed and opened a new Walmart-anchored shopping centre every three weeks, is now focused on the development and construction of the 284 mixed-use development initiatives noted above.

As at December 31, 2020, the Trust's portfolio includes an ownership interest in 167 properties located in communities across Canada, which includes: 148 shopping centres with total income-producing gross leasable area of approximately 33.8 million square feet, one office property, eight mixed-use properties (including the Trust's interest in both the KPMG tower and the PwC-YMCA mixed-used facility at SmartVMC and the Toronto (Leaside) self-storage facility), and 10 development properties. Many of the Trust's retail properties are shadow-anchored by approximately 9.7 million square feet of large retailers including Walmart, Canadian Tire, Home Depot, Costco, Rona and Loblaws and its related banners. This Shadow Anchor space is in addition to the area these same retailers lease in the Trust's shopping centres.

Mixed-Use Development Initiatives

The Trust has announced numerous mixed-use initiatives, either with various joint venture partners or on its own, to develop parcels primarily within its existing portfolio of shopping centres with residential, seniors' housing, office and self-storage uses where such uses make sense to optimize each centre within its local community. These mixed-use initiatives are expected to typically occur on: i) adjacent vacant lands that would have historically been designated for retail development, ii) surplus parking areas, and iii) properties previously designated as income properties that have now been transferred to properties under development. Please see further details in the "Mixed-Use Development Initiatives" and "Leasing Activities and Lease Expiries" sections in this MD&A.

Description	**Underway** (Construction underway or expected to commence within next 2 years)	**Active** (Construction expected to commence within next 3–5 years)	**Future** (Construction expected to commence after 5 years)	**Total**
Recurring income initiatives	40	60	97	197
Development income initiatives	17	22	48	87
Total	**57**	**82**	**145**	**284**
Total project area (in thousands of sq. ft.) – at 100%	12,500	15,200	27,700	55,400
Total Trust's share of project area (in thousands of sq. ft.)	**6,700**	**9,500**	**16,300**	**32,500**
Total estimated costs (in millions of dollars) – at 100% based on current planning budgets	5,800	7,700	–[1]	13,500
Trust's share of such estimated costs (in millions of dollars)	**3,200**	**4,700**	**–[1]**	**7,900**

(1) The Trust has not yet fully determined the costs attributable to future projects expected to commence after five years and as such they are not included in this table.

Retail Developments, Earnouts and Mezzanine Financing

Retail Developments, Earnouts and Mezzanine Financing continue to be components of the Trust's strategic plan, although they are much less significant than the mixed-use development initiatives noted above. In the table below, "Retail Developments" represent the potential gross leasable area for retail use that the Trust plans to develop for its own account and exclude the Trust's share of SmartVMC and other major mixed-use development initiatives that are discussed separately in "Mixed-Use Development Initiatives". "Earnouts" are defined as the contractual provisions on parcels of land to be developed and leased, which were previously purchased from Penguin and its partners. The Trust recently agreed, pursuant to the Omnibus Agreement, to extend the maturity dates on all remaining Earnouts by two years (see also "Related Party Transactions" in this MD&A). "Mezzanine Financing" purchase options are exercisable with the borrower of the mezzanine financing once a certain level of development and leasing at a shopping centre has been achieved and typically allow the Trust to acquire 50% of the completed shopping centre at agreed-upon formulas, based on a market capitalization rate at the time the option is exercised. If the specified level of development and leasing is not achieved prior to the maturity date of the loan and the loan is repaid, then the option terminates. However, in some circumstances the Trust has permitted certain of those loans to be extended. If an applicable property is to be sold prior to the maturity date of the loan and prior to the applicable option being triggered, then the Trust has a right of first refusal with respect to such sale.

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

(in thousands of square feet)	**December 31, 2020**	December 31, 2019
Planned developments not subject to Earnouts	**1,291**	2,346
Planned developments subject to Earnouts	**154**	247
Future estimated retail development area	**1,445**	2,593
Lands under Mezzanine Financing	**502**	615
Trust's potential gross leasable area	**1,947**	3,208

The Trust continues to revise its estimates and adjust its plans towards mixed-use developments. Pursuant to the Transaction, which involved the acquisition of both a significant portfolio of real estate and the Penguin platform – all leasing and development work on behalf of Penguin and other vendors is now managed and completed by the Trust under contract with those parties (see also "Related Party Transactions – Development Services Agreement" of the MD&A). Subject to certain limitations, the Trust is responsible for managing the completion of Developments and Earnouts and charges fees to the vendors for such management of Developments and Earnouts.

Acquisitions

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

Professional Management

Through the continued professional management of the portfolio, the Trust intends to ensure its properties portray an image that will continue to attract consumers and residents, as well as provide preferred locations for its retail, office, residential and self-storage tenants. Well-managed properties enhance the overall quality of shopping, working and living experiences. The Trust believes its professional management of the portfolio permitted the maintenance of a high in-place occupancy rate of 97.0% at December 31, 2020 (December 31, 2019 – 98.1%) and a committed occupancy rate (that includes executed leases that have not commenced) of 97.3% at December 31, 2020 (December 31, 2019 – 98.2%).

Outlook – Leading Through the Pandemic by Helping Canadians

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and, since that time, we have continued to maintain our focus on long-term strategic initiatives, while supporting our current operations, tenants and the communities in which we operate throughout Canada. During the initial stages of this pandemic, we offered to provide over 1.0 million square feet of space to Canadian health organizations to support their needs and over the last 10 months we have not wavered from our offer to assist Canadian health authorities. Most recently, we have offered space in our shopping centres to Canadian health authorities to assist with the inoculation process and we are hoping that we can further assist initiatives and programs which seek to help Canadians feel safe, secure and healthy.

In the fall of 2019, 256 mixed-use development initiatives (representing approximately 27.9 million square feet) were identified to potentially be built on 95 of the Trust's properties. This number has now grown to 284 mixed-use initiatives. Mixed-use development initiatives enable us to leverage our existing portfolio of retail properties as a catalyst to assist future growth in the Trust's NAV and FFO. These mixed-use initiatives are expected to be developed primarily on underutilized lands currently owned by the Trust. We will also judiciously purchase additional development lands or income-producing properties when they offer longer term strategic and economic opportunities.

From a development perspective at SmartVMC, we are pleased to confirm that our 2020 results include over $45.0 million ($0.26 of FFO per Unit) emanating from the closings in the Transit City 1 & 2 condominiums that began in Q3 2020 and which are now substantially complete. This is a milestone achievement as it represents the initial contributions to FFO from our robust pipeline of development opportunities, from which we expect to grow FFO and NAV for many years to come.

The table below summarizes activity currently underway at SmartVMC through the Trust's equity accounted investments (the figures presented below are at 100%, of which the Trust's share is 50% for the purpose-built residential rental apartment tower and 25% for the condo towers and townhomes):

Phase	Storeys (#)	Units Released for Sale/ Available for Rent (#)	Units Sold (#)	Units Sold to Date (%)	Actual/ Estimated Completion Period
Transit City 1	55	551	551	100.0	2020
Transit City 2	55	559	559	100.0	2020
Transit City 3	55	631	631	100.0	2021
Transit City 4	45	498	498	100.0	2023
Transit City 5	50	528	528	100.0	2023
Transit City 1 & 2 Townhomes	N/A	22	22	100.0	2021
Subtotal – SmartVMC Condos/ Townhomes		**2,789**	**2,789**	**100.0**	
Purpose-Built Residential Rental Apartment Tower	36	454			2023/2024
Total – SmartVMC Residential		**3,243**			

We are proud to confirm that the completion and profitability of our first three phases of condominium development at SmartVMC are coming in both ahead of schedule and ahead of budget. Closings in Transit City 1 & 2 began on August 5 and have continued as noted in the table below. The table below provides details on expected closings for Transit City 3 and the Transit City 1 & 2 townhomes at 100%, of which the Trust's share is 25%:

Month	Transit City 1 Closings	Transit City 2 Closings	Transit City 3 Closings	Transit City 1 & 2 Townhome Closings	Total Transit City Closings	As a % of Total Transit City 1, 2 & 3 Units
August	247	—	—	—	247	14.0
September	174	345	—	—	519	29.5
October	35	88	—	—	123	7.0
November	35	50	—	—	85	4.8
December	60	75	—	—	135	7.7
Total – 2020	**551**	**558**	**—**	**—**	**1,109**	**62.9**
Q2/Q3 2021	—	—	631	—	**631**	**35.8**
Q4 2021	—	—	—	22	**22**	**1.2**
Total – 2020 and 2021	**551**	**558**	**631**	**22**	**1,762**	**100.0**

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

Also, at SmartVMC, the construction of the world-class YMCA space is substantively complete, and subject to COVID-19 restrictions, is expected to be open in Q2 of 2021. We are also now actively designing the next phase of office development at SmartVMC which is expected to be built in conjunction with two new residential towers adjacent to the SmartVMC Bus Terminal. In September 2020, we sold 22 townhomes as part of the Transit City 1 & 2 phases. Construction of these units has now begun with completion and delivery expected for Q4 2021. In addition, the opening of the new Walmart store on the site of our former head office took place in October 2020. This new store features leading edge omnichannel attributes for Walmart, and the significance of the new aligned off-ramp from Hwy 400 directly into the SmartVMC site cannot be overstated as it now permits Walmart customers access to the new store directly from the highway. Walmart's recent move has now provided 15.5 acres of additional development lands on the SmartVMC site.

In addition to SmartVMC, our residential development initiatives on other sites are expected to continue to progress over the next twelve months, whereby, subject to arranging satisfactory project financing, we expect to commence construction on a variety of new mixed-use initiatives including:

Description	Location	Units (#)	Partner
Phase 2 Residential Rental Building	Laval, Quebec	167	Jadco
Vaughan NW Townhomes	Vaughan, Ontario	179	Fieldgate Homes
Seniors' Rental and Seniors' Living Community	Ottawa, Ontario	410	Selection Group
Phase 1 and 2 Residential Rental Building	Mascouche, Quebec	238	To be arranged

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

Earlier in 2020, together with our partner, Greenwin Developments Inc. ("Greenwin"), we announced the purchase of a development site on Balliol Street in the Davisville/Yonge area of midtown Toronto on which we plan to develop a 35-storey high-rise purpose-built rental tower. Also, in the second half of 2019, together with our partner, Greenwin, we announced the purchase of a 7.8 acre lakefront site in Barrie, Ontario on which we plan to construct approximately 2,000 rental units in four high-rise phases. The first phase of this project is expected to begin construction within the next 12 months.

In 2019, together with Revera Inc. ("Revera"), we announced the execution of an overall agreement to develop and own new retirement living residences across Canada. (We note these retirement living residences are very different in nature, in level of care and funding, than government subsidized long-term care facilities in which there have been so many unfortunate issues during the pandemic.) We have now executed specific site agreements to proceed with the first three initiatives on properties that are currently owned by the Trust, in Vaughan (two initiatives) and Oakville, Ontario which in aggregate will contain 536 units. Subject to appropriate approvals and project-specific financing being arranged, construction of these three initiatives is expected to commence within the next 12 to 18 months. During the first quarter of 2020, together with Revera, we announced additional Toronto area retirement living residences to be built in Markham and Oakville each on properties currently owned by Revera. We purchased our 50% interest in the Markham property in early November. In addition, together with Selection Group (formerly Réseau Sélection) we announced a two-tower seniors' apartments/retirement residences project on undeveloped lands at our Laurentian Place shopping centre in Ottawa. Subject to appropriate approvals and project-specific financing being arranged, construction of this 410-unit development is also expected to commence within the next six months with completion expected in Q1 2023. We are continuing to work with our partners and are at various stages of identifying and moving forward with additional opportunities to develop retirement communities within our portfolio of shopping centre locations.

With our partner SmartStop, construction is now complete on our first self-storage project in Leaside, Ontario. It opened in 2020 and the facility has been very well received by the local community with current occupancy levels ahead of expectations. Construction is progressing on the next four SmartStop projects in Brampton, Vaughan NW, Oshawa, and Scarborough with completions expected within the next three months. These 4-storey self-storage facilities range in size up to 135,000 square feet and will each have approximately 1,000 units. Additional self-storage facilities have been approved by our Board for development on our existing properties including locations at Aurora, Whitby, Markham and an additional location in Brampton. In each case, lands have been or will be transferred to the partnership with SmartStop as soon as we receive municipal approvals.

The Trust's 33.8 million square foot portfolio of predominately Walmart-anchored shopping centres was built for 'heavy weather' and during these uncertain times, continues to demonstrate industry-leading occupancy levels. When including committed deals, our overall occupancy level was 97.3% at the end of Q4 (December 31, 2019 – 98.2%). Prior to the pandemic, there was already a dearth of new retail space being constructed and the pandemic has resulted in the deferral of most planned new retail expansion projects in Canada. We believe that this limitation of new supply will assist us in being able to backfill our additional vacant space over the next 2–3 years as we are speaking with many tenants that are seeking lower-cost, safer open-format alternatives. While we have been left with some additional vacant space resulting from this pandemic, we remain well positioned as the strategic lower-cost provider of retail space in Walmart-anchored open-format shopping centres in Canada. During the pandemic, Walmart has continued to demonstrate its industry-leading ability to drive high traffic levels to our shopping centres across Canada. This is best exemplified by our core portfolio of shopping centres continuing to demonstrate strong resilience in the face of adversity and as at December 31, 2020, we have renewed 75.3% of our expiring lease maturities (2019 – 83.6%) with rental increases, excluding Anchor tenants averaging 3.3% (2019 – 4.0%).

Our experience with the collection of tenant billings has continued to show improvement since the pandemic began. On April 21, 2020, we announced that our collection experience for April was 68% and as reflected in the table below, since that date, our actual collection experience has continued to improve substantively.

Month(1)	% of Gross Monthly Billings Collected Before Application of CECRA Related Arrangements(2)	% of Gross Monthly Billings Collected After Application of CECRA Related Arrangements(2)
April	76.9	83.5
May	77.5	84.0
June	80.8	87.3
July	86.0	92.5
August	89.4	96.0
September(2)	89.5	96.1
October	95.1	95.1
November	94.9	94.9
December	93.4	93.4

(1) Represents the Trust's collection experience up to January 25, 2021.
(2) The CECRA program ended on September 30, 2020.

As of February 3, 2021, the Trust has collected 90.0% of gross monthly billings for the month of January 2021.

In May 2020, to assist those small to medium-sized businesses that have been most affected across the country, the federal government announced the Canada Emergency Commercial Rent Assistance ("CECRA") program which ended in September 2020. This program provided for federal rent subsidies to qualifying tenants of 50% of their rents for the period April – September 2020 and required participating landlords to 'forgive' 25% of the rent otherwise payable for the subject months. Qualifying tenants were, therefore, required to fund only 25% of their rents for this period, with the expectation that doing so would provide those tenants that had been significantly impacted by the pandemic the opportunity to stabilize their businesses. Since the inception of the CECRA program, we have worked with over 700 of our tenants that qualified for this program and filed applications for the federal subsidies for the period April – September 2020, on their behalf, all of which were received prior to September 30, 2020.

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

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

(1) Net of sales tax, the CECRA program ended September 30, 2020.

The following table provides some additional details on the Trust's tenant billings, amounts received, expected recovery and related provisions for pandemic-impacted periods for the three months and nine months ended December 31, 2020:

(in thousands of dollars)	Three Months Ended December 31, 2020	As a %	Nine Months Ended December 31, 2020	As a %
Total tenant billings	**198,901**	100.0	**597,349**	100.0
Less: Amounts received directly from tenants to date	**187,850**	94.4	**519,919**	87.0
Balance outstanding	**11,051**	5.6	**77,430**	13.0
Less:				
Recovery from governments for CECRA	**—**	—	**15,412**	2.6
Amounts forgiven by the Trust for CECRA	**—**	—	**7,706**	1.3
Sales tax on CECRA	**—**	—	**2,976**	0.5
Tenant rent deferral arrangements agreed	**544**	0.3	**7,664**	1.3
Tenant rent deferral arrangements under negotiation	**—**	—	**15,829**	2.6
Rents to be collected before expected credit loss ("ECL") provision	**10,507**	5.3	**27,843**	4.7
Less: ECL provision	**5,235**	2.6	**15,319**	2.6
Balance to be collected	**5,272**	2.7	**12,524**	2.1

In addition, there are a number of mid- and large-size tenants that did not qualify for the CECRA program, but have been required to close or significantly scale back their operations during parts of the pandemic. These tenants include restaurants, fashion, toys, fitness, sportswear, furniture, and other retailers that certain governments deemed non-essential. While many of these larger tenants fulfilled their lease payment obligations during the period, a number of tenants required some flexibility to permit them to re-establish operations and begin to return to normalcy. Deferral rents negotiated or near completion amounted to 3.9% of total tenant billings for the nine months ended December 31, 2020.

This pandemic has also resulted in certain tenants seeking creditor protection and/or restructuring their businesses. These tenants include Reitman's, Comark, Aldo and SAIL, all of whom are intending to restructure and continue the bulk of their business with a stronger balance sheet and improved liquidity in our strong Walmart-anchored centres. These challenges, together with additional doubtful account provisions, resulted in additional expected credit loss provisions totalling $5.2 million being recorded during the fourth quarter. The table below represents a summary of the nature of bad debt and ECL provisions taken during the three months ended December 31, 2020, September 30, 2020, and June 30, 2020, and the nine months ended December 31, 2020:

(in thousands of dollars)	Three Months Ended December 31, 2020	Three Months Ended September 30, 2020	Three Months Ended June 30, 2020	Total for the Nine Months Ended December 31, 2020
Provisions for CECRA-eligible tenants	**—**	2,101	5,605	**7,706**
Provisions for tenants not eligible for CECRA	**358**	646	1,408	**2,412**
	358	2,747	7,013	**10,118**
Provisions for tenants filing under *Companies' Creditors Arrangement Act ("CCAA")* and similar bankruptcy restructurings	**997**	4,089	3,070	**8,156**
Provisions for additional ECL	**3,837**	2,875	5,401	**12,113**
	4,834	6,964	8,471	**20,269**
Total bad debt/ECL provisions	**5,192**	9,711	15,484	**30,387**

The retail portfolio's additional vacant space and the additional time now expected to backfill such space has had an impact on our IFRS property valuations which are reflected in the table below. Our IFRS values are predicated on income in place (or expected replacement income to be generated by backfilling existing vacant space over time). It is important to note that we have not factored into our IFRS values any value that accrues from future development of mixed-use space on our properties and that we expect substantial future value increments to be derived from our proposed mixed-use development initiatives. For example, the potential for incremental value from future mixed-use development (once fully zoned and the site-plan is approved) at our Westside Mall property in Toronto alone is projected to add in excess of $100.0 million to this property's current IFRS value. This represents only one property in a portfolio of 167 properties that we expect will provide for further mixed-use development of various forms, none of which has been reflected in our current IFRS values on our balance sheet.

Because of the uncertainty surrounding certain tenancies and future leasing parameters resulting from this pandemic, the value of our investment properties has decreased by 3.0% since December 31, 2019.

The following table identifies the impact to IFRS investment property values for the year ended December 31, 2020:

	Income Properties		Properties Under Development		Total	
(in thousands of dollars)	Amount	Fair value adjustments as % of carrying value	Amount	Fair value adjustments as % of carrying value	Amount	Fair value adjustments as % of carrying value
Balance before fair value revaluation adjustment as at March 31, 2020	8,475,370		593,548		9,068,918	
Fair value adjustment on revaluation of investment properties in Q1 2020	(64,158)	(0.8)%	776	0.1 %	(63,382)	(0.7)%
Fair value as at March 31, 2020	8,411,212		594,324		9,005,536	
Additional costs and other adjustments	1,676		3,653		5,329	
Fair value adjustment on revaluation of investment properties in Q2 2020	(139,141)	(1.7)%	(58,223)	(9.7)%	(197,364)	(2.2)%
Fair value as at June 30, 2020	8,273,747		539,754		8,813,501	
Additional costs and other adjustments	(14,146)		32,605		18,459	
Fair value adjustment on revaluation of investment properties in Q3 2020	745	0.0 %	1,489	0.3 %	2,234	0.0 %
Fair value as at September 30, 2020	8,260,346		573,848		8,834,194	
Additional costs and other adjustments[1]	5,749		26,986		32,735	
Fair value adjustment on revaluation of investment properties in Q4 2020	1,335	0.0 %	(17,874)	(3.0)%	(16,539)	(0.2)%
Fair value as at December 31, 2020	**8,267,430**		**582,960**		**8,850,390**	
Year to date fair value adjustment on revaluation of investment properties	**(201,219)**	**(2.4)%**	**(73,832)**	**(12.4)%**	**(275,051)**	**(3.0)%**

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

The pandemic resulted in further reductions in benchmark interest rates (i.e., the current overnight Bank of Canada lending rate is 0.25%) however, spreads associated with both secured and unsecured borrowings increased. We believe the pandemic will continue to result in a challenging economic environment for at least the next 18–24 months, which in turn is expected to result in continued low short and long-term interest rates (by historical standards). Given this low interest rate environment, we will continue, when appropriate, to take advantage of these favourable borrowing conditions to enhance FFO, extend debt maturities and further mitigate exposure to interest rate and debt repayment/maturity risk. In addition, we expect to continue our strategy to repay most maturing mortgages and then term out selectively with unsecured debentures or similar unsecured facilities. Our current ratio of unsecured/secured debt is 68%/32% (December 31, 2019 – 63%/37%). This strategy permits us to continue to increase our unencumbered asset pool, which is currently valued at in excess of $5.8 billion (December 31, 2019 – $5.7 billion).

Liquidity and having the ability to fund obligations during challenging periods, such as the effects currently being experienced that result from the pandemic, is the principal reason that we increased and extended our unsecured revolving operating line of credit to $500.0 million in 2017, as well as establishing a $250.0 million undrawn accordion feature. As a result of our continued commitment to our balance sheet, late in 2019, we received a credit rating upgrade to BBB(H) from DBRS Morningstar. This achievement is significant as it reduces future borrowing costs and permits a wider group of investors to invest in our bonds, which is of particular importance in periods such as those resulting from COVID-19. In June 2020, once the debt capital markets had stabilized, we took the opportunity to issue $600.0 million in new 7- and 10.5-year debentures yielding 3.192% and 3.648%, respectively. In December 2020, we once again took the opportunity to issue $650.0 million in new 5- and 8-year debentures yielding 1.740% and 2.307%, respectively. These were strategic preemptive measures intended to eliminate any risk of the markets not being available to permit us to repay maturing unsecured debt. Funds raised from these issuances were used to repay maturing Series R, Series M, and Series Q unsecured debt and other debt in 2020 and 2021.

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

a. Average interest rate of 3.28%
b. Average duration of unsecured debt of 5.2 years
c. Adjusted debt/Adjusted EBITDA of 8.5X
d. Debt/Total assets of 44.6%
e. Interest coverage ratio of 3.2X
f. Maturing secured debt during 2021 of $134.8 million
g. Maturing unsecured debt in 2021 and 2022 of $623.1 million (including $323.1 million of Series T unsecured senior debentures to be repaid with existing cash and cash equivalents)

SmartCentres has continued to demonstrate a strong commitment to assist our communities, our tenants and our stakeholders during this unprecedented period. Concurrently, we have continued to focus on the long term, beyond the current pandemic period, and in this regard, we remain disciplined in our focus on our various mixed-use development initiatives, 57 of which are either underway or for which construction is expected to commence within the next two years. With the recognition of approximately $45.2 million in FFO ($0.26 per Unit) from the first two phases of Transit City closings, 2020 marked the beginning of the next phase in SmartCentres' growth as a fully integrated REIT. These substantial earnings are the first foundational indicators from our robust pipeline of opportunity from which we expect to see consistent and measured growth in both FFO and NAV.

Key Business Development, Financial and Operational Highlights for the Year Ended December 31, 2020

The Trust's estimates and judgments could be affected by various risks and uncertainties, including but not limited to the effects of the COVID-19 pandemic, which in turn could have a significant effect on the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements for the year ended December 31, 2020 and the reported amounts of revenues and expenses during the reporting period, and could potentially result in a material adjustment to the consolidated financial statements in a subsequent period.

Mixed-Use Development and Intensification at SmartVMC

- Occupancy of both 55-storey Transit City 1 and 2 condo towers representing 1,110 residential units is complete, with substantially all units closed by year-end. These closings contributed approximately $45.2 million in FFO (approximately $0.26 in FFO per unit) for the second half of 2020.[(2)] In addition, the 1,098 unit multi-level parking facility providing parking for both these condominium buildings and the neighbouring PwC/YMCA mixed-use facility is now fully functional.
- Construction of the 55-storey Transit City 3 condo tower representing 631 residential units continues to be ahead of schedule and ahead of budget. The tower is topped-off, cranes have been dismantled, and closings are expected to commence in spring 2021.
- Construction is well underway on Transit City 4 (45 storeys) and 5 (50 storeys) condo towers, representing 1,026 sold residential units, with bulk excavation complete and tower cranes erected. Concrete and formwork for the multi-level underground parking garage is in progress and approaching ground level.
- Construction is well underway on a 35-storey, 454-unit purpose-built residential rental building at SmartVMC, with the tower crane erected and concrete and formwork for the multi-level underground parking garage in progress and approaching ground level.
- Construction of the new Walmart store is complete, with Walmart's grand opening having taken place on October 22, 2020, allowing for the closing of the store that was located on the SmartVMC site, and freeing up approximately 15.5 acres of valuable land for future mixed-use development close to the TTC subway station.
- Pre-sold 100% of the 22 townhomes, as part of the Transit City 1 & 2 project, for which construction has commenced and delivery of units is expected in late 2021.
- Preparing for the launch of the next phase of high-rise development.

Other Business Development

- The completed first phase of the two-phase, purpose-built residential rental project in Laval, Quebec, which had initial occupancy by tenants commencing in March 2020 and, to date, approximately 80% of the 171-unit building has been leased. Construction of the next phase is expected to commence in early 2021.
- The Trust completed construction of its first three self-storage facilities in Toronto (Leaside), Brampton, and Vaughan NW, each of which has been very well received by the local communities, with current occupancy levels ahead of expectations.
- Based on planning and rezoning work completed to date, the Trust expects to commence construction of a new retirement home early in 2021 with its joint venture partner Selection Group in Ottawa.
- Two additional self-storage facilities in Oshawa and Scarborough are currently under construction and are expected to be completed in 2021. Additional self-storage facilities have been approved by the Board and the Trust is in the process of obtaining municipal approvals in Aurora, Whitby, Markham and an additional location in Brampton.
- With the recently issued Minister's Zoning Order, the Trust has commenced the redevelopment of its 73-acre Cambridge retail property with various forms of residential, retail, office, institutional, and commercial uses to create a complete vibrant urban community representing over 12.0 million square feet.
- During the COVID-19 pandemic, the Trust has been aggressively pursuing final municipal approvals for mixed-use density on many of its shopping centres.

Financial

- The Trust further improved its unsecured/secured debt ratio to 68%/32% (December 31, 2019 – 63%/37%), as it repaid $120.9 million of secured debt and other debt, and $474.4 million of unsecured debt and credit facilities during 2020.
- The Trust continues to add to its unencumbered pool of high-quality assets. As at December 31, 2020, this unencumbered portfolio consisted of income properties valued at $5.8 billion (December 31, 2019 – $5.7 billion).
- In June 2020, the Trust issued $300.0 million aggregate principal amount of 3.192% Series V 7-year senior unsecured debentures and $300.0 million aggregate principal amount of 3.648% Series W 10.5-year senior unsecured debentures.
- In December 2020, the Trust issued $350.0 million of 1.740% Series X 5-year senior unsecured debentures and $300.0 million of 2.307% Series Y 8-year senior unsecured debentures.
- In December 2020, the Trust repaid the $250.0 million aggregate principal of Series R senior unsecured debentures upon their maturity. The repayment was funded by the proceeds from the issuances of Series V and Series W senior unsecured debentures in June 2020.
- In December 2020, the Trust announced the redemption of 3.730% Series M senior unsecured debentures and 2.876% Series Q senior unsecured debentures, in aggregate principal amounts of $150.0 million and $150.0 million, respectively. The redemptions were settled in January 2021. The redemptions were funded by the proceeds from the issuance of Series X and Series Y senior unsecured debentures in December 2020.
- Debt metrics continue to demonstrate the Trust's commitment to its balance sheet, including Debt to Total Assets of 44.6%, Interest Coverage multiple of 3.2X, Interest Coverage net of capitalized interest multiple of 3.7X, and Adjusted Debt to Adjusted EBITDA multiple of 8.5X.(2)(3)
- Net income and comprehensive income was $89.9 million as compared to $374.2 million in the same period in 2019, representing a decrease of $284.3 million. This decrease was primarily attributed to the fair value adjustment on the revaluation of investment properties of $275.1 million, principally resulting from the impact of the COVID-19 pandemic during 2020.(1)
- FFO increased by $2.5 million or 0.7% to $368.0 million, which was primarily due to the Trust's share of profit on the closings of Transit City 1 and 2, partially offset by COVID-19 related expected credit loss provisions.
- ACFO with one-time adjustment increased by $10.2 million or 2.9% to $365.4 million as compared to the same period in 2019, primarily due to the Trust' share of profit on the closings of Transit City 1 and 2, partially offset by COVID-19 related expected credit loss provisions.(2)
- ACFO with one-time adjustment exceeded both distributions declared and distributions paid by $46.6 million and $67.5 million respectively (2019 - $44.5 million and $116.0 million, respectively). The change is primarily due to the Trust's share of profit on the closings of Transit City 1 and 2, partially offset by COVID-19-related expected credit loss provisions and their associated impact on the Trust's cashflows from operations. Note also that the Trust suspended its dividend reinvestment plan in April 2020.(2)
- The Payout Ratio relating to ACFO with one-time adjustment for the year ended December 31, 2020 decreased by 0.3% to 87.2% as compared to 87.5% for 2019.

Operational

- Occupancy rates, both committed and in-place, were 97.3% and 97.0%, respectively, as at December 31, 2020.
- Rentals from investment properties and other was $781.3 million, as compared to $806.4 million in the same period in 2019, representing a decrease of $25.1 million or 3.1%. This decrease was primarily due to lower: i) percentage rent, ii) short-term rental revenue, iii) parking and other miscellaneous revenues, and iv) lower recoverable costs, all resulting from the COVID-19 pandemic.
- Same Properties NOI for the year ended December 31, 2020 decreased by $35.3 million or 6.9% as compared to 2019. This decrease was primarily due to an increase in expected credit losses recorded for the year ended December 31, 2020 as a result of the COVID-19 pandemic. Excluding the expected credit losses of $30.8 million recorded in the year ended December 31, 2020, Same Properties NOI would have been $504.7 million representing a decrease of $5.5 million or 1.1% as compared to 2019.(2)

Subsequent Events

In January 2021, the Trust redeemed $150.0 million aggregate principal of 3.73% Series M senior unsecured debentures and $150.0 million aggregate principal of 2.876% Series Q senior unsecured debentures. The redemptions were funded from proceeds raised from the issuance of Series X and Series Y senior unsecured debentures.

In January 2021, the Trust granted 900,000 Performance Units to Mitchell Goldhar through the Equity Incentive Plan ("EIP"), subject to the achievement of Unit price thresholds. The performance period for the EIP is from January 1, 2021 to December 31, 2027. Distributions on Performance Units will accumulate from January 1, 2021, and they and the Performance Units vest for the lesser of three years after they are earned or on December 31, 2027. Performance Units will be exchanged for Trust Units or paid out in cash (see also Note 21, "Related party transactions", in the Trust's consolidated financial statements for the year ended December 31, 2020).

On February 2, 2021, the Trust entered into a total return swap agreement for up to 6.5 million Trust Units with a notional value of approximately $156.0 million for a 48-month period, which, subject to certain conditions, may be unwound prior to its maturity, either in whole or in part. The counterparty to this swap agreement is a highly rated Canadian financial institution.

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(3) Net of cash-on-hand of $754.4 million as at December 31, 2020 for the purposes of calculating the ratios.

Selected Consolidated Operational, Mixed-Use Development and Financial Information

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

(in thousands of dollars, except per Unit and other non-financial data)	**December 31, 2020**	December 31, 2019	December 31, 2018
Operational Information			
Total number of properties with an ownership interest	**167**	165	164
Gross leasable area including both retail and office space (in thousands of sq. ft.)	**34,056**	34,337	34,379
Occupied area including both retail and office space (in thousands of sq. ft.)	**33,039**	33,678	33,695
Vacant area including both retail and office space (in thousands of sq. ft.)	**1,017**	659	684
Committed occupancy rate (%)	**97.3**	98.2	98.1
In-place occupancy rate (%)	**97.0**	98.1	98.0
Average lease term to maturity (in years)	**4.6**	4.9	5.4
Net retail rental rate (per occupied sq. ft.) ($)	**15.37**	15.49	15.31
Net retail rental rate excluding Anchors (per occupied sq. ft.) ($)	**21.89**	22.13	21.77
Mixed-use Development Information			
Future development area (in thousands of sq. ft.)	**32,500**	27,900	N/A(5)
Total number of future projects currently in development planning stage	**284**	256	N/A(5)
Trust's share of estimated costs of future projects currently under construction, or for which construction is expected to commence within the next 5 years	**7,900,000**	5,500,000	N/A(5)
Financial Information			
Investment properties(2)(3)	**9,400,584**	9,466,501	9,155,175
Total assets(1)	**10,724,492**	9,928,467	9,459,632
Total unencumbered assets(2)	**5,835,600**	5,696,100	4,250,800
Debt(2)(3)	**5,261,360**	4,290,826	4,236,364
Debt to Aggregate Assets (%)(2)(3)(4)	**44.6**	42.3	43.9
Debt to Gross Book Value (%)(2)(3)(4)	**50.1**	49.0	51.1
Unsecured to Secured Debt Ratio(2)(3)(4)	**68%/32%**	63%/37%	48%/52%
Unencumbered assets to unsecured debt(2)(3)(4)	**1.9X**	2.1X	2.1X
Weighted average interest rate (%)(2)(3)	**3.28**	3.55	3.73
Weighted average term of debt (in years)	**5.0**	5.0	4.9
Interest Coverage Ratio(2)(3)(4)	**3.2X**	3.5X	3.3X
Interest coverage (net of capitalized interest expense)(2)(3)(4)	**3.7X**	4.0X	3.8X
Adjusted Debt to Adjusted EBITDA (net of cash)(2)(3)(4)	**8.5X**	8.0X	8.2X
Equity (book value)(1)	**5,166,975**	5,367,752	5,008,331
Weighted average number of units outstanding – diluted	**172,971,603**	170,581,531	161,507,550

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(3) Includes the Trust's proportionate share of equity accounted investments.
(4) As at December 31, 2020, cash-on-hand of $754.4 million was excluded for the purposes of calculating the applicable ratios (December 31, 2019 – $37.0 million).
(5) N/A – information not available.

Year-to-Date Comparison to Prior Year

The following table presents key financial, per Unit, and payout ratio information for the years ended December 31, 2020 and December 31, 2019:

(in thousands of dollars, except per Unit information)	**2020**	2019	Variance
	(A)	(B)	(A–B)
Financial Information			
Rentals from investment properties and other[1]	**781,253**	806,412	(25,159)
Net base rent	**496,135**	505,458	(9,323)
Total recoveries	**263,802**	272,380	(8,578)
Net income and comprehensive income[1][3]	**89,940**	374,203	(284,263)
Net income and comprehensive income excluding fair value adjustments[2][3]	**337,863**	341,963	(4,100)
Cash flows provided by operating activities[1]	**295,982**	345,611	(49,629)
NOI[2]	**519,105**	514,050	5,055
FFO[2][3][4][5]	**367,967**	365,456	2,511
FFO with one-time adjustment of yield maintenance costs[2][3][4][5]	**379,921**	385,969	(6,048)
FFO with one-time adjustment and Transactional FFO[2][3][4][5]	**380,665**	388,787	(8,122)
ACFO[2][3][4][5]	**353,409**	334,647	18,762
ACFO with one-time adjustment[2][3][4][5]	**365,363**	355,160	10,203
Distributions declared	**318,758**	310,651	8,107
Surplus of ACFO over distributions declared[2]	**34,651**	23,996	10,655
Surplus (shortfall) of ACFO with one-time adjustment over distributions declared[2]	**46,605**	44,509	2,096
Surplus of ACFO over distributions paid[2]	**55,536**	95,536	(40,000)
Surplus of ACFO with one-time adjustment over distributions paid[2]	**67,490**	116,049	(48,559)
Units outstanding[6]	**172,221,212**	171,283,191	938,021
Weighted average – basic	**171,973,301**	169,709,748	2,263,553
Weighted average – diluted[7]	**172,971,603**	170,581,531	2,390,072
Per Unit Information (Basic/Diluted)			
Net income and comprehensive income[1]	**$0.52/$0.52**	$2.20/$2.19	-$1.68/-$1.67
Net income and comprehensive income excluding fair value adjustments[2][3]	**$1.96/$1.95**	$2.01/$2.00	-$0.05/-$0.05
FFO[2][3][4][5]	**$2.14/$2.13**	$2.15/$2.14	-$0.01/-$0.01
FFO with one-time adjustment of yield maintenance costs[2][3][4][5]	**$2.21/$2.20**	$2.27/$2.26	-$0.06/-$0.06
FFO with one-time adjustment and Transactional FFO[2][3][4][5]	**$2.21/$2.20**	$2.29/$2.28	-$0.08/-$0.08
Distributions declared	**$1.850**	$1.813	$0.037
Payout Ratio Information			
Payout ratio to FFO[2][3][4][5]	**86.6 %**	85.0 %	1.6 %
Payout ratio to FFO with one-time adjustment of yield maintenance costs[2][3][4][5]	**83.9 %**	80.5 %	3.4 %
Payout ratio to FFO with one-time adjustment and Transactional FFO[2][3][4][5]	**83.7 %**	79.9 %	3.8 %
Payout ratio to ACFO[2][3][4][5]	**90.2 %**	92.8 %	(2.6)%
Payout ratio to ACFO with one-time adjustment[2][3][4][5]	**87.2 %**	87.5 %	(0.3)%

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

Section III — Development Activities

Mixed-Use Development Initiatives

The following table summarizes the 284 identified mixed-use development initiatives, which are included in the Trust's large development pipeline:

Description	Underway (Construction underway or expected to commence within next 2 years)	Active (Construction expected to commence within next 3–5 years)	Future (Construction expected to commence after 5 years)	Total
Section A				
Number of projects in which the Trust has an ownership interest				
Residential Rental	17	28	51	96
Seniors' Housing	9	14	17	40
Self-storage	14	17	19	50
Office Buildings	—	1	6	7
Hotels	—	—	4	4
Subtotal – Recurring income initiatives	40	60	97	197
Condominium developments	13	21	38	72
Townhome developments	4	1	10	15
Subtotal – Development income initiatives	17	22	48	87
Total	**57**	**82**	**145**	**284**
Section B				
Planning entitlements (#)	**38**	**52**	**74**	**164**
Section C				
Project area (in thousands of sq. ft.) – at 100%[2]				
Recurring income initiatives	7,300	9,300	15,300	31,900
Development income initiatives	5,200	5,900	12,400	23,500
Total project area (in thousands of sq. ft.) – at 100%	**12,500**	**15,200**	**27,700**	**55,400**
Trust's share of project area (in thousands of sq. ft.)				
Recurring income initiatives	3,900	5,900	9,300	19,100
Development income initiatives	2,800	3,600	7,000	13,400
Total Trust's share of project area (in thousands of sq. ft.)	**6,700**	**9,500**	**16,300**	**32,500**
Section D				
Total estimated costs (in millions of dollars) – at 100% based on current planning budgets[2]	**5,800**	**7,700**	**–** [1]	**13,500**
Trust's share of such estimated costs (in millions of dollars)	**3,200**	**4,700**	**–** [1]	**7,900**

(1) The Trust does not fully determine the costs attributable to future projects expected to commence after five years and as such they are not included in this table.
(2) Square footage and cost figures provided at 100% pertain to projects for which the Trust has an ownership interest in such projects, and do not include related party projects to which the Trust does not have an ownership interest.

Status of Current Development Initiatives

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

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

When complete, SmartVMC contemplates approximately 11.0 million square feet (5.5 million square feet at the Trust's share) of mixed-use development, anchored by over $3.0 billion in public transit infrastructure spending including the VMC subway station which opened in 2017. SmartVMC currently includes:

i) the 360,000 square feet of fully leased and occupied office space in the KPMG tower;
ii) the 225,000 square-foot PwC-YMCA office and community-use complex which is fully leased, with fully occupied office space and community-use space, including a new world-class YMCA facility and municipal library, expected to open in 2021;
iii) the new 140,000 square-foot Walmart store which opened in October 2020; and
iv) the development of Transit City, with details of each previously announced residential phase as follows:

Phase	Storeys (#)	Units Released for Sale/ Available for Rent (#)	Units Sold (#)	Units Sold to Date (%)	Actual/ Estimated Completion Period
Transit City 1	55	551	551	100.0	2020
Transit City 2	55	559	559	100.0	2020
Transit City 3	55	631	631	100.0	2021
Transit City 4	45	498	498	100.0	2023
Transit City 5	50	528	528	100.0	2023
Transit City 1 & 2 Townhomes	N/A	22	22	100.0	2021
Subtotal – SmartVMC Condos/ Townhomes		**2,789**	**2,789**	**100.0**	
Purpose-built residential rental apartment tower	36	454			2023/2024
Total – SmartVMC Residential		**3,243**			

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

	Project	Type	Estimated Total Building Area (sq. ft.)/units	Expected Completion Year	Trust's Share (%)
PCVP	KPMG (Tower #1)	Office	360,000 sq. ft.	Completed	50.0
	PwC-YMCA (Complex/ Tower #2)	Office	225,000 sq. ft. (1)	Completed	50.0
	Office (Tower #3)	Office	500,000 sq. ft.	2027	50.0
	Office (Tower #4)	Office	500,000 sq. ft.	2029	50.0
	Residential Rental	Apartments	454 units	2023–2024	50.0
Residences LP	Transit City 1	Condo	551 units	Completed	25.0
	Transit City 2	Condo	559 units	Completed	25.0
	Transit City 1 & 2 Townhomes	Townhomes	22 units	2021	25.0
Residences III LP	Transit City 3	Condo	631 units	2021	25.0
East Block Residences LP	Transit City 4 and 5	Condo	1,026 units	2023	25.0

(1) Includes 112,000 sq. ft. of YMCA, library and community-use space.

SmartVMC, Residential and Other Development Initiatives
During the year ended December 31, 2020, the Trust experienced continued success and progress at SmartVMC, including:

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

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

iii) SmartVMC Residential:
Closing and occupancy of Transit City 1, 2 have been substantially completed. By December 31, 2020, 1,109 of Transit City 1 & 2 condo units had closed. Transit City 3 is progressing on time and ahead of budget, and project costs are substantially covered by committed funds as at December 31, 2020. Transit City 3 closings and occupancy are expected in the spring and summer of 2021. Transit City 4 and 5 condo towers, which comprise 45 and 50 storeys, respectively, were sold out in the second quarter of 2019. Construction is ongoing for Transit City 4 and 5 condo towers as well as the 36-storey, 454-unit, purpose-built residential rental building. Such construction is deemed essential under government regulations. Furthermore, 22 townhomes were sold out in September 2020, for which construction has commenced, with planned closings in late 2021. A Walmart store in the heart of SmartVMC was relocated and opened in October 2020 to enable the construction of these townhomes and future mixed-use development on the former Walmart site.

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

a. a two-phase high-rise rental residential project in Laval, Quebec, with the first phase representing 171 units having been completed and occupancy commenced in March 2020, and construction of the second phase expected to begin in Q2 2021;

b. an integrated complex comprising a 174-unit rental building and a 228-unit retirement home at SmartCentres Laurentian Place in Ottawa, Ontario, which is expected to commence construction within the next six months and be completed in 2023;

c. a 133,000 square-foot Leaside self-storage facility in Toronto, Ontario and a 118,000 square-foot self-storage facility at the Trust's Vaughan NW shopping centre in Vaughan, Ontario are completed and opened in 2020;

d. a 135,000 square-foot self-storage facility at the Trust's Bramport shopping centre in Brampton, Ontario substantially completed with two of the four floors and opened in December 2020;

e. a 123,500 square-foot self-storage facility at the Trust's shopping centre in Oshawa (South), Ontario where construction is well underway and is expected to be complete by July 2021;

f. a 137,000 square-foot self-storage facility at the Trust's Scarborough East shopping centre in Scarborough, Ontario where construction has begun and is expected to be completed in 2021; and

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

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

In addition, the Trust is currently working on initiatives for the development of many other properties, including the following mixed-use development initiatives for which final municipal approvals have or are being actively pursued:

a. the development of up to 5.3 million square feet of predominately residential space, in various forms, at Highway 400 & Highway 7, in Vaughan, Ontario, with a rezoning application submitted in December 2019 and a site plan application for the first four buildings totalling 1,742 units submitted in October 2020;

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

c. the development of 1.2 million square feet of mixed-use density – office, retail and residential – on the SmartVMC lands immediately south of the Transit City 4 and 5 towers, with the rezoning and site plan applications submitted in September 2020;

d. the development of up to 5.0 million square feet of predominately residential space, in various forms over the long term, in Pickering, Ontario, with the site plan application for a two-tower mixed-use phase, approximating 650,000 square feet, submitted in April 2020;

e. the development of up to 5.5 million square feet of predominately residential space, in various forms, at Oakville North in Oakville, Ontario, with the rezoning application for an initial two-tower 585-unit residential phase expected to be submitted in early 2021;

f. the development of up to 2.55 million square feet of predominately residential space, in various forms, at Westside Mall in Toronto, Ontario, with an application for the first 35-storey mixed-use tower expected to be submitted by February 2021;

g. the development of up to 1.7 million square feet of residential space in various forms at the Vaughan NW shopping centre in Vaughan, Ontario. Residential development includes townhomes, to be developed in partnership with Fieldgate; a seniors' apartment building and separate retirement residence to be developed in partnership with Revera, along with condominiums and residential rental buildings. Applications for these six towers have been submitted. In addition, an 85,000 square-foot self-storage facility is under construction and scheduled to open early in 2021;

h. the development of up to 1.5 million square feet of residential space, in various forms, in Pointe-Claire, Quebec, with the first phase, a two-tower rental project, being actively pursued;

i. the development of up to 318,000 square feet of residential space at Oakville South in Oakville, Ontario, including 170 units in a retirement residence project with Revera and townhomes;

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

k. the development of four high-rise purpose-built residential rental buildings comprising approximately 1,800 units with Greenwin, in Barrie, Ontario, for which a zoning application was approved by Barrie Council in January 2021. The site plan was submitted in August 2020 with anticipated approval in spring 2021;

l. the development of a 35-storey high-rise purpose-built residential rental tower, on Balliol Street in midtown Toronto, Ontario, with applications submitted in September 2020;

m. the development of up to 1,600 residential units, in various forms, in Mascouche, Quebec, with the first phase consisting of two 10-storey rental towers approved by municipal council in August 2020, with a construction start expected in early 2021;

n. the development of residential density at the Trust's shopping centre at 1900 Eglinton in Scarborough with rezoning applications for the first two residential towers (38 and 40 storeys) submitted in January 2021;

o. the development of up to 275,000 square feet of residential space in 150 townhomes at London Fox Hollow in London, Ontario, with site plan approval applications submitted in December 2020;

p. the development of the first phase, 42-unit rental building, which is part of a multi-phase masterplan in Alliston, Ontario, with a rezoning application approved by Council in December 2020 and a site plan application submitted in May 2020 with anticipated approval in spring 2021;

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

r. the acquisition of an additional 33.33% interest (new ownership structure of 66.66% held by the Trust and 33.33% held by Penguin) in 50 acres of adjacent land to the Trust's Outlet Centre in Mirabel for the ultimate development of residential density of up to 4,500 units;

s. the development of residential density of 450 condo units (in two phases) at Laval Centre in Quebec, with the zoning application for the first tower of 225 units expected to be submitted in the third quarter of 2021;

t. the development of residential density at the Trust's shopping centre at Bayview and Major Mackenzie in Richmond Hill, with a rezoning application for a 10-storey retirement residences building submitted in the first quarter of 2021, to be developed in partnership with Revera;

u. the acquisition of 8 acres of land in Aurora (Yonge and Murray) adjacent to the Trust's shopping centre and the preparation of a rezoning application for 425 residential units; and

v. the acquisition of a 50% interest in a property in downtown Markham for the development of a 243,000 square foot retirement residence with Revera. The rezoning application was submitted in December 2020.

Properties Under Development

As at December 31, 2020, the fair value of properties under development including properties under development recorded in equity accounted investments totalled $898.6 million as compared to $791.6 million at December 31, 2019, resulting in a net increase of $107.0 million (for details on the factors influencing this change, see "Investment Properties") presented in the table as follows:

(in thousands of dollars)	2020	2019	Variance ($)
Developments	**521,149**	513,034	8,115
Earnouts subject to option agreements[1]	**61,811**	48,363	13,448
Total	**582,960**	561,397	21,563
Equity accounted investments	**315,628**	230,231	85,397
Total including equity accounted investments (Non-GAAP)	**898,588**	791,628	106,960

(1) Earnout development costs during the development period are paid by the Trust and funded through interest-bearing secured debt provided by the vendors to the Trust. On completion of the development and the commencement of lease payments by a tenant, the Earnouts will be acquired from the vendors based on predetermined or formula-based capitalization rates ranging from 6.00% to 7.40%, net of land and development costs incurred. Penguin has contractual options to acquire Trust Units and LP Units on completion of Earnouts as shown in Note 13(b) of the consolidated financial statements for the year ended December 31, 2020. Effective December 9, 2020, pursuant to the Omnibus Agreement between the Trust and Penguin (see also "Related Party Transactions"), Penguin has the option to extend all Earnouts have 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. For further details, see the Trust's management information circular dated November 6, 2020, filed on SEDAR.

Future Retail Developments, Earnouts and Mezzanine Financing

Total future Retail Developments, Earnouts and Mezzanine Financing could increase the existing Trust portfolio by an additional 1.9 million square feet. With respect to the future pipeline, commitments have been negotiated on 0.1 million square feet. The Trust continues to revise its estimates and adjust its plans towards mixed-use developments.

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

(in thousands of square feet)	Committed	Years 0–2	Years 3–5	Beyond Year 5	Total[1]
Developments	61	690	189	351	**1,291**
Earnouts	59	30	56	9	**154**
	120	720	245	360	**1,445**
Mezzanine Financing	—	—	—	502	**502**
	120	720	245	862	**1,947**

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

During the year ended December 31, 2020, the future retail properties under development pipeline decreased by 1.1 million square feet to a total of 1.4 million square feet. The change is summarized in the following table:

(in thousands of square feet)	Total Area
Future retail properties under development pipeline – January 1, 2020	2,593
Add:	
Properties transferred from investment properties to properties under development	520
Less:	
Re-purposing properties/land (previously earmarked as retail development) for mixed-use development	(1,036)
Net adjustment to project densities	(409)
Completion of Earnouts and Developments	(223)
Net change	(1,148)
Future retail properties under development pipeline – December 31, 2020	**1,445**

Committed Retail Pipeline

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

(in thousands of dollars)	Square Feet (in thousands)	Total Estimated Costs	Costs Incurred	Estimated Future Development Costs
Developments	61	19,374	6,024	13,350
Earnouts	59	20,925	5,391	15,534
	120	**40,299**	**11,415**	**28,884**

The completion of these committed Earnouts and Developments as currently scheduled is expected to have an average estimated yield of 5.7% in 2021 and 6.3% in 2022.

Uncommitted Retail Pipeline

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

(in thousands of dollars)	Years 0–2	Years 3–5	Beyond Year 5	Total Estimated Costs	Costs Incurred[(1)]	Future Development Costs
Developments	220,486	72,270	139,948	432,704	170,442	262,262
Earnouts	8,918	18,198	3,192	30,308	6,138	24,170
	229,404	**90,468**	**143,140**	**463,012**	**176,580**	**286,432**

(1) The fair value of properties under development totalled $898.6 million (including equity accounted investments of $315.6 million) which primarily consists of costs of $176.6 million in the uncommitted pipeline, costs of $11.4 million in the committed pipeline, costs of $48.3 million in undeveloped land, costs of $352.0 million in development land reserved for parcel sales, costs of $315.6 million of future development land recorded in equity accounted investments, less $5.4 million of non-cash development costs relating to future land development and cumulative fair value loss on revaluation of properties under development.

Approximately 10.2% of the retail properties under development, representing a proportion of gross investment cost (committed and uncommitted) relating to Earnouts ($51.2 million, divided by total estimated costs of $503.3 million), representing 154,000 square feet are lands that are under contract by vendors to develop and lease for additional proceeds when developed. In certain events, the developer may sell the portion of undeveloped land to accommodate the construction plan that provides the best use of the property. It is management's intention to finance the costs of construction through interim financing or operating facilities and, once rental revenue is stabilized, long-term financing will be arranged. With respect to the remaining gross leasable area, it is expected that 1.3 million square feet of future space will be developed as the Trust leases space and finances the related construction costs.

Residential Development Inventory

Vaughan NW Townhome Development

From a consolidated perspective as recorded in the Trust's consolidated financial statements for the year ended December 31, 2020 (GAAP basis) residential development inventory consists of development lands, co-owned with Fieldgate, located at Vaughan NW, Ontario, for the purpose of developing and selling residential townhome units.

The following table summarizes the activity in residential development inventory:

(in thousands of dollars)	**Year ended December 31, 2020**	Year ended December 31, 2019
Balance – beginning of year	**24,564**	23,429
Development costs	**317**	207
Capitalized interest	**914**	928
Balance – end of year	**25,795**	24,564

SmartVMC Residential Development

From a proportionately consolidated perspective which considers the Trust's proportionate share in equity accounted investments (Non-GAAP), residential development inventory refers to the residential development concerning Transit City condominium units, which are recorded as equity accounted investments (investment in associates) (see Note 6 (a) in the Trust's consolidated financial statements for the year ended December 31, 2020). As disclosed earlier in 2020, the Trust and its partners, Penguin and CentreCourt, have made significant progress with the residential development at Transit City. As such, the following summarizes the status of condominium closings at Transit City 1 and 2 for the year ended December 31, 2020:

	Transit City 1	Transit City 2	Total
Total units available/sold (#)	551	559	**1,110**
Total units closed (#)	551	558	**1,109**
Units closed (%)	100.0	99.8	**99.9**

Transit City 3's units are expected to close in 2021.

The following table summarizes the net profits and impact to FFO and FFO per Unit from the condominium closings of Transit City 1 and 2 for the year ended December 31, 2020:

(in thousands of dollars)	**Total**	**Trust's share**
Condominium sales revenue	539,992	134,998
Cost of goods sold	(374,832)	(93,708)
Marketing and selling expenses	(751)	(188)
Other	255	64
NOI before additional partnership profit	164,664	41,166
Additional partnership profit[1]	N/A	6,862
NOI[5]	164,664	48,028
Less: General and administrative expenses previously capitalized[2]	N/A	(1,842)
Net profit[5]	**164,664**	**46,186**
Adjustment for previously capitalized interest associated with condominium closings[3]		(940)
FFO[5]		**45,246**
Per Unit – basic/diluted[4]:		
FFO[5]		**$0.26/$0.26**

(1) Additional profit allocated to the Trust for Transit City 1 and 2 closings pursuant to the development agreement and limited partnership agreement.
(2) Amount is included in general and administrative expenses. See "General and Administrative Expense" for further details.
(3) Amount is deducted from FFO calculation. See "Other Measures of Performance" for further details.
(4) Diluted FFO is adjusted for the dilutive effect of vested deferred units, which are not dilutive for net income purposes. To calculate diluted FFO for the year ended December 31, 2020, 998,302 vested deferred units are added back to the weighted average Units outstanding.
(5) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures".

Earnouts and Developments Completed on Existing Properties

For the three months ended December 31, 2020, $36.3 million of Earnouts and Developments (including Developments relating to equity accounted investments) were completed and transferred to income properties, including the Trust's interest in a new Walmart store (Trust's share is approximately 70,000 square feet) and the new Transit City commercial parkade in Vaughan, Ontario (Trust's share is approximately 90,000 square feet), as compared to $28.9 million in the same period in 2019.

	Three Months Ended December 31, 2020			Three Months Ended December 31, 2019		
	Area (sq. ft.)	**Investment ($ millions)**	**Annualized Yield (%)**	Area (sq. ft.)	Investment ($ millions)	Annualized Yield (%)
Earnouts[(1)]	**—**	**—**	**—**	14,865	3.7	6.8
Retail Developments	**23,245**	**7.5**	**5.8**	84,415	18.8	7.4
Developments – equity accounted investments	**200,152**	**28.8**	**4.6**	12,204	6.4	5.4
	223,397	**36.3**	**4.7**	111,484	28.9	6.9

(1) The Earnout for the three months ended December 31, 2020 related to a land parcel sale and as a result the area and annualized yield information are not reflected in the table above.

For the year ended December 31, 2020, $116.2 million of Earnouts and Developments (including Developments relating to equity accounted investments) were completed and transferred to income properties, including the Trust's interest in the 171-unit residential rental building in Laval, Quebec and Leaside self-storage facility in Toronto, Ontario (Trust's share is approximately 50,000 square feet), as compared to $105.8 million in 2019.

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Area (sq. ft.)	**Investment ($ millions)**	**Annualized Yield (%)**	Area (sq. ft.)	Investment ($ millions)	Annualized Yield (%)
Earnouts[(1)]	**—**	**13.6**	**—**	41,008	13.3	7.0
Retail Developments	**124,173**	**42.4**	**5.7**	207,274	59.0	6.3
Developments – equity accounted investments	**329,384**	**60.2**	**5.3**	59,596	33.5	5.4
	453,557	**116.2**	**5.4**	307,878	105.8	6.1

(1) The Earnouts for the year ended December 31, 2020 included four land parcel sales totalling $13.6 million of investment and as a result the area and annualized yield information for these parcel sales are not reflected in the table above.

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

Section IV — Business Operations and Performance

Results of Operations

Notwithstanding the challenges faced as a result of the COVID-19 pandemic and its adverse impact on the Trust's operating results for the year ended December 31, 2020, the Trust's real estate portfolio (excluding fair value adjustments) has continued to steadily perform, in part from Acquisitions, Developments and Earnouts, as compared to the year ended December 31, 2019 (see "Earnouts and Developments Completed on Existing Properties" for more details).

Proportionately Consolidated Balance Sheets (including the Trust's interests in equity accounted investments)
The following table presents the proportionately consolidated balance sheets, which includes a reconciliation of the Trust's proportionate share of equity accounted investments:

(in thousands of dollars)	**December 31, 2020**			December 31, 2019		
	GAAP Basis	**Proportionate Share Reconciliation**	**Total Proportionate Share (Non-GAAP Basis)**	GAAP Basis	Proportionate Share Reconciliation	Total Proportionate Share (Non-GAAP Basis)
Assets						
Non-current assets						
Investment properties	**8,850,390**	**550,194**	**9,400,584**	9,050,066	416,435	9,466,501
Mortgages, loans and notes receivable	**263,558**	**(67,345)**	**196,213**	216,907	(46,214)	170,693
Equity accounted investments	**463,204**	**(463,204)**	**—**	345,376	(345,376)	—
Other assets	**88,141**	**7,437**	**95,578**	89,023	7,567	96,590
Intangible assets	**46,470**	**—**	**46,470**	47,801	—	47,801
	9,711,763	**27,082**	**9,738,845**	9,749,173	32,412	9,781,585
Current assets						
Residential development inventory	**25,795**	**88,783**	**114,578**	24,564	122,254	146,818
Current portion of mortgages, loans and notes receivable	**125,254**	**—**	**125,254**	55,953	—	55,953
Amounts receivable and other	**58,644**	**(3,767)**	**54,877**	36,679	3,616	40,295
Deferred financing costs	**1,173**	**79**	**1,252**	1,477	25	1,502
Prepaid expenses and deposits	**7,269**	**9,527**	**16,796**	5,247	1,134	6,381
Cash and cash equivalents	**794,594**	**28,704**	**823,298**	55,374	8,873	64,247
	1,012,729	**123,326**	**1,136,055**	179,294	135,902	315,196
Total assets	**10,724,492**	**150,408**	**10,874,900**	9,928,467	168,314	10,096,781
Liabilities						
Non-current liabilities						
Debt	**4,355,862**	**(8,288)**	**4,347,574**	4,110,548	62,678	4,173,226
Other payables	**19,705**	**—**	**19,705**	21,444	—	21,444
Other financial liabilities	**85,188**	**—**	**85,188**	95,735	—	95,735
	4,460,755	**(8,288)**	**4,452,467**	4,227,727	62,678	4,290,405
Current liabilities						
Current portion of debt	**854,261**	**59,525**	**913,786**	115,385	2,215	117,600
Accounts payable and current portion of other payables	**242,501**	**99,171**	**341,672**	217,603	103,421	321,024
	1,096,762	**158,696**	**1,255,458**	332,988	105,636	438,624
Total liabilities	**5,557,517**	**150,408**	**5,707,925**	4,560,715	168,314	4,729,029
Equity						
Trust Unit equity	**4,317,357**	**—**	**4,317,357**	4,492,678	—	4,492,678
Non-controlling interests	**849,618**	**—**	**849,618**	875,074	—	875,074
	5,166,975	**—**	**5,166,975**	5,367,752	—	5,367,752
Total liabilities and equity	**10,724,492**	**150,408**	**10,874,900**	9,928,467	168,314	10,096,781

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

The following tables present the proportionately consolidated statements of income and comprehensive income, which include a reconciliation of the Trust's proportionate share of equity accounted investments:

Quarterly Comparison to Prior Year

(in thousands of dollars)	**Three Months Ended December 31, 2020**			Three Months Ended December 31, 2019		
	GAAP Basis	**Proportionate Share Reconciliation**	**Total Proportionate Share (Non-GAAP Basis)**	GAAP Basis	Proportionate Share Reconciliation	Total Proportionate Share (Non-GAAP Basis)
Net rental income and other						
Rentals from investment properties and other	**197,897**	**5,023**	**202,920**	207,702	4,545	212,247
Condominium sales revenue	**—**	**47,136**	**47,136**	—	—	—
Property operating costs and other	**(79,836)**	**(2,167)**	**(82,003)**	(79,079)	(1,750)	(80,829)
Condominium cost of sales	**—**	**(31,051)**	**(31,051)**	—	—	—
Net rental income and other	**118,061**	**18,941**	**137,002**	128,623	2,795	131,418
Other income and expenses						
General and administrative expense, net	**(7,766)**	**—**	**(7,766)**	(4,622)	—	(4,622)
Earnings from equity accounted investments	**20,150**	**(20,150)**	**—**	4,140	(4,140)	—
Fair value adjustment on revaluation of investment properties	**(16,539)**	**3,050**	**(13,489)**	14,985	4,012	18,997
Gain (loss) on sale of investment properties	**(1)**	**26**	**25**	12	(1)	11
Interest expense	**(51,519)**	**(1,310)**	**(52,829)**	(46,319)	(992)	(47,311)
Interest income	**4,137**	**34**	**4,171**	3,207	9	3,216
Supplemental costs	**—**	**(591)**	**(591)**	—	(1,667)	(1,667)
Fair value adjustment on financial instruments	**(17,977)**	**—**	**(17,977)**	3,842	—	3,842
Acquisition-related costs	**(166)**	**—**	**(166)**	(283)	(16)	(299)
Net income and comprehensive income	**48,380**	**—**	**48,380**	103,585	—	103,585

For the three months ended December 31, 2020, net income and comprehensive income (as noted in the table above) decreased by $55.2 million or 53.3% as compared to the same period in 2019. This decrease was primarily attributed to the following:

- $32.5 million increase in unfavourable fair value adjustments on revaluation of investment properties principally due to changes in leasing and cash flow assumptions such as rental rates, lease renewal rates, leasing costs, downtime on lease expiries, vacancy allowance, among others, to reflect the impact of the COVID-19 pandemic;
- $21.8 million increase in unfavourable fair value adjustment on financial instruments principally due to the fluctuation in the Trust's Unit price;
- $5.5 million net increase in interest expense (see the "Interest Expense" subsection for details); and
- $3.1 million increase in general and administrative expenses (net);

Partially offset by the following:

- $5.6 million increase in NOI (see further details in the "Net Operating Income" subsection);
- $1.1 million decrease in supplemental costs;
- $1.0 million increase in interest income, which was primarily due to an increase in bank interest as a result of the increase in cash and cash equivalents; and
- $0.1 million decrease in acquisition-related costs.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	Year Ended December 31, 2020			Year Ended December 31, 2019		
	GAAP Basis	**Proportionate Share Reconciliation**	**Total Proportionate Share (Non-GAAP Basis)**	GAAP Basis	Proportionate Share Reconciliation	Total Proportionate Share (Non-GAAP Basis)
Net rental income and other						
Rentals from investment properties and other	**781,253**	**18,813**	**800,066**	806,412	15,765	822,177
Condominium sales revenue	**—**	**141,557**	**141,557**	—	—	—
Property operating costs and other	**(320,542)**	**(7,976)**	**(328,518)**	(301,513)	(6,614)	(308,127)
Condominium cost of sales	**—**	**(94,000)**	**(94,000)**	—	—	—
Net rental income and other	**460,711**	**58,394**	**519,105**	504,899	9,151	514,050
Other income and expenses						
General and administrative expense, net	**(28,682)**	**—**	**(28,682)**	(20,456)	—	(20,456)
Earnings from equity accounted investments	**61,972**	**(61,972)**	**—**	6,639	(6,639)	—
Fair value adjustment on revaluation of investment properties	**(275,051)**	**9,406**	**(265,645)**	29,471	4,089	33,560
Gain on sale of investment properties	**418**	**26**	**444**	623	—	623
Interest expense	**(160,044)**	**(4,625)**	**(164,669)**	(157,038)	(3,422)	(160,460)
Interest income	**15,241**	**802**	**16,043**	11,668	32	11,700
Supplemental costs	**—**	**(2,031)**	**(2,031)**	—	(3,195)	(3,195)
Fair value adjustment on financial instruments	**17,722**	**—**	**17,722**	(1,320)	—	(1,320)
Acquisition-related costs	**(2,347)**	**—**	**(2,347)**	(283)	(16)	(299)
Net income and comprehensive income	**89,940**	**—**	**89,940**	374,203	—	374,203

For the year ended December 31, 2020, net income and comprehensive income (as noted in the table above) decreased by $284.3 million or 76.0% as compared to the same period last year. This decrease was primarily attributed to the following:

- $299.2 million increase in unfavourable fair value adjustments on revaluation of investment properties principally due to changes in leasing and cash flow assumptions such as rental rates, lease renewal rates, leasing costs, downtime on lease expiries, vacancy allowance, among others, to reflect the impact of the COVID-19 pandemic;
- $8.2 million increase in general and administrative expenses (net);
- $4.2 million net increase in interest expense;
- $2.1 million increase in acquisition-related costs; and
- $0.2 million decrease in gain on sale of investment properties;

Partially offset by the following:

- $19.0 million increase in favourable fair value adjustment on financial instruments principally due to the fluctuation in the Trust's Unit price as compared to the same period in 2019;
- $5.1 million increase in NOI (see further details in the "Net Operating Income" subsection);
- $4.3 million increase in interest income which was principally due to the increase in average interest-bearing loan receivable balance and cash and cash equivalents; and
- $1.2 million decrease in supplemental costs.

Net Operating Income

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

Quarterly Comparison to Prior Year

(in thousands of dollars)	**Three Months Ended December 31, 2020**			Three Months Ended December 31, 2019			
	Trust portion excluding EAI	**Equity Accounted Investments**	**Total Proportionate Share[1]**	Trust portion excluding EAI	Equity Accounted Investments	Total Proportionate Share[1]	Variance[1]
			(A)			(B)	(A–B)
Net base rent	**123,649**	**3,014**	**126,663**	127,389	2,532	129,921	(3,258)
Property tax and insurance recoveries	**43,584**	**489**	**44,073**	47,285	412	47,697	(3,624)
Property operating cost recoveries	**22,891**	**983**	**23,874**	23,848	866	24,714	(840)
Miscellaneous revenue	**4,462**	**537**	**4,999**	5,934	735	6,669	(1,670)
Rentals from investment properties	**194,586**	**5,023**	**199,609**	204,456	4,545	209,001	(9,392)
Service and other revenues	**3,311**	**—**	**3,311**	3,246	—	3,246	65
Rentals from investment properties and other[2]	**197,897**	**5,023**	**202,920**	207,702	4,545	212,247	(9,327)
Recoverable CAM costs	**(27,967)**	**(834)**	**(28,801)**	(22,657)	(801)	(23,458)	(5,343)
Recoverable tax and insurance costs	**(41,801)**	**(646)**	**(42,447)**	(50,401)	(457)	(50,858)	8,411
Property management fees and costs	**(311)**	**(189)**	**(500)**	(1,216)	(117)	(1,333)	833
Non-recoverable operating costs	**(6,445)**	**375**	**(6,070)**	(1,559)	(303)	(1,862)	(4,208)
Other property operating costs	**—**	**(873)**	**(873)**	—	(55)	(55)	(818)
Property operating costs	**(76,524)**	**(2,167)**	**(78,691)**	(75,833)	(1,733)	(77,566)	(1,125)
Other expenses	**(3,312)**	**—**	**(3,312)**	(3,246)	—	(3,246)	(66)
Property operating costs and other[2]	**(79,836)**	**(2,167)**	**(82,003)**	(79,079)	(1,733)	(80,812)	(1,191)
Net rental income and other	**118,061**	**2,856**	**120,917**	128,623	2,812	131,435	(10,518)
Condominium sales revenue	**—**	**47,136**	**47,136**	—	—	—	47,136
Condominium cost of sales	**—**	**(31,038)**	**(31,038)**	—	—	—	(31,038)
Condominium marketing and selling costs – Transit City 1 & 2	**—**	**(13)**	**(13)**	—	—	—	(13)
Condominium marketing and selling costs – Others	**—**	**—**	**—**	—	(17)	(17)	17
Net profit on condominium sales	**—**	**16,085**	**16,085**	—	(17)	(17)	16,102
NOI[3]	**118,061**	**18,941**	**137,002**	128,623	2,795	131,418	5,584
Net rental income and other as a percentage of net base rent (%)	**95.5**	**94.8**	**95.5**	101.0	111.1	101.2	(5.7)
Net rental income and other as a percentage of rentals from investment properties (%)	**60.7**	**56.9**	**60.6**	62.9	61.9	62.9	(2.3)
Net rental income and other as a percentage of rentals from investment properties and other (%)	**59.7**	**56.9**	**59.6**	61.9	61.9	61.9	(2.3)
Recovery Ratio (including prior year adjustments) (%)	**95.3**	**99.5**	**95.4**	97.4	101.6	97.4	(2.0)
Recovery Ratio (excluding prior year adjustments) (%)	**94.7**	**104.1**	**94.9**	95.4	101.5	95.5	(0.6)

(1) This column contains non-GAAP measures because it includes figures that are recorded in equity accounted investments. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures".
(2) As reflected under the column 'Trust portion excluding EAI' in the table above, this amount represents a GAAP measure.
(3) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures".

NOI for the three months ended December 31, 2020 increased by $5.6 million or 4.2% as compared to the same period last year. This increase was primarily attributed to the following:

- $16.1 million net profit on condominium unit sales was recognized during the quarter (130 units and 213 units in Transit City 1 and 2, respectively); and
- $0.7 million decrease in net CAM and realty tax recovery shortfall primarily due to lower operating expenses incurred;

Partially offset by the following factors, most of which represent the impact of the COVID-19 pandemic:

- $4.9 million increase in bad debt and expected credit losses (see "Amounts Receivable and Other, Deferred Financing Costs, and Prepaid Expenses and Deposits" for further discussion);
- $3.2 million decrease in base rent primarily due to increased vacancy;
- $1.8 million decrease in percentage rent, parking revenue, short-term rental, and other miscellaneous revenue; and
- $1.3 million decrease in prior years realty tax recovery adjustments.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	Year Ended December 31, 2020			Year Ended December 31, 2019			
	Trust portion excluding EAI	**Equity Accounted Investments**	**Total Proportionate Share[1]**	Trust portion excluding EAI	Equity Accounted Investments	Total Proportionate Share[1]	Variance[1]
			(A)			(B)	(A–B)
Net base rent	**496,135**	**11,032**	**507,167**	505,458	8,865	514,323	(7,156)
Property tax and insurance recoveries	**180,181**	**2,368**	**182,549**	187,520	1,864	189,384	(6,835)
Property operating cost recoveries	**83,621**	**3,255**	**86,876**	84,860	2,650	87,510	(634)
Miscellaneous revenue	**11,182**	**2,158**	**13,340**	18,345	2,386	20,731	(7,391)
Rentals from investment properties	**771,119**	**18,813**	**789,932**	796,183	15,765	811,948	(22,016)
Service and other revenues	**10,134**	**—**	**10,134**	10,229	—	10,229	(95)
Rentals from investment properties and other[2]	**781,253**	**18,813**	**800,066**	806,412	15,765	822,177	(22,111)
Recoverable CAM costs	**(87,670)**	**(2,922)**	**(90,592)**	(85,096)	(2,749)	(87,845)	(2,747)
Recoverable tax and insurance costs	**(186,517)**	**(2,455)**	**(188,972)**	(196,350)	(1,996)	(198,346)	9,374
Property management fees and costs[3]	**(1,340)**	**(617)**	**(1,957)**	(4,672)	(373)	(5,045)	3,088
Non-recoverable operating costs	**(34,877)**	**(274)**	**(35,151)**	(5,160)	(1,121)	(6,281)	(28,870)
Other property operating costs	**—**	**(1,708)**	**(1,708)**	—	(55)	(55)	(1,653)
Property operating costs	**(310,404)**	**(7,976)**	**(318,380)**	(291,278)	(6,294)	(297,572)	(20,808)
Other expenses	**(10,138)**	**—**	**(10,138)**	(10,235)	—	(10,235)	97
Property operating costs and other[2]	**(320,542)**	**(7,976)**	**(328,518)**	(301,513)	(6,294)	(307,807)	(20,711)
Net rental income and other	**460,711**	**10,837**	**471,548**	504,899	9,471	514,370	(42,822)
Condominium sales revenue	**—**	**141,557**	**141,557**	—	—	—	141,557
Condominium cost of sales	**—**	**(93,709)**	**(93,709)**	—	—	—	(93,709)
Condominium marketing and selling costs – Transit City 1 & 2	**—**	**(188)**	**(188)**	—	(6)	(6)	(182)
Condominium marketing and selling costs – Others	**—**	**(103)**	**(103)**	—	(314)	(314)	211
Net profit on condominium sales	**—**	**47,557**	**47,557**	—	(320)	(320)	47,877
NOI[4]	**460,711**	**58,394**	**519,105**	504,899	9,151	514,050	5,055
Net rental income and other as a percentage of net base rent (%)	**92.9**	**98.2**	**93.0**	99.9	106.8	100.0	(7.0)
Net rental income and other as a percentage of rentals from investment properties (%)	**59.7**	**57.6**	**59.7**	63.4	60.1	63.4	(3.7)
Net rental income and other as a percentage of rentals from investment properties and other (%)	**59.0**	**57.6**	**58.9**	62.6	60.1	62.6	(3.7)
Recovery Ratio (including prior year adjustments) (%)	**96.2**	**104.6**	**96.4**	96.8	95.1	96.8	(0.4)
Recovery Ratio (excluding prior year adjustments) (%)	**96.1**	**105.9**	**96.3**	95.8	96.4	95.8	0.5

(1) This column contains non-GAAP measures because it includes figures that are recorded in equity accounted investments – that are not explicitly disclosed and/or presented in the consolidated financial statements for the years ended December 31, 2020 and December 31, 2019. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures".
(2) As reflected under the column 'Trust portion excluding EAI' in the table above, this amount represents a GAAP measure.
(3) Includes an adjustment for the Canada Emergency Wage Subsidy ("CEWS") of $0.9 million for the year ended December 31, 2020 (year ended December 31, 2019 – $nil).
(4) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures".

NOI for the year ended December 31, 2020 increased by $5.1 million or 1.0% as compared to the same period last year. This increase was primarily attributed to the following:

- $47.9 million net profit on condominium unit sales was recognized during the quarter (551 units and 558 units in Transit City 1 and 2, respectively); and
- $4.6 million decrease in net CAM and realty tax recovery shortfall primarily due to lower operating expenses incurred;

Partially offset by the following factors, most of which represent the impact of the COVID-19 pandemic:

- $29.8 million increase in bad debt and expected credit losses (see "Amounts Receivable and Other, Deferred Financing Costs, and Prepaid Expenses and Deposits" for further discussion);
- $7.3 million decrease in percentage rent, parking revenue, short-term rental, and other miscellaneous revenue;
- $5.9 million decrease in straight-line rent;
- $3.1 million decrease in prior years realty tax recovery adjustments; and
- $1.3 million decrease in base rent primarily due to increased vacancy.

Same Properties NOI

NOI (a non-GAAP financial measure) from continuing operations represents: i) rentals from investment properties and other less property operating costs and other, and ii) net profit from condominium sales. Disclosing the NOI contribution from each of same properties, acquisitions, dispositions, Earnouts and Development activities highlights the impact each component has on aggregate NOI. Straight-line rent, lease terminations and other adjustments, and amortization of tenant incentives have been excluded from NOI attributed to same properties, acquisitions, dispositions, Earnouts and Development activities in the table below to highlight the impact of changes in occupancy, rent uplift and productivity.

Quarterly Comparison to Prior Year

(in thousands of dollars)	**Three Months Ended December 31, 2020**	Three Months Ended December 31, 2019	Variance ($)	Variance (%)
Net rental income	**118,062**	128,623	(10,561)	(8.2)
Service and other revenues	**3,311**	3,246	65	2.0
Other expenses	**(3,312)**	(3,246)	(66)	(2.0)
NOI[1]	**118,061**	128,623	(10,562)	(8.2)
NOI from equity accounted investments[1]	**18,941**	2,795	16,146	N/R[2]
Total portfolio NOI before adjustments[1]	**137,002**	131,418	5,584	4.2
Adjustments:				
Royalties	**243**	284	(41)	(14.4)
Straight-line rent	**(448)**	(633)	185	(29.2)
Lease termination and other adjustments	**(477)**	(1,480)	1,003	67.8
Net profit on condominium sales	**(16,085)**	17	(16,102)	N/R[2]
Amortization of tenant incentives	**1,825**	1,967	(142)	(7.2)
Total portfolio NOI after adjustments[1]	**122,060**	131,573	(9,513)	(7.2)
NOI sourced from:				
Acquisitions	**(162)**	23	(185)	N/R[2]
Earnouts and Developments	**(965)**	(1,948)	983	50.5
Same Properties NOI[1]	**120,933**	129,648	(8,715)	(6.7)
Add back: bad debt expense/expected credit losses[3]	**5,301**	334	4,967	N/R[2]
Same Properties NOI excluding expected credit losses[1]	**126,234**	129,982	(3,748)	(2.9)

(1) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures".
(2) N/R – Not representative.
(3) Amount for the three months ended December 31, 2020 reflects the impact of the COVID-19 pandemic.

"Same Properties" in the table above refer to those income properties that were owned by the Trust from October 1, 2019 to December 31, 2019 and from October 1, 2020 to December 31, 2020. The Same Properties NOI for the three months ended December 31, 2020 decreased by $8.7 million or 6.7% as compared to the same period in 2019, which was primarily due to the following:

- $4.3 million increase in miscellaneous expense primarily due to higher bad debt expenses, partially offset by lower management fees;
- $2.4 million decrease in rental revenue mainly due to higher vacancy and rent reductions;
- $1.0 million decrease in recoverable costs primarily due to higher tax vacancy shortfalls and non-recurring favourable adjustments recorded in the same period in 2019; and
- $1.0 million decrease in miscellaneous revenues primarily due to lower percentage rent, short-term rentals and parking revenue as a result of the COVID-19 pandemic.

Excluding the expected credit losses of $5.3 million recorded in the three months ended December 31, 2020, Same Properties NOI would have been $126.2 million representing a decrease of $3.7 million or 2.9% as compared to the same period in 2019.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	**Year Ended December 31, 2020**	Year Ended December 31, 2019	Variance ($)	Variance (%)
Net rental income	**460,715**	504,905	(44,190)	(8.8)
Service and other revenues	**10,134**	10,229	(95)	(0.9)
Other expenses	**(10,138)**	(10,235)	97	0.9
NOI[1]	**460,711**	504,899	(44,188)	(8.8)
NOI from equity accounted investments[1]	**58,394**	9,151	49,243	N/R[2]
Total portfolio NOI before adjustments[1]	**519,105**	514,050	5,055	1.0
Adjustments:				
Royalties	**835**	1,011	(176)	(17.4)
Straight-line rent	**3,363**	(2,633)	5,996	N/R[2]
Lease termination and other adjustments	**(1,483)**	(3,667)	2,184	59.6
Condominium sales profit	**(47,557)**	330	(47,887)	N/R[2]
Amortization of tenant incentives	**7,564**	7,733	(169)	(2.2)
Total portfolio NOI after adjustments[1]	**481,827**	516,824	(34,997)	(6.8)
NOI sourced from:				
Acquisitions	**(401)**	27	(428)	N/R[2]
Dispositions	**—**	(17)	17	N/R[2]
Earnouts and Developments	**(7,543)**	(7,604)	61	0.8
Same Properties NOI[1]	**473,883**	509,230	(35,347)	(6.9)
Add back: bad debt expense/expected credit losses[3]	**30,817**	951	29,866	N/R[2]
Same Properties NOI excluding expected credit losses[1]	**504,700**	510,181	(5,481)	(1.1)

(1) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures".
(2) N/R – Not representative.
(3) Amount for the year ended December 31, 2020 reflects the impact of the COVID-19 pandemic.

"Same Properties" in the table above refer to those income properties that were owned by the Trust from January 1, 2019 to December 31, 2019 and from January 1, 2020 to December 31, 2020. The Same Properties NOI for the year ended December 31, 2020 decreased by $35.3 million or 6.9% as compared to the same period in 2019, which was primarily due to the following:

- $26.2 million increase in miscellaneous expenses primarily due to higher bad debt expenses, partially offset by lower management fee;
- $3.4 million decrease in percentage rents, primarily due to mall closures as a result of the COVID-19 pandemic;
- $2.5 million decrease in miscellaneous revenues, primarily due to a decrease in: short-term rentals, parking revenues, and other miscellaneous revenues;
- $2.4 million decrease in net rental income mainly due to higher vacancy and rent reductions as a result of the COVID-19 pandemic; and
- $0.8 million decrease in recoverable costs primarily due to higher realty tax vacancy shortfalls and non-recurring favourable adjustments recorded in 2019.

Excluding the expected credit losses of $30.8 million recorded in the year ended December 31, 2020, Same Properties NOI would have been $504.7 million representing a decrease of $5.5 million or 1.1% as compared to 2019.

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

Adjusted EBITDA

The following table presents a reconciliation of net income and comprehensive income to Adjusted EBITDA:

(in thousands of dollars)	**12 Months Ended December 31, 2020**	12 Months Ended December 31, 2019	Variance ($)
Net income and comprehensive income	**89,940**	374,203	(284,263)
Add (deduct) the following items[1]:			
Interest expense	**152,715**	139,947	12,768
Interest income	**(15,241)**	(11,668)	(3,573)
Yield maintenance costs	**11,954**	20,513	(8,559)
Amortization of equipment and intangible assets	**3,714**	2,075	1,639
Amortization of tenant improvements	**7,320**	7,461	(141)
Fair value adjustment on revaluation of investment properties	**265,645**	(33,561)	299,206
Fair value adjustment on financial instruments	**(17,722)**	1,319	(19,041)
Adjustment for supplemental contribution	**2,031**	3,195	(1,164)
Gain on sale of investment properties	**(444)**	(623)	179
Gain on sale of land to co-owners (Transactional FFO)	**744**	2,818	(2,074)
Acquisition-related costs	**2,347**	298	2,049
Adjusted EBITDA[1]	**503,003**	505,977	(2,974)

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

Other Measures of Performance

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

Weighted Average Number of Units
The weighted average number of Trust Units and exchangeable LP Units is used in calculating the Trust's net income and comprehensive income per Unit, net income and comprehensive income excluding fair value adjustments per Unit, and FFO per Unit. The corresponding diluted per Unit amounts are adjusted for the dilutive effect of the vested portion of deferred units granted under the Trust's deferred unit plan unless they are anti-dilutive. To calculate diluted FFO per Unit for the years ended December 31, 2020 and December 31, 2019, vested deferred units are added back to the weighted average Units outstanding because they are dilutive.

The following table sets forth the weighted average number of Units outstanding for the purposes of FFO per Unit and net income and comprehensive income per Unit calculations in this MD&A:

	Three Months Ended December 31			**Year Ended December 31**		
(number of Units)	**2020**	2019	Variance	**2020**	2019	Variance
Trust Units	**144,618,352**	143,754,198	864,154	**144,543,393**	142,483,673	2,059,720
Class B LP Units	**16,416,667**	16,416,667	—	**16,416,667**	16,416,667	—
Class D LP Units	**311,022**	311,022	—	**311,022**	311,022	—
Class F LP Units	**8,708**	4,886	3,822	**8,405**	3,306	5,099
Class B LP II Units	**756,525**	756,525	—	**756,525**	756,525	—
Class B LP III Units	**4,006,661**	3,819,137	187,524	**3,945,328**	3,818,692	126,636
Class B LP IV Units	**3,067,593**	3,065,059	2,534	**3,067,593**	3,055,746	11,847
Class B Oshawa South LP Units	**710,416**	710,416	—	**710,416**	710,416	—
Class D Oshawa South LP Units	**260,417**	260,417	—	**260,417**	260,417	—
Class B Oshawa Taunton LP Units	**374,223**	374,223	—	**374,223**	374,223	—
Class B Boxgrove LP Units	**170,000**	—	170,000	**58,989**	—	58,989
Class B Series ONR LP Units	**1,248,140**	1,248,140	—	**1,248,140**	1,248,140	—
Class B Series 1 ONR LP I Units	**132,881**	132,881	—	**132,881**	132,881	—
Class B Series 2 ONR LP I Units	**139,302**	139,302	—	**139,302**	138,040	1,262
Total Exchangeable LP Units	**27,602,555**	27,238,675	363,880	**27,429,908**	27,226,075	203,833
Total Units – Basic	**172,220,907**	170,992,873	1,228,034	**171,973,301**	169,709,748	2,263,553
Vested deferred units	**1,043,747**	865,561	178,186	**998,302**	871,783	126,519
Total Units and vested deferred units – Diluted	**173,264,654**	171,858,434	1,406,220	**172,971,603**	170,581,531	2,390,072

Funds From Operations

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

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

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

Adjusted Cashflow From Operations

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

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

Determination of Distributions

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

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

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

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

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

	Year Ended December 31	
(in thousands of dollars)	**2020**	2019
Cash flows provided by operating activities	**295,982**	345,611
Add:		
Normalizing adjustments, actual sustaining expenditures adjustments and other[1]	**57,427**	(10,964)
ACFO[2]	**353,409**	334,647
One-time adjustment:		
Yield maintenance costs[3]	**11,954**	20,513
ACFO with one-time adjustment[2]	**365,363**	355,160
ACFO[2]	**353,409**	334,647
Distributions declared	**318,758**	310,651
Surplus of ACFO over distributions declared	**34,651**	23,996
Distributions for Units classified as equity	**314,877**	306,857
Distributions for Units classified as liabilities	**3,881**	3,794
Total distributions declared	**318,758**	310,651

(1) Represents the adjustments that are added to/deducted from cash flows provided by operating activities, in order to determine ACFO. Refer to the subsection entitled "Reconciliation of ACFO" provided later in this report for details.
(2) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures".
(3) The year ended December 31, 2020 includes $12.0 million of yield maintenance costs on repayment of debt and related write-off of unamortized financing costs (year ended December 31, 2019 – $20.5 million).

Reconciliation of FFO

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

Quarterly Comparison to Prior Year

(in thousands of dollars, except per Unit amounts)	**Three Months Ended December 31, 2020**	Three Months Ended December 31, 2019	Variance ($)	Variance (%)
Net income and comprehensive income	**48,380**	103,584	(55,204)	(53.3)
Add (deduct):				
Fair value adjustment on revaluation of investment properties[1]	**16,539**	(14,985)	31,524	N/R[6]
Fair value adjustment on financial instruments[2]	**17,839**	(3,841)	21,680	N/R[6]
Gain on sale of investment properties	**1**	(13)	14	N/R[6]
Amortization of intangible assets	**332**	332	—	—
Amortization of tenant improvement allowance and other	**1,668**	1,811	(143)	(7.9)
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	**1,521**	1,365	156	11.4
Salaries and related costs attributed to leasing activities[3]	**1,200**	1,198	2	0.2
Acquisition-related costs	**166**	283	(117)	(41.3)
Adjustments relating to equity accounted investments:				
Rental revenue adjustment – tenant improvement amortization	**100**	93	7	7.5
Indirect interest with respect to the development portion[4]	**1,676**	553	1,123	N/R[6]
Adjustment to indirect interest with respect to Transit City condo closings[4]	**(240)**	—	(240)	N/R[6]
Fair value adjustment on revaluation of investment properties	**(3,050)**	(4,011)	961	(24.0)
Loss on sale of investment properties	**(26)**	—	(26)	N/R[6]
Acquisition related costs	**—**	16	(16)	N/R[6]
Adjustment for supplemental contribution	**591**	1,668	(1,077)	(64.6)
FFO[5]	**86,697**	88,053	(1,356)	(1.5)
One-time adjustment:				
Yield maintenance costs[7]	**11,954**	12,648	(694)	(5.5)
FFO with one-time adjustment of yield maintenance costs[5]	**98,651**	100,701	(2,050)	(2.0)
Transactional FFO – gain on sale of land to co-owners	**—**	2,211	(2,211)	N/R[6]
FFO with one-time adjustments and Transactional FFO[5]	**98,651**	102,912	(4,261)	(4.1)

(1) Fair value adjustment on revaluation of investment properties is described in "Investment Properties".
(2) Fair value adjustment on financial instruments comprises the following financial instruments: units classified as liabilities, Earnout options, deferred unit plan and interest rate swap agreements. The significant assumptions made in determining the fair value and fair value adjustments for these financial instruments are more thoroughly described in the Trust's consolidated financial statements for the year ended December 31, 2020. The fair value adjustment on financial instruments experienced a significant decrease as compared to the same period in 2019. For details please see discussion in the "Results of Operations" above.
(3) Salaries and related costs attributed to leasing activities of $1.2 million were incurred in the three months ended December 31, 2020 (three months ended December 31, 2019 – $1.2 million) and were eligible to be added back to FFO based on the definition of FFO, in the REALpac White Paper published in February 2019, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between Canadian publicly traded real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.
(4) Indirect interest is not capitalized to properties under development and residential development inventory of equity accounted investments under IFRS but is a permitted adjustment under REALpac's definition of FFO. The amount is based on the total cost incurred with respect to the development portion of equity accounted investments multiplied by the Trust's weighted average cost of debt.
(5) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures".
(6) N/R – Not representative.
(7) The three months ended December 31, 2020 includes $12.0 million of yield maintenance costs on repayment of debt and related write-off of unamortized financing costs (three months ended December 31, 2019 – $12.6 million).

For the three months ended December 31, 2020, FFO decreased by $1.4 million or 1.5% to $86.7 million. This decrease was primarily attributed to:

- $5.5 million net increase in interest expense, which was primarily due to a higher debt level; and
- $3.1 million increase in net general and administrative expense;

Partially offset by:

- $5.6 million increase in NOI, which was primarily due to Transit City 1 and 2 units closings (see further details in "Net Operating Income");

- $1.0 million increase in interest income which was primarily due to an increase in bank interest as a result of the increase in cash and cash equivalents as compared to the same period in 2019;
- $0.6 million net increase in FFO add back for indirect interest incurred in respect of equity accounted development projects which was primarily due to the development property acquisitions completed, tenant improvement allowance and others.

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

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Variance ($)	Variance (%)
Per Unit – basic/diluted[1]:				
FFO[2]	**$0.50/$0.50**	$0.51/$0.51	-0.01/-0.01	-2.0/-2.0
FFO with one-time adjustment of yield maintenance costs[2]	**$0.57/$0.57**	$0.59/$0.59	-0.02/-0.02	-3.4/-3.4
FFO with one-time adjustments and Transactional FFO[2]	**$0.57/$0.57**	$0.60/$0.60	-0.03/-0.03	-5.0/-5.0
Payout Ratio:				
FFO[2]	**91.9 %**	90.5 %	1.4 %	
FFO with one-time adjustment of yield maintenance costs[2]	**80.7 %**	79.1 %	1.6 %	
FFO with one-time adjustments and Transactional FFO[2]	**80.7 %**	77.4 %	3.3 %	

(1) Diluted FFO is adjusted for the dilutive effect of vested deferred units, which are not dilutive for net income purposes. To calculate diluted FFO for the three months ended December 31, 2020, 1,043,747 vested deferred units are added back to the weighted average Units outstanding (three months ended December 31, 2019 – 865,561 vested deferred units).

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

Year-to-Date Comparison to Prior Year

(in thousands of dollars, except per Unit amounts)	**Year Ended December 31, 2020**	Year Ended December 31, 2019	Variance ($)	Variance (%)
Net income and comprehensive income	**89,940**	374,203	(284,263)	(76.0)
Add (deduct):				
Fair value adjustment on revaluation of investment properties[1]	**275,051**	(29,471)	304,522	N/R[6]
Fair value adjustment on financial instruments[2]	**(17,722)**	1,320	(19,042)	N/R[6]
Gain on sale of investment properties	**(418)**	(807)	389	(48.2)
Amortization of intangible assets	**1,331**	1,331	—	—
Amortization of tenant improvement allowance and other	**6,926**	7,165	(239)	(3.3)
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	**5,785**	5,385	400	7.4
Salaries and related costs attributed to leasing activities[3]	**5,853**	5,462	391	7.2
Acquisition-related costs	**2,347**	283	2,064	N/R[6]
Adjustments relating to equity accounted investments:				
Rental revenue adjustment – tenant improvement amortization	**394**	322	72	22.4
Indirect interest with respect to the development portion[4]	**6,821**	1,141	5,680	N/R[6]
Adjustment to indirect interest with respect to Transit City condo closings[4]	**(940)**	—	(940)	N/R[6]
Fair value adjustment on revaluation of investment properties	**(9,406)**	(4,089)	(5,317)	N/R[6]
Loss on sale of investment properties	**(26)**	—	(26)	N/R[6]
Acquisition-related costs	**—**	16	(16)	N/R[6]
Adjustment for supplemental contribution	**2,031**	3,195	(1,164)	(36.4)
FFO[5]	**367,967**	365,456	2,511	0.7
One-time adjustment:				
Yield maintenance costs[7]	**11,954**	20,513	(8,559)	(41.7)
FFO with one-time adjustment of yield maintenance costs[5]	**379,921**	385,969	(6,048)	(1.6)
Transactional FFO – gain on sale of land to co-owners	**744**	2,818	(2,074)	(73.6)
FFO with one-time adjustment and Transactional FFO[5]	**380,665**	388,787	(8,122)	(2.1)

(1) Fair value adjustment on revaluation of investment properties is described in "Investment Properties".
(2) Fair value adjustment on financial instruments comprises the following financial instruments: units classified as liabilities, Earnout options, deferred unit plan and interest rate swap agreements. The significant assumptions made in determining the fair value and fair value adjustments for these financial instruments are more thoroughly described in the Trust's consolidated financial statements for the year ended December 31, 2020. The fair value adjustment on financial instruments experienced a significant increase as compared to the same period in 2019. For details please see discussion in "Results of Operations" above.
(3) Salaries and related costs attributed to leasing activities of $5.9 million were incurred in the year ended December 31, 2020 (year ended December 31, 2019 – $5.5 million) and were eligible to be added back to FFO based on the definition of FFO, in the REALpac White Paper published in February 2019, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between Canadian publicly traded real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.
(4) Indirect interest is not capitalized to properties under development and residential development inventory of equity accounted investments under IFRS but is a permitted adjustment under REALpac's definition of FFO. The amount is based on the total cost incurred with respect to the development portion of equity accounted investments multiplied by the Trust's weighted average cost of debt.
(5) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and accordingly may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures".
(6) N/R – Not representative.
(7) The year ended December 31, 2020 includes $12.0 million of yield maintenance costs on repayment of debt and related write-off of unamortized financing costs (year ended December 31, 2019 – $20.5 million).

For the year ended December 31, 2020, FFO increased by $2.5 million or 0.7% to $368.0 million. This increase was primarily attributed to:

- $5.1 million increase in NOI, which was primarily due to Transit City 1 and 2 units closings (see further details in "Net Operating Income");
- $4.7 million increase in add-back for indirect interest incurred in respect of equity accounted development projects which was primarily due to the development property acquisitions completed;
- $4.3 million increase in interest income which was primarily due to an increase in bank interest as a result of the increase in cash and cash equivalents as compared to the same period in 2019; and
- $0.8 million increase in FFO add back for salaries and related costs attributed to leasing activities and distributions on Units classified as liabilities;

Partially offset by:

- $8.2 million increase in net general and administrative expense; and
- $4.2 million net increase in interest expense, which was primarily due to a higher debt level.

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

	Year Ended December 31, 2020	Year Ended December 31, 2019	Variance ($)	Variance (%)
Per Unit – basic/diluted[1]:				
FFO[2]	**$2.14/$2.13**	$2.15/$2.14	-$0.01/-$0.01	-0.5/-0.5
FFO with one-time adjustment of yield maintenance costs[2]	**$2.21/$2.20**	$2.27/$2.26	-$0.06/-$0.06	-2.6/-2.7
FFO with one-time adjustment and Transactional FFO[2]	**$2.21/$2.20**	$2.29/$2.28	-$0.08/-$0.08	-3.5/-3.5
Payout Ratio:				
FFO[2]	**86.6 %**	85.0 %	1.6 %	
FFO with one-time adjustment of yield maintenance costs[2]	**83.9 %**	80.5 %	3.4 %	
FFO with one-time adjustment and Transactional FFO[2]	**83.7 %**	79.9 %	3.8 %	

(1) Diluted FFO is adjusted for the dilutive effect of vested deferred units, which are not dilutive for net income purposes. To calculate diluted FFO for the year ended December 31, 2020, 998,302 vested deferred units are added back to the weighted average Units outstanding (year ended December 31, 2019 – 871,783 vested deferred units).

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

Reconciliation of ACFO

The tables and analyses below illustrate a reconciliation of the Trust's cash flows provided by operating activities (GAAP measure) to ACFO (non-GAAP measure).

Quarterly Comparison to Prior Year

(in thousands of dollars)	**Three Months Ended December 31, 2020**	Three Months Ended December 31, 2019	Variance ($)	Variance (%)
Cash flows provided by operating activities	**91,371**	131,647	(40,276)	(30.6)
Adjustments to working capital items that are not indicative of sustainable cash available for distribution[1]	**(21,921)**	(51,868)	29,947	(57.7)
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	**1,521**	1,365	156	11.4
Expenditures on direct leasing costs and tenant incentives	**2,178**	1,733	445	25.7
Expenditures on tenant incentives for properties under development	**(386)**	426	(812)	N/R[4]
Actual sustaining capital expenditures	**(4,686)**	(8,028)	3,342	(41.6)
Actual sustaining leasing commissions	**(738)**	(558)	(180)	32.3
Actual sustaining tenant improvements	**(1,466)**	(1,348)	(118)	8.8
Non-cash interest expense	**(3,504)**	(1,143)	(2,361)	N/R[4]
Non-cash interest income	**2,222**	2,058	164	8.0
Acquisition-related loss, net	**166**	283	(117)	(41.3)
Gain on sale of land to co-owners	**—**	2,211	(2,211)	(100.0)
Distributions from equity accounted investments	**(3,473)**	146	(3,619)	N/R[4]
Adjustments relating to equity accounted investments:				
Cash flows from operating activities relating to the Trust's equity accounted investments	**27,124**	(31,417)	58,541	N/R[4]
Adjustments to working capital items that are not indicative of sustainable cash available for distribution	**(5,819)**	31,049	(36,868)	N/R[4]
Notional interest capitalization[2]	**1,676**	553	1,123	N/R[4]
Adjustment to indirect interest with respect to Transit City condo closings[2]	**(240)**	—	(240)	N/R[4]
Actual sustaining capital expenditures	**(71)**	(60)	(11)	18.3
Actual sustaining leasing commissions	**(1)**	(3)	2	(66.7)
Actual sustaining tenant improvements	**(20)**	(1)	(19)	N/R[4]
Expenditures on direct leasing costs and tenant incentives	**8**	3	5	N/R[4]
Expenditures on tenant incentives for properties under development	**11**	360	(349)	(96.9)
Acquisition-related cost (gain), net	**—**	16	(16)	(100.0)
Non-cash interest expense	**(9)**	3	(12)	N/R[4]
ACFO[3]	**83,943**	77,427	6,516	8.4
One-time adjustment:				
Yield maintenance costs[5]	**11,954**	12,648	(694)	N/R[5]
ACFO with one-time adjustment[3]	**95,897**	90,075	5,822	6.5
ACFO[3]	**83,943**	77,427	6,516	8.4
Distributions declared	**79,656**	79,682	(26)	N/R[4]
Surplus (Shortfall) of ACFO over distributions declared	**4,287**	(2,255)	6,542	N/R[5]
Payout Ratio:				
ACFO[3]	**94.9 %**	102.9 %	(8.0)%	
ACFO with one-time adjustment[3]	**83.1 %**	88.5 %	(5.4)%	

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

(4) N/R – Not representative.
(5) The three months ended December 31, 2020 includes $12.0 million of yield maintenance costs on repayment of debt and related write-off of unamortized financing costs (three months ended December 31, 2019 – $12.6 million).

For the three months ended December 31, 2020, ACFO with one-time adjustment increased by $5.8 million or 6.5% to $95.9 million compared to the same period in 2019, which was primarily due to the items previously identified (see "Results of Operations").

The Payout Ratio relating to ACFO with one-time adjustment for the three months ended December 31, 2020 decreased to 83.1% as compared to the same period in 2019, which was primarily due to the other items previously identified.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	**Year Ended December 31, 2020**	Year Ended December 31, 2019	Variance ($)	Variance (%)
Cash flows provided by operating activities	**295,982**	345,611	(49,629)	(14.4)
Adjustments to working capital items that are not indicative of sustainable cash available for distribution[1]	**14,039**	(7,989)	22,028	N/R[4]
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	**5,785**	5,385	400	7.4
Expenditures on direct leasing costs and tenant incentives	**5,462**	5,910	(448)	(7.6)
Expenditures on tenant incentives for properties under development	**1,897**	2,467	(570)	(23.1)
Actual sustaining capital expenditures	**(8,445)**	(17,792)	9,347	(52.5)
Actual sustaining leasing commissions	**(1,732)**	(1,789)	57	(3.2)
Actual sustaining tenant improvements	**(3,829)**	(4,691)	862	(18.4)
Non-cash interest expense	**(19,966)**	433	(20,399)	N/R[4]
Non-cash interest income	**9,739**	8,394	1,345	16.0
Acquisition-related loss, net	**166**	283	(117)	(41.3)
Gain on sale of land to co-owners	**744**	2,818	(2,074)	(73.6)
Distributions from equity accounted investments	**(4,770)**	(7,197)	2,427	(33.7)
Adjustments relating to equity accounted investments:				
Cash flows from operating activities relating to the Trust's equity accounted investments	**81,333**	(31,881)	113,214	N/R[4]
Adjustments to working capital items that are not indicative of sustainable cash available for distribution	**(28,786)**	31,843	(60,629)	N/R[4]
Notional interest capitalization[2]	**6,821**	1,141	5,680	N/R[4]
Adjustment to indirect interest with respect to Transit City condo closings[2]	**(940)**	—	(940)	N/R[4]
Actual sustaining capital expenditures	**(160)**	(74)	(86)	N/R[4]
Actual sustaining leasing commissions	**(8)**	(3)	(5)	N/R[4]
Actual sustaining tenant improvements	**(98)**	(1)	(97)	N/R[4]
Expenditures on direct leasing costs and tenant incentives	**70**	3	67	N/R[4]
Expenditures on tenant incentives for properties under development	**11**	1,631	(1,620)	(99.3)
Acquisition-related cost (gain), net	**—**	16	(16)	(100.0)
Non-cash interest expense	**94**	129	(35)	(27.1)
ACFO[3]	**353,409**	334,647	18,762	5.6
One-time adjustment:				
Yield maintenance costs[5]	**11,954**	20,513	(8,559)	N/R[5]
ACFO with one-time adjustment[3]	**365,363**	355,160	10,203	2.9

ACFO[3]	**353,409**	334,647	18,762	5.6
Distributions declared	**318,758**	310,651	8,107	2.6
Surplus of ACFO over distributions declared	**34,651**	23,996	10,655	44.4
Payout Ratio:				
ACFO[3]	**90.2 %**	92.8 %	(2.6)%	
ACFO with one-time adjustment[3]	**87.2 %**	87.5 %	(0.3)%	

(1) Adjustments to working capital items include, but are not limited to, changes in prepaid expenses and deposits, accounts receivables, accounts payables and other working capital items that are not indicative of sustainable cash available for distribution.
(2) See the "Indirect interest with respect to the development portion" as presented in the "Reconciliation of FFO" subsection above for more information.
(3) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures".
(4) N/R – Not representative.
(5) The year ended December 31, 2020 includes $12.0 million of yield maintenance costs on repayment of debt and related write-off of unamortized financing costs (year ended December 31, 2019 – $20.5 million).

For the year ended December 31, 2020, ACFO with one-time adjustment increased by $10.2 million or 2.9% to $365.4 million compared to the same period in 2019, which was primarily due to the items previously identified (see "Results of Operations").

The Payout Ratio relating to ACFO with one-time adjustment for the year ended December 31, 2020 decreased by 0.3% to 87.2% as compared to 2019, which was primarily due to the items previously identified.

Distributions and ACFO Highlights

	Three Months Ended December 31			**Year Ended December 31**		
(in thousands of dollars)	**2020**	2019	Variance ($)	**2020**	2019	Variance ($)
Cash flows provided by operating activities	**91,371**	131,647	(40,276)	**295,982**	345,611	(49,629)
Distributions declared	**79,656**	79,682	(26)	**318,758**	310,651	8,107
Distributions paid	**76,249**	60,591	15,658	**297,873**	239,111	58,762
ACFO[1]	**83,943**	77,427	6,516	**353,409**	334,647	18,762
ACFO with one-time adjustment[1]	**95,897**	90,075	5,822	**365,363**	355,160	10,203
Surplus (shortfall) of ACFO over distributions declared	**4,287**	(2,255)	6,542	**34,651**	23,996	10,655
Surplus of ACFO with one-time adjustment over distributions declared	**16,241**	10,393	5,848	**46,605**	44,509	2,096
Surplus of ACFO over distributions paid	**7,694**	16,836	(9,142)	**55,536**	95,536	(40,000)
Surplus of ACFO with one-time adjustment over distributions paid	**19,648**	29,484	(9,836)	**67,490**	116,049	(48,559)
Surplus (shortfall) of cash flows provided by operating activities over distributions declared	**11,715**	51,965	(40,250)	**(22,776)**	34,960	(57,736)
Surplus (shortfall) of cash flows provided by operating activities over distributions paid	**15,122**	71,056	(55,934)	**(1,891)**	106,500	(108,391)

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

For the year ended December 31, 2020, the shortfall of cash flows provided by operating activities over distributions declared of $22.8 million was primarily due to the $22.0 million increase in amounts receivable and other, net of ECL, which are expected to be collected from tenants with whom the Trust is currently working on rent deferral or similar payment arrangements.

For the year ended December 31, 2020, the shortfall of cash flows provided by operating activities over distributions paid of $1.9 million was primarily due to the $22.8 million shortfall of cash flows provided by operating activities over distributions declared, discussed above, partially offset by the distributions paid through DRIP totalling $17.3 million (effective April 2020, the Trust suspended the DRIP).

Quarterly Results and Trends

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

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Results of operations								
Net income (loss) and comprehensive income (loss)[1]	**48,380**	111,033	(133,674)	64,201	103,584	95,138	95,513	79,973
Per Unit								
Basic	**$0.28**	$0.65	-$0.78	$0.37	$0.61	$0.56	$0.56	$0.48
Diluted	**$0.28**	$0.64	-$0.78	$0.37	$0.60	$0.56	$0.56	$0.47
Net base rent[1][2]	**126,663**	126,045	125,558	128,901	129,921	128,780	128,261	127,361
Rentals from investment properties[1][2]	**199,609**	188,981	192,607	208,735	209,001	197,545	198,174	207,227
NOI[1][2]	**137,002**	147,612	108,094	126,397	131,418	128,645	128,217	125,924
Other measures of performance								
FFO[2]	**86,697**	110,107	75,199	95,964	88,037	97,330	91,781	88,296
Per Unit								
Basic	**$0.50**	$0.64	$0.44	$0.56	$0.51	$0.57	$0.54	$0.53
Diluted[3]	**$0.50**	$0.64	$0.43	$0.56	$0.51	$0.57	$0.54	$0.52
Cash flows provided by operating activities	**91,371**	79,100	46,349	79,162	131,647	80,615	80,767	55,863
Distributions declared	**79,657**	79,621	79,562	79,918	79,682	77,264	76,988	76,716
Units outstanding[4]	**172,221,212**	172,220,387	172,046,139	171,865,757	171,283,191	170,689,152	170,118,375	169,609,625
Weighted average Units outstanding								
Basic	**172,220,907**	172,112,821	171,988,473	171,566,750	170,992,873	170,400,281	169,858,745	167,541,581
Diluted	**173,264,654**	173,120,316	172,980,866	172,515,723	171,858,434	171,255,329	170,718,814	168,448,169
Total assets	**10,724,492**	10,365,651	10,382,902	10,430,793	9,928,467	9,704,677	9,676,090	9,608,647
Total unencumbered assets	**5,835,600**	5,763,400	5,644,500	5,647,800	5,696,100	4,652,700	4,499,700	4,451,600
Debt[1][2]	**5,261,360**	4,908,808	5,000,070	4,841,249	4,290,826	4,132,699	4,127,264	4,139,682
In-place occupancy rate (%)[1]	**97.0**	97.1	97.6	97.8	98.1	98.1	97.8	97.8

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

Results of operations

Net income (loss) and comprehensive income (loss), net base rent, rentals from investment properties, NOI, and related financial and operational metrics noted above are typically not materially impacted by seasonal factors. However, macroeconomic and market trends, as described under "Outlook" in this MD&A, acquisition, Earnout, development and disposition activities and the impacts of the COVID-19 pandemic (for 2020 specifically) do have an influence on the demand for space, occupancy levels and, consequently, net base rent, CAM and realty tax recoveries, property valuations and ultimately operating performance.

Overall, quarterly fluctuations in revenue and operating results are mainly attributable to occupancy levels and same property NOI growth, Acquisitions, Developments, Earnouts, and dispositions. In addition, the COVID-19 pandemic has had an adverse effect on results of operations for Q2 through Q4 of 2020.

Net income and comprehensive income declined in Q4 2020 from Q3 2020, primarily due to: fair value adjustments (loss) on revaluation of investment properties of approximately $19.0 million principally due to valuations on the Trust's properties under development, fair value adjustments (loss) on financial instruments of approximately $12.0 million which was attributed to the increase in the Trust's Unit price as compared to Q3, and an increase in interest expense of approximately $14.0 million which was primarily due to the accrued yield maintenance and write-off of unamortized financing costs of approximately $12.0 million related to the announced redemption of Series M and Q unsecured debentures. Net income (loss) and comprehensive income (loss) in Q3 2020 surpassed each of the previous seven quarters, largely due to the $31.9 million profit on initial condominium closings of Transit City 1 and 2 units recognized during the quarter. It previously decreased in Q1 2020 and Q2 2020 primarily as a result of unfavourable fair value adjustments on the revaluation of investment properties, which principally resulted from estimates of future cash flows and other assumptions to the valuation model, when considering the impact of the COVID-19 pandemic, and was partially offset by the fair value adjustment on financial instruments, which was attributed to the significant decline in the Trust's Unit price following the market volatility caused by the COVID-19 pandemic during the first three quarters of 2020.

Rentals from investment properties declined in Q2 and Q3 of 2020 primarily due to lower CAM and realty tax recoveries as a result of lower operating costs. In addition, the Trust recognized lower percentage rents, short-term rentals, and other miscellaneous revenues, due to the COVID-19 pandemic. Rentals from investment properties increased in Q1 of 2019, Q4 of 2019, and Q1 of 2020 as compared to other quarters primarily as a result of higher CAM recoveries, lease termination fees, percentage rent, parking and other miscellaneous revenue.

Other measures of performance

FFO decreased in Q4 2020 from Q3 2020, primarily due to a decrease in earnings from equity accounted investments of approximately $14 million as a result of fewer units remaining to close at Transit City 1 and 2 in Q4 2020 as compared to Q3 2020, and an increase in yield maintenance costs totalling approximately $12 million. For Q3 2020, FFO increased significantly as a result of the earnings from condominium closings included in equity accounted investments, which was offset by the increased ECL provisions during the quarter associated with the COVID-19 pandemic. In Q2 2020, FFO decreased primarily due to ECL taken on tenant receivables, reflecting adverse economic circumstances due to the COVID-19 pandemic. FFO decreased in Q4 2019 from Q3 2019 primarily as a result of yield maintenance costs and higher CAM and realty tax recoveries' shortfall due to higher vacancy.

Units Outstanding

Quarterly increases in Units outstanding and weighted average Units outstanding (basic and diluted) can be attributed to Units issued pursuant to: (i) DRIP, (ii) Earnouts, and (iii) deferred units exchanged for Trust Units.

Total Assets

Total assets increased in Q4 2020 from Q3 2020, principally due to the proceeds from issuance of unsecured debentures, net of repayments, as noted below in 'Debt and financing activities'. Total assets decreased in Q3 2020 as a result of a reduction in cash and cash equivalents principally from the repayment of secured and unsecured debt. They increased in Q1 2020 from Q4 2019 primarily as a result of the increase in cash balance from the unsecured debt issuance in June 2020, partially offset by fair value adjustments on the revaluation of investment properties. Prior to Q2 2020, the quarter-over-quarter change in total assets is primarily attributed to: (i) acquisitions of investment properties, (ii) development and related costs associated with properties under development in the portfolio, (iii) fair value adjustment on revaluation of investment properties, (iv) additional debt and equity issuance, and v) capital expenditures and leasing costs incurred. Total assets increased in Q4 2019 from Q3 2019 primarily as a result of acquisitions completed in the quarter including, a self-storage facility in Toronto (Dupont Street), residential development land in Barrie, and a 50% interest in a parcel of land in Vaughan that the Trust purchased from Penguin.

Debt and financing activities

Total debt increased in Q4 2020 from Q3 2020, principally due to the issuance of Series X and Series Y unsecured debentures totalling $650.0 million, net of repayment of Series R unsecured debentures totalling $250.0 million and purchase and cancellation of a proportion of Series T unsecured debentures totalling $26.9 million. Total debt decreased in Q3 2020 from Q2 2020 principally as a result of repayment of secured debt, but increased from Q4 2019 principally due to the $600.0 million issuance of Series V and Series W unsecured debentures in Q2 2020.

Total debt increased in Q4 2019 from Q3 2019 primarily as a result of $110.0 million net new debt issued in Q4 2019.

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

Leasing

The Trust's in-place occupancy rate has reduced over the last eight quarters, ranging from a low of 97.0% in the fourth quarter of 2020 to a high of 98.1% in Q4 2019 and Q3 2019. The primary reason for the reduction in occupancy rate in the second and third quarters of 2020 is because of the impact of tenant bankruptcies in the Trust's portfolio and a challenging leasing environment primarily due to the COVID-19 pandemic. Quarterly changes in occupancy rates are primarily caused by: i) the expiration, bankruptcies, closures and non-renewals of existing tenants or tenancies, as applicable, ii) new leasing, iii) assumed occupancy/vacancy on acquisitions, and iv) movements of space in and out of the Trust's portfolio of properties under development.

General and Administrative Expense

The following tables summarize general and administrative expense before allocation, general and administrative expense, net (as presented in the consolidated statements of income and comprehensive income for the year ended December 31, 2020) general and administrative expense excluding internal leasing expense, and general and administrative expense, net as a percentage of rental from investment properties:

(in thousands of dollars)	Note[1]		Year Ended December 31, 2020	Year Ended December 31, 2019	Variance ($)
Salaries and benefits			**53,449**	50,240	3,209
Master planning services fee – by Penguin	21		**6,880**	9,100	(2,220)
Professional fees			**6,093**	3,251	2,842
Public company costs			**2,505**	2,530	(25)
Rent and occupancy			**1,078**	2,405	(1,327)
Amortization of intangible assets	8		**1,331**	1,331	—
Other costs including information technology, marketing, communications and other employee expenses			**9,063**	6,570	2,493
Subtotal			**80,399**	75,427	4,972
Previously capitalized general and administrative costs – Transit City 1 & 2			**1,842**	—	1,842
Total general and administrative expense before allocation		**(A)**	**82,241**	75,427	6,814
Less:					
Allocated to property operating costs			**(13,949)**	(14,988)	1,039
Capitalized to properties under development and other assets			**(29,476)**	(29,821)	345
Total amounts allocated and capitalized		**(B)**	**(43,425)**	(44,809)	1,384
Transition services charged to Penguin	21		**(833)**	(2,417)	1,584
Time billings, leasing, management fees, development fees and other fees	21		**(8,538)**	(6,536)	(2,002)
Shared service costs charged to Penguin	21		**(763)**	(1,209)	446
Total amounts charged		**(C)**	**(10,134)**	(10,162)	28
Total amounts allocated, capitalized and charged		**(D = B + C)**	**(53,559)**	(54,971)	1,412
General and administrative expense, net		**(E = A + D)**	**28,682**	20,456	8,226
Less:					
Salaries and related costs attributed to leasing activities[2]		**(F)**	**(5,853)**	(5,462)	(391)
General and administrative expense excluding internal leasing expense		**(G = E + F)**	**22,829**	14,994	7,835
General and administrative expense, net		**(E)**	**28,682**	20,456	8,226
Rental revenue from investment properties including rental revenue from equity accounted investments		**(H)**	**789,932**	811,948	(22,016)
As a percentage of rentals from investment properties (%)		**(I = E / H)**	**3.6**	2.5	1.1

(1) The Note reference relates to the corresponding Note disclosure in the consolidated financial statements for the year ended December 31, 2020.
(2) Salaries and related costs attributed to leasing activities of $5.9 million were incurred in the year ended December 31, 2020 (year ended December 31, 2019 – $5.5 million) and were eligible to be added back to FFO based on the definition of FFO in the REALpac White Paper published in February 2019, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between Canadian publicly traded real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

Total general and administrative expense before allocation

For the year ended December 31, 2020, total general and administrative expense before allocation was $82.2 million, representing an increase of $6.8 million or 9.0% as compared to the year ended December 31, 2019. This increase can be attributed primarily to:

- $3.2 million net increase in salaries and benefits principally due to new staff hires, annual wage increases, increases in both LTIP and DUP accruals, offset by amounts received from the CEWS program;
- $2.1 million net increase in legal fees; and
- $1.8 million increase in previously capitalized expenses on Transit City 1 and 2 condo closings;

Partially offset by:
- $0.3 million decrease in other employee expense.

Total amounts allocated, capitalized and charged

For the year ended December 31, 2020, total amounts allocated, capitalized and charged to Penguin and others was $53.6 million, representing a decrease of $1.4 million or 2.6% as compared to the year ended December 31, 2019. This decrease can be attributed primarily to:
- $1.1 million decrease in development and other service fees charged to Penguin and third parties; and
- $1.0 million decrease in amounts allocated to property operating costs principally as a result of the Canada Emergency Wage Subsidy;

Partially offset by:
- $0.7 million increase in the amounts capitalized to properties under development and other assets.

Section V — Leasing Activities and Lease Expiries

Leasing Activities

Occupancy

Notwithstanding the various government enacted shutdowns that were put in place towards quarter end, the Trust maintained occupancy levels of 97.3% for the fourth quarter inclusive of executed deals for future occupancies (97.0% without such future occupancies). Previously deferred renewals that had been put on hold due to challenging market conditions were completed with all effort made to ensure the Trust could obtain the best renewal rates. The Trust continued to support its tenants both financially and operationally to assist in their return to normalcy, with a significant focus to those most in need. Tenant rent collection continued to improve, with the government extending commercial rental assistance namely through the Canada Emergency Rent Subsidy program.

Occupancy

	December 31, 2020	December 31, 2019	Variance
Total Leasable Area (in sq. ft.)	**34,056,064**	34,337,351	(281,287)
In-place Occupancy Rate (%)	**97.0**	98.1	(1.1)
Committed Occupancy Rate (%)	**97.3**	98.2	(0.9)

New Leasing Activity

The Trust has, over the past three months, continued discussions and completed new leases with a number of tenants seeking expansion and new locations owing to the high traffic generation of the Trust's food and pharmacy-anchored centres. The open-format nature of the Trust's portfolio as well as the presence in all major markets coast to coast in Canada bodes well for new entrants into the market. The Trust continues to expand its retail offering to each community with medical services, pharmacies, pet stores, liquor, dollar stores, and, grocery expansion. During the current quarter, the Trust executed approximately 108,122 square feet of new leasing. Also, of note during the quarter were the decreased number of filings under *Companies' Creditors Arrangement Act ("CCAA")* compared to the prior quarter.

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

(in square feet)	**Vacant Area**	**Occupied Area**	**Leasable Area**	**In-place Occupancy Level (%)**
Beginning balance – October 1, 2020	**974,930**	**33,076,280**	**34,051,210**	**97.1**
New vacancies	**279,759**	**(279,759)**	**—**	
New leases	**(108,122)**	**108,122**	**—**	
Subtotal	**1,146,567**	**32,904,643**	**34,051,210**	
Transferred from properties under development to income properties	**—**	**133,137**	**133,137**	
Transferred from income properties to properties under development	**(129,598)**	**—**	**(129,598)**	
Other including unit area remeasurements	**(75)**	**1,390**	**1,315**	
Ending balance – December 31, 2020	**1,016,894**	**33,039,170**	**34,056,064**	**97.0**

The following table presents a continuity of the Trust's in-place occupancy level for the year ended December 31, 2020:

(in square feet)	**Vacant Area**	**Occupied Area**	**Leasable Area**	**In-place Occupancy Level (%)**
Beginning balance – January 1, 2020	**658,964**	**33,678,387**	**34,337,351**	**98.1**
New vacancies	**1,274,332**	**(1,274,332)**	**—**	
New leases	**(396,770)**	**396,770**	**—**	
Subtotal	**1,536,526**	**32,800,825**	**34,337,351**	
Transferred from properties under development to income properties	**—**	**236,001**	**236,001**	
Transferred from income properties to properties under development	**(519,542)**	**—**	**(519,542)**	
Other including unit area remeasurements	**(90)**	**2,344**	**2,254**	
Ending balance – December 31, 2020	**1,016,894**	**33,039,170**	**34,056,064**	**97.0**

Transferred from properties under development to income properties

The following table presents a reconciliation of properties transferred from properties under development to income properties for the year ended December 31, 2020:

Property	Tenant(s)	Net leasable area before transfer of properties under development (sq. ft.)	Leasable area transferred to income properties (sq. ft.)	Net leasable area after transfer of properties under development (sq. ft.)
Vaughan (670 Applewood), ON	Walmart	—	**69,887**	**69,887**
Cornwall, ON	Winners, PetSmart, LCBO	176,702	**48,190**	**224,892**
Vaughan (VMC - PCVP), ON	SmartCentres Home Office	—	**40,006**	**40,006**
Stoney Creek, ON	PetSmart, Healthy Planet	111,474	**22,274**	**133,748**
Pointe Claire, QC	Salvation Army	372,760	**12,031**	**384,791**
Welland, ON	LCBO	240,663	**8,129**	**248,792**
Winnipeg Southwest, MB	Kai Medical	521,190	**7,989**	**529,179**
Others (BC, ON)	Various	1,454,145	**27,495**	**1,481,640**
		2,876,934	**236,001**	**3,112,935**

Transferred from income properties to properties under development transfers

The following table presents a reconciliation of properties transferred from income properties to properties under development for the year ended December 31, 2020:

Property	Former/departed tenant	Net leasable area before transfer of space to properties under development (sq. ft.)	Leasable area transferred to properties under development (sq. ft.)	Net leasable area after transfer of space (sq. ft.)
Cambridge, ON	Rona	570,908	**125,077**	**695,985**
Vaughan (VMC - PCVP), ON	Walmart (former)	—	**97,623**	**97,623**
400 & 7, ON	SAIL	176,929	**76,093**	**253,022**
Etobicoke Index, ON	SAIL	117,587	**70,472**	**188,059**
St. Catharines, ON	Home Outfitters	370,244	**31,975**	**402,219**
Barrie South, ON	La-Z-Boy	385,752	**28,032**	**413,784**
St. Johns Stickpond, NL	Pier One, Bowring, Bombay	261,575	**21,635**	**283,210**
Markham Woodside, ON	Michaels, Bouclair, Pier One	142,560	**20,159**	**162,719**
Brockville, ON	Best Buy	124,063	**20,021**	**144,084**
Others (ON)	Various	1,127,066	**28,455**	**1,155,521**
		3,276,684	**519,542**	**3,796,226**

Renewal Activity

For the year ended December 31, 2020, the Trust achieved a retention rate of 75.3% (December 31, 2019 – 83.6%) for renewing tenants.

Renewal Summary

	December 31, 2020	December 31, 2019	Variance
Expiring (in sq. ft.)	**4,096,297**	3,577,382	518,915
Total renewed and near completion (in sq. ft.)	**3,085,472**	2,990,717	94,755
Retention rate (%)	**75.32**	83.60	(8.28)
Renewed rental rate (in dollars per sq. ft.) – including Anchors	**13.09**	14.04	(0.95)
Renewed rental rate (in dollars per sq. ft.) – excluding Anchors	**18.76**	20.35	(1.59)
Renewed rent growth (including Anchors, %)	**2.6**	3.3	(0.7)
Renewed rent growth (excluding Anchors, %)	**3.3**	4.0	(0.7)

Tenant Profile

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

Portfolio Summary by Market Type

Market	Number of Properties	Area (000 sf)	Gross Revenue (%)	Fair Value (%)	In-place Occupancy (%)
Greater-VECTOM	105	22,847	71.7	75.4	96.7
Primary	32	6,537	16.7	14.1	96.8
Secondary	30	4,672	11.6	10.5	98.6
Total	**167**	**34,056**	**100.0**	**100.0**	**97.0**

Tenant Categories

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

Gross Rent by Category as at December 31, 2020

Category	Total (%)	Greater-VECTOM (%)	Primary (%)	Secondary (%)
General merchandise including stores with grocery & pharmacy	28.4	24.0	35.4	46.7
Apparel	15.7	16.1	14.7	13.7
Home improvement & housewares	9.5	10.2	8.1	7.0
Standalone grocery & liquor	8.9	9.3	8.1	7.8
Restaurant	9.0	10.0	6.9	5.9
Leisure (sporting goods, toys)	6.8	6.9	7.8	4.4
Pharmacy & personal services	6.9	8.0	5.2	2.9
Specialty (fitness, electronics, pet)	5.6	5.4	6.4	5.5
Financial services	4.5	4.9	4.0	2.7
Other	4.7	5.2	3.4	3.4
Total	100.0	100.0	100.0	100.0

Top 25 Tenants

The 25 largest tenants (by annualized gross rental revenue) accounted for 63.1% of portfolio revenue for the year ended December 31, 2020 and are presented in the following table:

#	Tenant	Number of Stores	Annualized Gross Rental Revenue ($ millions)	Percentage of Total Annualized Gross Rental Revenue (%)	Leased Area (sq. ft.)	Leased Area as a % of Total Gross Leasable Area (%)
1	Walmart[(1)]	101	201.7	25.6	14,069,863	41.3
2	Canadian Tire, Mark's and FGL Sports	72	37.3	4.7	1,394,632	4.1
3	Winners, HomeSense, Marshalls	56	34.4	4.4	1,380,657	4.1
4	Loblaws, Shoppers Drug Mart	24	22.1	2.8	899,056	2.6
5	Sobeys	17	17.4	2.2	733,421	2.2
6	Lowes, RONA	8	16.1	2.0	898,146	2.6
7	Dollarama	53	13.8	1.8	501,776	1.5
8	LCBO	36	12.7	1.6	342,226	1.0
9	Best Buy	19	12.3	1.6	451,226	1.3
10	Michaels	24	12.0	1.5	467,059	1.4
11	Recipe Unlimited	55	11.5	1.5	277,200	0.8
12	Bonnie Togs	46	10.7	1.4	229,365	0.7
13	Staples	21	10.3	1.3	449,599	1.3
14	Gap Inc.	26	9.3	1.2	269,742	0.8
15	Bulk Barn	52	8.3	1.0	242,998	0.7
16	Reitmans[(2)]	58	7.9	1.0	306,196	0.9
17	Toys R Us	7	7.6	1.0	268,880	0.8
18	CIBC	27	7.3	0.9	147,298	0.4
19	The Brick	9	6.8	0.9	258,244	0.8
20	Dollar Tree, Dollar Giant	27	6.8	0.9	225,717	0.7
21	Metro	9	6.7	0.8	315,438	0.9
22	Sleep Country	37	6.6	0.8	177,517	0.5
23	PetSmart	15	6.1	0.8	199,598	0.6
24	Home Depot	3	5.7	0.7	261,661	0.8
25	Ricki's, Cleo, Urban Barn & Warehouse One	37	5.7	0.7	176,154	0.5
		839	497.1	63.1	24,943,669	73.3

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

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

Leasing Expiries

The following table presents total retail and office lease expiries for the portfolio as at December 31, 2020:

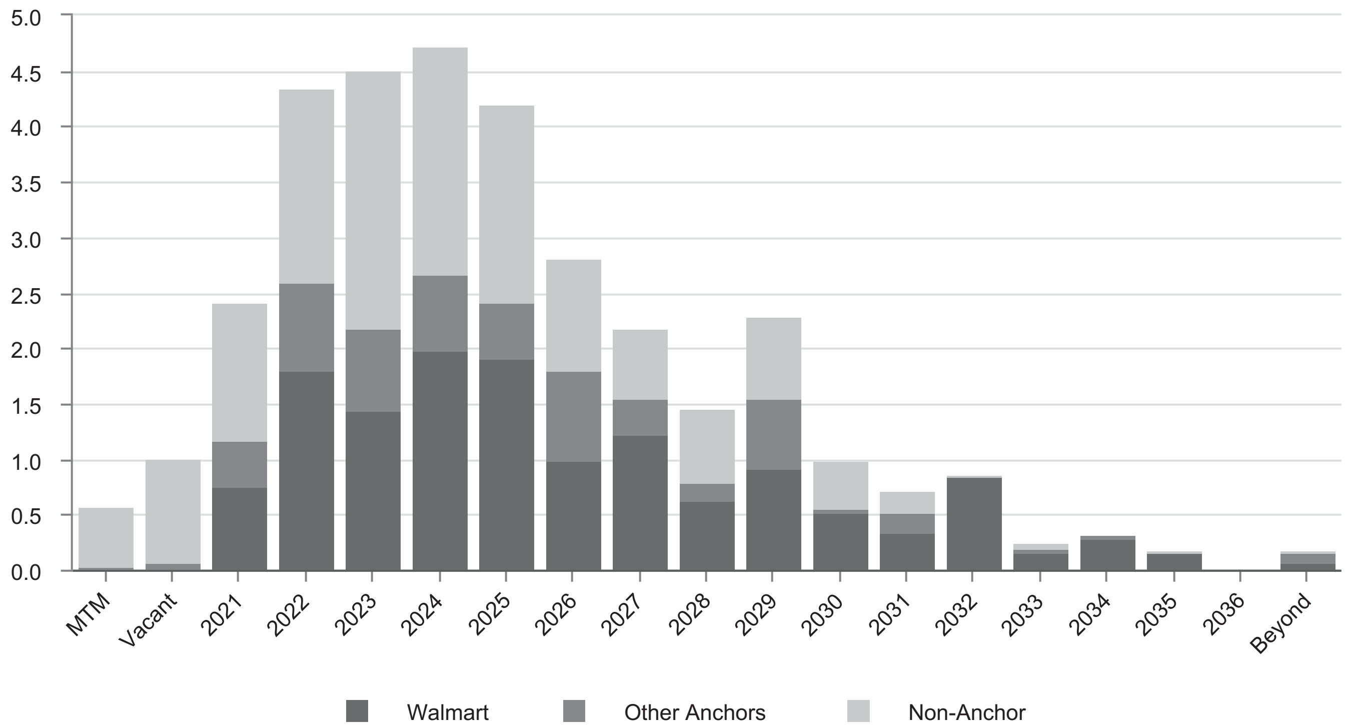
Year of Expiry	Total Area (sq. ft.)	Percentage of Total Area (%)	Annualized Base Rent ($000s)	Average Base Rent psf[1] ($)
Month-to-month and holdovers	570,953	1.6	12,330	21.60
2021	2,418,449	7.1	33,325	13.78
2022	4,349,375	12.8	61,172	14.06
2023	4,477,537	13.1	75,568	16.88
2024	4,721,287	13.9	73,383	15.54
2025	4,197,609	12.3	55,954	13.33
2026	2,805,269	8.2	41,711	14.87
2027	2,163,432	6.4	31,394	14.51
2028	1,435,560	4.2	26,792	18.66
2029	2,274,227	6.7	38,018	16.72
2030	979,956	2.9	19,182	19.57
2031	635,000	1.9	9,699	15.27
Beyond	1,759,158	5.2	25,284	14.37
Vacant	1,016,894	3.0	—	—
Total retail	**33,804,706**	**99.3**	**503,812**	**15.37**
Total office	251,358	0.7		
Total retail and office	**34,056,064**	**100.0**		

(1) The total average base rent per square foot excludes vacant space of 1,016,894 square feet.

The following table presents total retail and office lease expiries for the portfolio excluding Anchor tenants as at December 31, 2020:

Year of Expiry	Total Area (excluding Anchor tenants) (sq. ft.)	Percentage of Total Area (including Anchor tenants) (%)	Percentage of Total Area (excluding Anchor tenants) (%)	Annualized Base Rent ($000s)	Average Base Rent psf[1] ($)
Month-to-month and holdovers	529,664	1.6	3.7	11,793	22.27
2021	1,253,279	3.7	8.7	22,007	17.56
2022	1,744,820	5.1	12.1	36,709	21.04
2023	2,331,631	6.8	16.1	52,389	22.47
2024	2,043,131	6.0	14.2	46,200	22.61
2025	1,771,176	5.2	12.3	35,673	20.14
2026	1,006,951	3.0	7.0	21,590	21.44
2027	618,183	1.8	4.3	13,941	22.55
2028	668,794	2.0	4.6	16,878	25.24
2029	727,020	2.1	5.0	19,278	26.52
2030	416,759	1.2	2.9	10,525	25.25
2031	206,907	0.6	1.4	4,343	20.99
Beyond	109,028	0.3	0.8	2,617	24.00
Vacant	944,258	2.8	6.5	—	—
Total retail	**14,371,601**	**42.2**	**99.6**	**293,943**	**21.89**
Total office	54,510	0.2	0.4		
Total retail and office	**14,426,111**	**42.4**	**100.0**		

(1) The total average base rent per square foot excludes vacant space of 944,258 square feet.


Retail Lease Expiries
(in millions of square feet)
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
MTM
Vacant
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
2036
Beyond
Walmart
Other Anchors
Non-Anchor

Section VI — Asset Profile

Investment Properties

The portfolio consists of 34.1 million square feet of gross leasable retail and office area and 1.4 million square feet of future potential gross leasable area in 167 properties and the option to acquire a 50.0% interest in four investment properties and 25.0% interest in another investment property (0.6 million square feet) on their completion pursuant to the terms of Mezzanine Financing. The portfolio is located across Canada, with assets in each of the 10 provinces. By selecting well-located centres, the Trust seeks to attract high-quality tenants at market rental rates. The following table summarizes the changes in fair values of investment properties including the Trust's proportionate share of equity accounted investments:

	Year Ended December 31, 2020			Year Ended December 31, 2019		
(in thousands of dollars)	**Income Properties**	**Properties Under Development**	**Total Investment Properties**	Income Properties	Properties Under Development	Total Investment Properties
Investment properties						
Balance – beginning of year	**8,488,669**	**561,397**	**9,050,066**	8,404,513	500,544	8,905,057
Additions (deductions):						
Acquisitions, Earnouts and related adjustments of investment properties	**—**	**21,678**	**21,678**	1,641	16,752	18,393
Transfer to income properties from properties under development	**39,748**	**(39,748)**	**—**	66,306	(66,306)	—
Transfer from income properties to properties under development	**(70,236)**	**70,236**	**—**	(43,400)	43,400	—
Transfer from properties under development to equity accounted investments	**—**	**(6,125)**	**(6,125)**	—	—	—
Earnout Fees on properties subject to development management agreements	**291**	**—**	**291**	5,311	—	5,311
Capital expenditures	**8,445**	**—**	**8,445**	17,665	—	17,665
Leasing costs	**1,732**	**—**	**1,732**	1,789	—	1,789
Development expenditures	**—**	**50,728**	**50,728**	—	69,387	69,387
Capitalized interest	**—**	**17,689**	**17,689**	—	18,956	18,956
Dispositions	**—**	**(19,063)**	**(19,063)**	(95)	(15,868)	(15,963)
Fair value adjustment on revaluation of investment properties	**(201,219)**	**(73,832)**	**(275,051)**	34,939	(5,468)	29,471
Balance – end of year	**8,267,430**	**582,960**	**8,850,390**	8,488,669	561,397	9,050,066

	Year Ended December 31, 2020			Year Ended December 31, 2019		
(in thousands of dollars)	**Income Properties**	**Properties Under Development**	**Total Investment Properties**	Income Properties	Properties Under Development	Total Investment Properties
Investment properties classified as equity accounted investments (Non-GAAP)						
Balance – beginning of year	**186,204**	**230,231**	**416,435**	137,328	112,790	250,118
Additions (deductions):						
Acquisitions	**—**	**58,302**	**58,302**	17,852	111,399	129,251
Transfer to income properties from properties under development	**55,568**	**(55,568)**	**—**	30,844	(30,844)	—
Transfer from income properties to properties under development	**(16,600)**	**16,600**	**—**	—	—	—
Transfer from the Trust	**—**	**6,125**	**6,125**	—	—	—
Capital expenditures	**106**	**—**	**106**	835	—	835
Development expenditures	**—**	**58,656**	**58,656**	—	64,949	64,949
Capitalized interest	**—**	**1,164**	**1,164**	—	1,073	1,073
Dispositions	**—**	**—**	**—**	—	(29,154)	(29,154)
Fair value adjustment on revaluation of investment properties	**9,288**	**118**	**9,406**	(655)	18	(637)
Balance – end of year	**234,566**	**315,628**	**550,194**	186,204	230,231	416,435
Total balance (including investment properties classified as equity accounted investments) – end of year	**8,501,996**	**898,588**	**9,400,584**	8,674,873	791,628	9,466,501

Valuation Methodology

From January 1, 2018 to December 31, 2020, the Trust has had approximately 61.3% (by value) or 49.7% (by number of properties) of its operating portfolio appraised externally by independent national real estate appraisal firms with representation and expertise across Canada.

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

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

Fair values were primarily determined through the discounted cash flows approach. For each property, the valuation methodology was conducted and reliance placed upon: (a) a direct capitalization method, which is an estimate of the relationship between value and stabilized income, and (b) a discounted cash flow method, which is an estimate of the present value of future cash flows over a specified horizon. Starting on January 1, 2020, the Trust changed its valuation method as it believes that the discounted cash flow valuation method appropriately represents the Trust's estimate of fair values of income properties based on expectations of changes in rental rates, occupancy rates, lease renewal rates, leasing costs, expected credit losses and downtime on lease expiries, among others, as a result of the impact of the COVID-19 pandemic.

For the year ended December 31, 2020, investment properties (including properties under development) as recorded in the Trust's consolidated financial statements, with a total carrying value of $1,426.2 million (December 31, 2019 – $1,737.6 million) were valued by external national appraisers, and investment properties with a total carrying value of $7,424.2 million (December 31, 2019 – $7,312.5 million) were valued internally by the Trust. Based on these valuations, the weighted average capitalization rate on the Trust's income properties portfolio as at December 31, 2020 was 5.69% using a weighted average discount rate of 6.46% (December 31, 2019 – weighted average capitalization rate of 5.79% using a weighted average discount rate of 6.20%).

The following tables summarize the discount/capitalization rates used along with corresponding fair values:

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

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

			Year ended December 31, 2019		
Class	Valuation Method	Carrying Value	Weighted Average Capitalization or Discount Rate (%)	Total Stabilized or Forecasted NOI[(1)]	Range of Capitalization Rates (%)
Income properties	Direct income capitalization	7,456,585	5.79	431,662	4.25 – 9.11
	Direct income capitalization less present value of purchase option	829,462	6.33	52,500	5.88 – 6.75
	Discounted cash flow	202,622	6.20	12,568	6.00 – 6.50
		8,488,669			

Class	Valuation Method	Carrying Value	Weighted Average Capitalization Rate (%)
Properties under development	Direct income capitalization	99,882	6.56
	Land, development and construction costs recorded at market value	461,515	N/A
		561,397	
Balance – end of year		9,050,066	

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

The effect of the COVID-19 pandemic on the real estate market, both in duration and in scale, is uncertain. However, given the dynamic environment and the Trust's income properties portfolio, management has re-assessed the valuation of certain properties based on expectations of the pandemic's impact on the Trust's continued ability to lease and generate net operating income in the foreseeable future. This effort has resulted in a fair value adjustment on revaluation of investment properties of $275.1 million, of which $201.2 million related to income properties and $73.8 million related to properties under development (excluding investment properties recorded in equity accounted investments) for the year ended December 31, 2020, which was primarily attributed to changes in leasing assumptions in the retail portfolio for expected credit losses, renewal probabilities of existing tenants, and potential vacancies.

Acquisitions of Investment Properties

Acquisitions and dispositions completed in the year ended December 31, 2020

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

In December 2020, the Trust acquired an additional 33.33% interest in a parcel of land in Mirabel, Quebec from an unrelated party, adjacent to Premium Outlets Montreal, consisting of 49.79 acres, for a purchase price of $7.9 million, adjusted for costs of acquisition and other working capital amounts. As a result of this transaction, the Trust's ownership in this land represents 66.66%, while the remaining 33.33% interest is held by Penguin.

See also Note 3, "Acquisitions and Earnouts", in the Trust's consolidated financial statements for the year ended December 31, 2020.

In addition, see "Equity Accounted Investments" below for acquisitions completed during the year ended December 31, 2020 that are recorded in investment in joint ventures.

Equity Accounted Investments

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

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

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

Investment in associates

The following table summarizes the Trust's ownership interest in each investment in an associate as reflected in the Trust's consolidated financial statements for the year ended December 31, 2020:

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

In 2012, the Trust entered into the Penguin-Calloway Vaughan Partnership ("PCVP") with Penguin (see also Note 21, "Related party transactions", in the Trust's consolidated financial statements for the year ended December 31, 2020) to develop SmartVMC, which is expected to consist of approximately 11.0 million square feet of mixed-use space once fully developed, on 53 acres of development land in Vaughan, Ontario.

In 2017, the Trust entered into the VMC Residences Limited Partnership ("Residences LP") and VMC Residences III Limited Partnership ("Residences III LP") with Penguin and CentreCourt Developments, to develop three residential condominium towers and a related parking facility, located on the SmartVMC site, referred to as Transit City. For the year ended December 31, 2020, Transit City 1 and 2 have been substantially completed with 551 units closed for Transit City 1 and 558 units closed for Transit City 2, and the closing of units in Transit City 3 is expected in 2021. See "Residential Development Inventory" for further details.

In 2018, the Trust entered into the VMC East Block Residences Limited Partnership ("East Block Residences LP") with Penguin and CentreCourt Developments, to develop two additional residential condominium towers, located on the SmartVMC site.

In 2019, the Trust acquired, through PCVP, a 50% interest in a parcel of land with approximately 15.5 acres in Vaughan, Ontario, proximate to SmartVMC which is available for development now that Walmart has relocated and opened at its new Applewood location in October 22, 2020.

Note that the limited partnerships involving residential condominium developments, as noted in the above table: Residences LP, Residences III LP and East Block Residences LP, are hereinafter collectively referred to as "VMC Residences".

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

In December 2019, the Trust acquired, through PCVP, a 50% interest in a parcel of land with approximately 15.5 acres in Vaughan, Ontario, proximate to SmartVMC, which is a 50:50 joint arrangement with Penguin, for a purchase price of $109.2 million paid in cash, adjusted for other working capital amounts.

Investment in Joint Ventures

The following table summarizes the Trust's ownership interest in investments in joint ventures grouped by their principal intended activities as reflected in the Trust's consolidated financial statements for the year ended December 31, 2020:

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

Acquisitions completed during the year ended December 31, 2020

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

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

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

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

In November 2020, pursuant to the 50:50 joint venture formed with SmartStop known as Aurora Self Storage Limited Partnership, both joint venture parties contributed cash into the joint venture to fund the purchase of a parcel of land located in Aurora, Ontario, totalling 1.59 acres with the intention to develop, construct and operate a self-storage facility.

See also Note 3, "Acquisitions and Earnouts, and Note 4, "Investment properties", in the Trust's consolidated financial statements for the year ended December 31, 2020.

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

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

(in thousands of dollars)	**December 31, 2020**	December 31, 2019	Variance ($)
Amounts receivable and other			
Tenant receivables	**57,563**	15,921	41,642
Unbilled other tenant receivables	**8,287**	7,649	638
Receivables from related party – excluding equity accounted investments	**1,311**	7,958	(6,647)
Receivables from related party – equity accounted investments	**—**	1,690	(1,690)
Other non-tenant receivables	**2,898**	1,482	1,416
Other	**8,327**	5,040	3,287
	78,386	39,740	38,646
Allowance for ECL	**(19,742)**	(3,061)	(16,681)
Amounts receivable and other, net of ECL	**58,644**	36,679	21,965
Deferred financing costs	**1,173**	1,477	(304)
Prepaid expenses and deposits	**7,269**	5,247	2,022
	67,086	43,403	23,683

As at December 31, 2020, total amounts receivable and other, net of ECL increased by $22.0 million as compared to December 31, 2019. This increase was primarily attributed to the following:

- $24.9 million increase in tenant receivables, which is net of an increase in the allowance for ECL of $16.7 million, and was primarily due to the rent deferral arrangements for non-CECRA-qualifying tenants and other COVID-related collection issues;
- $4.7 million increase in other non-tenant receivables and other; and
- $0.6 million increase in unbilled other tenant receivables primarily representing timing differences on realty tax billings to tenants;

Partially offset by:

- $8.3 million net decrease in related party receivables pursuant to the agreements signed with Penguin (see also "Related Party Transactions".

As at December 31, 2020, deferred financing costs decreased by $0.3 million as compared to December 31, 2019 as a result of amortization recorded during the year ended December 31, 2020.

As at December 31, 2020, prepaid expenses and deposits increased by $2.0 million as compared to December 31, 2019. This increase was primarily attributed to timing differences associated with realty tax payments.

Tenant receivables

The COVID-19 pandemic and related responses of governments and private sector participants has adversely affected workforces, economies and financial markets globally, leading to an economic downturn. The duration and the full scope of the economic impact of the COVID-19 pandemic and the related economic downturn, as well as the effectiveness of government, central bank and private sector responses remain unclear at this time. Therefore, it is not possible to reliably estimate the duration and magnitude of the adverse changes resulting from the pandemic and related responses on the ability of the Trust's tenants to meet their contractual rent obligations. The Trust has intensely focused on assisting its tenants that serve the communities in which it operates during these unprecedented and challenging times. As part of these efforts, the Trust has reached out to its various tenants that have been deemed to be operating "non-essential" businesses by various governments and have been most effected during the pandemic offering its support through rent deferral arrangements and potential rental relief to be granted by the Trust under the Canadian federal government's CECRA program which ended in September 2020. Tenants that operate essential businesses and national/regional tenants that have been determined by governments to be "non-essential" businesses for the purposes of the COVID-19 pandemic-related restrictions collectively represent approximately 94% of the Trust's contractual rent. During 2020, many Canadian businesses deemed "non-essential" were required to close during various shutdown periods by various levels of provincial and municipal governments. Given the value-focused origins of the SmartCentres portfolio, the Trust has a strong and stable tenant base, the majority comprised of stable creditworthy essential businesses such as Walmart, Loblaws, Shoppers Drug Mart, Canadian Tire, Sobeys, Dollarama, Rexall, Home Depot, McDonald's, the LCBO, Rogers, Telus, Lowe's, Dollar Tree, BMO, CIBC, RBC, Scotiabank and TD. Walmart is the Anchor or Shadow Anchor in over 70% of the Trust's properties, and represents over 25% of the Trust's rental income. Approximately 60% of the Trust's tenant base is comprised of businesses deemed to be offering "essential" services, and which were largely permitted to operate throughout the year, supplying local communities with everyday groceries, pharmaceuticals, general merchandise, medical assistance, banking, telecom and other essential needs.

In order to determine ECL, the Trust considers both payment history and future expectations of credit risk by each tenant, which may include, but are not limited to, the following factors: i) actual or expected insolvency filings, and ii) other rent deferral or similar arrangements. However, the assumptions and estimates underlying the manner in which ECLs have been implemented historically may not be appropriate in the current COVID-19 pandemic environment. Accordingly, the Trust has not applied its existing ECL methodology mechanically. Instead, during the current COVID-19 pandemic environment, the Trust has been in discussions with tenants on a case-by-case basis to determine optimal rent payment solutions and has incorporated this available reasonable and supportable information when estimating ECL on tenant receivables.

The Trust continues to monitor rent collections from its portfolio of tenants and for the year ended December 31, 2020 has reflected an additional allowance for expected credit loss of $16.7 million, net of: i) the reversals of previous allowances, and ii) tenant receivables written off during the period. Primarily as a result of the COVID-19 pandemic, during the three months and year ended December 31, 2020, the Trust recorded additional ECL of $5.2 million and $30.4 million, respectively (see "Outlook" for details). This ECL amount was recorded based on a forward-looking nature of assessment. The Trust's estimates and judgments could also be further affected by various risks and uncertainties, including but not limited to the impact of the COVID-19 pandemic (see "Risks and Uncertainties" and "Forward Looking Statements"). These estimated amounts may potentially differ from the actual amounts.

The following table provides some additional details on the Trust's tenant billings, amounts received (up to January 25, 2021), expected recovery and related provisions:

(in thousands of dollars)	Three Months Ended December 31, 2020	As a %	Nine Months Ended December 31, 2020	As a %
Total tenant billings	**198,901**	100.0	**597,349**	100.0
Less: Amounts received directly from tenants to date	**187,850**	94.4	**519,919**	87.0
Balance outstanding	**11,051**	5.6	**77,430**	13.0
Less:				
Recovery from governments for CECRA	**—**	—	**15,412**	2.6
Amounts forgiven by the Trust for CECRA	**—**	—	**7,706**	1.3
Sales tax on CECRA	**—**	—	**2,976**	0.5
Tenant rent deferral arrangements agreed	**544**	0.3	**7,664**	1.3
Tenant rent deferral arrangements under negotiation	**—**	—	**15,829**	2.6
Rents to be collected before expected credit loss ("ECL") provision	**10,507**	5.3	**27,843**	4.7
Less: ECL provision	**5,235**	2.6	**15,319**	2.6
Balance to be collected	**5,272**	2.7	**12,524**	2.1

Mortgages, Loans and Notes Receivable, and Interest Income

The following table summarizes mortgages, loans and notes receivable:

(in thousands of dollars)	**December 31, 2020**	December 31, 2019	Variance ($)
Mortgages, loans and notes receivable			
Mortgages receivable (Mezzanine Financing)	**144,205**	138,762	5,443
Loans receivable[1]	**241,683**	131,119	110,564
Notes receivable	**2,924**	2,979	(55)
	388,812	272,860	115,952

(1) Includes $104.1 million due from Penguin (December 31, 2019 – $24.4 million), see "Loans Receivable" subsection.

Mortgages Receivable (Mezzanine Financing)

In addition to direct property acquisitions, the Trust has provided Mezzanine Financing to Penguin (see also, "Related Party Transactions") on terms that include an option in favour of the Trust to acquire an interest in the mortgaged property once a certain level of development and leasing is achieved. As at December 31, 2020, the Trust had total commitments of $312.8 million to fund mortgages receivable under this program. Five mortgages have an option entitling the Trust to acquire an additional interest in the property upon a certain level of development and leasing being achieved, with the acquisition price calculated pursuant to an agreed-upon formula, based on a market capitalization rate at the time the option is exercised. The properties under the Mezzanine Financing have 0.5 million potential square feet available (discussed in "Properties Under Development"). If the specified level of development and leasing is not achieved prior to the maturity date of the loan and the loan is repaid, then the option terminates. However, in some circumstances the Trust has permitted certain of those loans to be extended. If an applicable property is to be sold prior to the maturity date of the loan and prior to the applicable option being triggered, then the Trust has a right of first refusal with respect to such sale.

The following table presents the details of the mortgages receivable (by maturity date) provided to Penguin:

(in thousands of dollars) **Property**	**Amount Outstanding ($)**	**Including: Interest Accrued ($)**	**Committed ($)**	**Amount Guaranteed by Penguin ($)**	**Maturity Date**	**Extended Maturity Date[3]**	**Annual Variable Interest Rate at Year-End (%)**	**Potential Area Upon Exercising Purchase Option (sq. ft.)**
Aurora (South), ON[5][8]	16,858	2,661	38,964	16,858	March 2022	August 2028	3.45	59,000
Innisfil, ON[2][7]	22,164	9,239	39,740	7,711	May 2022	August 2028	4.20	—
Salmon Arm, BC[2][4]	15,370	7,681	30,080	15,370	May 2022	August 2028	4.19	—
Pitt Meadows, BC[6][8]	30,669	5,281	85,653	30,669	November 2023	August 2028	3.85	36,950
Vaughan (7 & 427), ON[5][8]	18,908	2,283	36,100	18,907	December 2023	August 2028	3.57	76,000
Caledon (Mayfield), ON[7][8]	10,363	1,733	26,689	10,363	April 2024	August 2028	3.71	101,865
Toronto (StudioCentre), ON[2][6][8]	29,873	4,967	55,552	29,873	June 2024	August 2028	3.68	227,831
	144,205	**33,845**	**312,778**	**129,751**			**3.81** [1]	**501,646**

(1) Represents the weighted average interest rate.
(2) The Trust owns a 50% interest in these properties, with the other 50% interest owned by Penguin. These loans are secured against Penguin's interest in the property.
(3) The maturity date for this mortgage is automatically extended to August 31, 2028 unless written notice is delivered from the borrower. During the extended maturity period, the mortgages receivable accrue interest at a variable rate based on the banker's acceptance rate plus 4.00% to 5.00%
(4) The weighted average interest rate on this mortgage is subject to an upper limit of 6.50%.
(5) The weighted average interest rate on this mortgage is subject to an upper limit of 6.75%.
(6) The weighted average interest rate on this mortgage is subject to an upper limit of 6.90%.
(7) The weighted average interest rate on this mortgage is subject to an upper limit of 7.00%.
(8) The Trust has a purchase option from the borrower in these properties upon a certain level of development and leasing being achieved. As at December 31, 2020, it is management's expectation that the Trust will exercise these purchase options. The purchase option for Aurora (South), ON, Pitt Meadows, BC, Vaughan (7 & 427), ON, and Caledon (Mayfield), ON are each 50%. The purchase option for Toronto (StudioCentre), ON is 25%.

Mortgages receivable amendments

The mortgages receivable for Mirabel (Shopping Centre), Quebec and Mirabel (Option Lands), Quebec have been discharged effective November 5, 2020.

On December 9, 2020, there were two mortgages receivable (Innisfil, Ontario and Salmon Arm, British Columbia) for which the maturity dates were extended from an original range of years 2020 to 2021 to 2022. The maturity dates of all mortgages receivable outstanding will also be automatically extended to August 31, 2028 unless written notice is delivered from the borrower. These extensions were provided principally because of delays associated with market conditions, anticipated municipal and related approvals, and development-related complexities.

The committed facilities on these mortgages receivable were amended to reflect an increase from $279.0 million to $312.8 million.

In addition, the interest rates on these mortgages receivable were amended pursuant to independent opinions obtained that provided current market-based interest rates for similar development-based opportunities. Interest on these mortgages accrues monthly as follows: from December 9, 2020 to the maturity of each mortgage, at a variable rate based on the banker's acceptance rate plus 2.75% to 4.20%; from the maturity of each mortgage to the extended maturity (August 2028), at a variable rate based on the banker's acceptance rate plus 4.00% to 5.00%; prior to December 9, 2020, (i) at a variable rate based on the banker's acceptance rate plus 1.75% to 4.20% or at the Trust's cost of capital (as defined in the mortgage agreement) plus 0.25%; and (ii) at fixed rates of 6.35% to 7.50% which is added to the outstanding principal up to a predetermined maximum accrual after which it is payable in cash monthly or quarterly. Additional interest of $109.2 million (December 31, 2019 – $63.6 million) on the existing credit facilities may be accrued on certain of the mortgages receivable before cash interest must be paid.

The mortgage security includes a first or second charge on properties, assignments of rents and leases and general security agreements. In addition, $144.2 million (December 31, 2019 – $125.5 million) of the outstanding balance is guaranteed by Penguin. The loans are subject to individual loan guarantee agreements that provide additional guarantees for all interest and principal advanced on outstanding amounts. The guarantees decrease on achievement of certain specified value-enhancing events. All mortgages receivable are considered by management to be fully collectible.

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

(in thousands of dollars)	**Mortgages (#)**	**Repayments of outstanding balances ($)**
2022	3	54,392
2023	2	49,577
2024	2	40,236
	7	**144,205**

The following table illustrates the activity in mortgages receivable:

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

Loans Receivable

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

(in thousands of dollars)

Issued to	Committed	Maturity Date	Interest Rate (%)	Note	December 31, 2020	December 31, 2019
Penguin[1]	19,148	March 2021	Variable	21	**9,349**	10,215
Penguin[2]	N/A	January 2021	Interest-free	21	**3,460**	—
Penguin[3]	26,227	June 2021	Variable	21	**14,587**	14,173
Penguin[4]	N/A	December 2029	Interest-free	21, 11(b)(iii)	**76,747**	—
Total loans issued to Penguin					**104,143**	24,388
PCVP[5]	N/A	June 2021	2.76	21	**95,008**	92,427
Self-storage facilities[6]	60,000	July 2023	Variable		**39,682**	—
Total loans issued to equity accounted investments					**134,690**	92,427
Vaughan NW Residence Inc.[7]	N/A	November 2020	6.25		**—**	9,804
Selection Group[8]	N/A	April 2021	Variable		**2,850**	—
Greenwin[9]	11,694	September 2024	Variable		**—**	4,500
Greenwin[10]	1,280	January 2025	Variable		**—**	—
Total loans issued to unrelated parties					**2,850**	14,304
					241,683	131,119

(1) This loan receivable was provided pursuant to a development management agreement with Penguin with a total loan facility of $19.1 million. Repayment of the pro rata share of the outstanding loan amount is due upon the completion of each Earnout event. The loan bears interest at 10 basis points plus the lower of: (i) the Canadian prime rate plus 45 basis points, and (ii) the Canadian Dealer Offer Rate plus 145 basis points.

(2) In August 2020, this non-interest bearing, unsecured loan was issued to the holders of Class G Series 1 Units of Smart Boxgrove LP in the amount of $3.5 million pursuant to the amended and restated Smart Boxgrove Limited Partnership agreement. Such loan had limited recourse up to the amount of $3.5 million and was due and payable on or before the fifth business day after year end (December 31, 2020). As such, in January 2021, Smart Boxgrove LP made a distribution to the holders of Class G Series 1 Units in an amount equal to the outstanding loan amount, which was set-off to repay the aggregate amount of loans issued.

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

(4) This loan receivable relates to the acquisition of a parcel of land in Vaughan, Ontario through PCVP in December 2019 ("700 Applewood purchase"). In March 2020, the Trust assumed this loan receivable from Penguin in regards to PCVP. The loan has a principal amount outstanding of $103.8 million, is non-interest bearing, and is repayable at the end of 10 years. As at December 31, 2020, the loan balance of $76.7 million is net of a cumulative fair value adjustment totalling $27.0 million. See also Note 11(b)(iii) "Debt" in the consolidated financial statements for the year ended December 31, 2020 reflecting the corresponding loan payable amount.

(5) In April 2019, the Trust entered into a loan agreement with PCVP (in which the Trust has a 50% interest) for a total loan facility of $90.6 million, bearing interest accruing at 2.76% per annum. The loan security includes a first or second charge on properties, assignments of rents and leases and general security agreements, and is guaranteed by Penguin up to its 50% share of the loan. This loan facility was advanced in full in April 2019. Unless prepaid in accordance with the terms of the loan agreement, principal and any accrued and unpaid interest in respect of the loan receivable shall be repaid in full in June 2021. The Trust reflects the activity from the PCVP as an equity accounted investment (see also Note 6, "Equity accounted investments") and 100% of the loan provided to the PCVP is recorded in the consolidated financial statements for the year ended December 31, 2020.

(6) In July 2020, the Trust entered into a loan agreement with its partner SmartStop to provide funding for the development of self-storage facilities. The loan agreement matures in July 2023 and bears interest at a variable rate based on banker's acceptance rate plus 245 basis points. See further details in Note 6(b) "Equity accounted investments" in the consolidated financial statements for the year ended December 31, 2020.

(7) In 2017, a loan receivable was provided pursuant to an agreement to use in acquiring a 50% interest in development lands. The loan matured in November 2020, and bore interest at 6.25% per annum. In addition, the loan was secured by a first charge on the 50% interest of the development lands.

(8) In April 2020, the Trust entered into a loan agreement with Selection Group, whereby the Trust loaned Selection Group funds for the acquisition of development lands in Ottawa, Ontario (see also Note 6, "Equity accounted investments") for a non-revolving term acquisition credit facility of $2.9 million. This loan has been contributed by Selection Group to a joint venture with the Trust. This loan will mature at the earlier of (i) the date of the first disbursement of the construction financing, and (ii) the date twelve months from the date of obtaining an advance of the facility and bears interest at the prime rate of interest plus 2% per annum.

(9) In September 2019, the Trust entered into a loan agreement with Greenwin to use in acquiring a 50% interest in development lands in Barrie, Ontario. As at December 31, 2020, the total remaining credit facility was $11.7 million. The loan security includes a first charge on the development lands and is guaranteed by Greenwin. This loan matures in September 2024, and bears interest at the greater of: (i) 7.0% per annum, and (ii) the Trust's weighted average cost of capital plus 1.25% per annum. In August 2020, Greenwin repaid this loan in advance of the maturity date.

(10) In January 2020, the Trust entered into a loan agreement with Greenwin, whereby the Trust assisted Greenwin to fund its 25% interest in development lands in Toronto, Ontario (see also Note 6, "Equity accounted investments"). As at December 31, 2020, the total remaining non-revolving term acquisition credit facility was $1.3 million. The loan agreement also includes a non-revolving put exercise credit facility in an amount equal to the put purchase price plus any associated closing costs at the time of exercise. The loan security includes a first charge on the development lands and is guaranteed by Greenwin. This loan matures in January 2025, and bears interest at the greater of: (i) 7.0% per annum and (ii) the Trust's weighted average cost of capital plus 1.25% per annum. In August 2020, Greenwin repaid this loan in advance of the maturity date.

The following table illustrates the activity in loans receivable:

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

(1) During the year ended December 31, 2020, loans issued to Penguin totalled $81.7 million, of which $78.3 million relates to the 700 Applewood purchase, as described in footnote 4 in the table above, and $3.5 million relates to the unsecured loan issued to Penguin as the holder of Class G Series 1 Units of Smart Boxgrove LP, as described in footnote 2 in the table above (December 31, 2019 – $13.2 million of loans issued to Penguin in connection with the loan agreement as described in footnote 3 in the table above).

(2) Represents the fair value adjustment of $3.4 million recorded during the year ended December 31, 2020 (December 31, 2019 – $nil) in connection with the loan issued as part of the 700 Applewood purchase. See details in footnote 4 in table above.

Notes Receivable

Notes receivable of $2.9 million (December 31, 2019 – $3.0 million) have been granted to Penguin (see also, "Related Party Transactions"). These secured demand notes bear interest at 9.00% per annum (December 31, 2019 – 9.00%). During the year ended December 31, 2020, $0.1 million (December 31, 2019 – $nil) was repaid as a result of a settlement with Penguin on December 9, 2020.

Interest Income

The following table summarizes the components of interest income:

(in thousands of dollars)	2020	Year Ended December 31 2019	Variance ($)
Interest income			
Mortgage interest	**6,744**	7,399	(655)
Loan interest	**4,717**	3,190	1,527
Note receivable interest	**268**	268	—
Bank interest	**3,512**	811	2,701
	15,241	11,668	3,573

For the year ended December 31, 2020, interest income increased by $3.6 million as compared to the year ended December 31, 2019. This increase was primarily attributed to:

- $2.7 million increase in bank interest as a result of the increase in cash and cash equivalents as compared to the year ended December 31, 2019, which was principally driven by proceeds from issuances of unsecured debentures during the year, net of redemptions (see "Debt" section for details); and
- $1.5 million increase in loan interest as a result of the increase in the average loans receivable balance outstanding;

Partially offset by:

- $0.6 million decrease in mortgage interest as a result of a reduction in variable interest rates and repayments of mortgages receivable during the year ended December 31, 2020.

Section VII — Financing and Capital Resources

Capital Resources and Liquidity

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

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

(in thousands of dollars)	**December 31, 2020**	December 31, 2019	Variance ($)
Cash and cash equivalents	**794,594**	55,374	739,220
Remaining operating facility[1]	**491,373**	491,156	217
	1,285,967	546,530	739,437
Operating facility – Accordion feature	**250,000**	250,000	—
	1,535,967	796,530	739,437

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

On the assumption that cash flow levels permit the Trust to obtain financing on reasonable terms, the Trust anticipates meeting all current and future obligations. Management expects to finance future acquisitions, committed Earnouts, Developments, Mezzanine Financing commitments and maturing debt from: (i) existing cash balances, (ii) funds received from the closings of mixed-use development initiatives, including condominium and townhome sales, (iii) a mix of mortgage debt secured by investment properties, operating facilities, issuance of equity and unsecured debentures, (iv) repayments of mortgages receivable, and (v) the sale of non-core assets. The Trust's ability to meet these future obligations may be impacted by the liquidity risk associated with receiving repayments of its mortgages, loans, and notes receivable, amounts receivable and other, deposits, and cash equivalents on time and in full, and infrequently, the realization of fair value on the disposition of the Trust's non-core assets. Cash flow generated from operating activities is the primary source of liquidity to pay Unit distributions and sustain capital expenditures and leasing costs. See also the "Distributions and ACFO Highlights" subsection.

As at December 31, 2020, the Trust's cash and cash equivalents increased by $739.2 million as compared to December 31, 2019, which is primarily due to the following:

- $1,772.5 million relating to the proceeds from debt issuance, which is principally due to the issuance of Series V, Series W, Series X, and Series Y senior unsecured debentures totalling $1,245.3 million, $460.0 million of lines of credit from the revolving operating facility, and $67.2 million relating to the proceeds of other unsecured debt;
- $296.0 million of cash provided by operating activities; and
- $19.5 million of net proceeds from sale of investment properties;

Partially offset by the following:

- $872.2 million representing repayment of debt, which is principally due to the $460.0 million repayment of the Trust's revolving operating facility, $291.3 million repayment of unsecured debt, and $120.9 million repayment of secured debt and other debt;
- $297.9 million of distributions paid on Trust Units, non-controlling interests and Units classified as liabilities;
- $152.5 million representing net additions to investing activities including investment properties, equity accounted investments, Earnouts, and equipment;
- $24.4 million relating to advances of mortgages and loans receivable net of repayments; and
- $1.8 million relating to the payment of lease liabilities.

The Trust manages its cash flow from operating activities by maintaining a target debt level. The Debt to Gross Book Value, as defined in the Declaration of Trust, as at December 31, 2020 is 50.1% (December 31, 2019 – 49.0%). Including the Trust's capital resources as at December 31, 2020, the Trust could invest an additional $1,571.5 million (December 31, 2019 – $1,688.8 million) in new investments and developments and remain at the midpoint of the Trust's target Debt to Gross Book Value range of 55% to 60%.

Future obligations total $5.2 billion, as identified in the following table. Other than contractual maturity dates, the timing of payment of these obligations is management's best estimate based on assumptions with respect to the timing of leasing, construction completion, occupancy and Earnout dates at December 31, 2020.

The following table presents the estimated amount and timing of certain of the Trust's future obligations including development obligations as at December 31, 2020:

(in thousands of dollars)	Total	2021	2022	2023	2024	2025	Thereafter
Secured debt	**1,329,522**	178,690	261,417	179,064	150,471	391,909	167,971
Unsecured debt	**3,841,077**	324,706	300,000	200,000	250,000	590,000	2,176,371
Mortgage receivable advances (repayments)[1]	**35,515**	10,585	9,401	(3,697)	(2,070)	3,656	17,640
Development obligations (commitments)[2]	**23,103**	23,103	—	—	—	—	—
Total	**5,229,217**	**537,084**	**570,818**	**375,367**	**398,401**	**985,565**	**2,361,982**

(1) Mortgages receivable of $144.2 million at December 31, 2020, and further forecasted commitments of $35.5 million, mature over a period extending to 2028 if the Trust does not exercise its option to acquire the investment properties. Refer to the "Mortgages, Loans and Notes Receivable, and Interest Income" for timing of principal repayments.
(2) The Trust is in the process of refining its estimates of development obligations for the years subsequent to 2020. This total does not include commitments associated with equity accounted investments, nor does this total include expected costs associated with the Trust's mixed-use development initiatives except for current amounts outstanding for active projects currently underway.

The following table presents the estimated amount and timing of certain of the equity accounted investment's future obligations including development obligations as at December 31, 2020:

(in thousands of dollars)	Total	2021	2022	2023	2024	2025	Thereafter
Secured and unsecured debt	**459,545**	108,680	155,033	34,240	6,220	6,478	148,894
Development obligations (commitments)[1]	**158,156**	42,179	48,358	40,589	27,030	—	—
Total	**617,701**	**150,859**	**203,391**	**74,829**	**33,250**	**6,478**	**148,894**

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

The following table presents the estimated amount and timing of certain of the Trust's proportionate share of equity accounted investment's future obligations including development obligations as at December 31, 2020:

(in thousands of dollars)	Total	2021	2022	2023	2024	2025	Thereafter
Secured and unsecured debt	**185,924**	53,892	53,077	9,562	2,596	2,701	64,096
Development obligations (commitments)[1]	**51,209**	21,878	18,524	10,807	—	—	—
Total Trust's share	**237,133**	**75,770**	**71,601**	**20,369**	**2,596**	**2,701**	**64,096**

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

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

(in thousands of dollars)	**December 31, 2020**	December 31, 2019
Current assets	**1,012,729**	179,294
Less: Current liabilities	**(1,096,762)**	(332,988)
Working capital deficiency	**(84,033)**	(153,694)
Less: Current portion of debt	**(854,261)**	(115,385)
Net working capital surplus (deficiency)	**770,228**	(38,309)

As at December 31, 2020 the Trust experienced a working capital deficiency of $84.0 million (December 31, 2019 – $153.7 million). This deficiency includes mortgages, unsecured debentures and operating lines of credit of $854.3 million (December 31, 2019 – $115.4 million) that have maturity dates within 12 months of the balance sheet date. It is management's intention to either repay or refinance these maturing liabilities with cash and cash equivalents, newly issued secured or unsecured debt, equity or, in certain circumstances not expected to occur frequently, the disposition of certain assets. Without mortgages, unsecured debentures and operating lines of credit, the Trust maintained a net working capital surplus of $770.2 million as at December 31, 2020 (December 31, 2019 – $38.3 million deficiency).

It is management's intention to repay $323.1 million in maturing Series T debentures and approximately $134.8 million of maturing secured debt in the remainder of 2021. The Trust has an unencumbered asset pool with an approximate fair value totalling $5.8 billion, which could generate gross financing proceeds on income properties of approximately $3.7 billion using a 65% loan to value. The secured and unsecured debt, mortgage receivable advances and development obligations will be funded by additional term mortgages, net proceeds on the sale of certain assets, existing cash or operating lines, the issuance of unsecured debentures, and equity Units, as necessary.

Maintenance of Productive Capacity

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

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

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

	Three Months Ended December 31			Year Ended December 31		
(in thousands of dollars, except per Unit and other Unit amounts)	**2020**	2019	Variance	**2020**	2019	Variance
Adjusted salaries and related costs attributed to leasing	**1,200**	1,198	2	**5,853**	5,462	391
Actual sustaining leasing commissions	**738**	558	180	**1,732**	1,789	(57)
Actual sustaining tenant improvements	**1,466**	1,348	118	**3,829**	4,691	(862)
Total actual sustaining leasing and related costs	**3,404**	3,104	300	**11,414**	11,942	(528)
Actual sustaining capital expenditures (recoverable and non-recoverable)	**4,686**	8,028	(3,342)	**8,445**	17,792	(9,347)
Total actual sustaining leasing costs and capital expenditures	**8,090**	11,132	(3,042)	**19,859**	29,734	(9,875)
Weighted average number of units outstanding – diluted	**173,264,654**	171,858,434	1,406,220	**172,971,603**	170,581,531	2,390,072
Per Unit – diluted ($)	**0.05**	0.06	-0.01	**0.11**	0.17	-0.06

For the three months ended December 31, 2020, the total sustaining leasing costs and capital expenditures were $8.1 million, as compared to $11.1 million in the same period in 2019, representing a decrease of $3.0 million. This decrease is primarily due to the following:

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

Partially offset by:

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

For the year ended December 31, 2020, the total sustaining leasing costs and capital expenditures were $19.9 million, as compared to $29.7 million in the same period in 2019, representing a decrease of $9.9 million. This decrease is due to the following:

- $9.3 million decrease in both recoverable and non-recoverable capital expenditures which primarily relate to the costs associated with parking lot resurfacing, roof replacement, paving and HVAC improvements. These capital expenditures were incurred to sustain rental revenue from income properties and may vary widely from period to period and from year to year; and
- $0.5 million net increase in leasing and related costs.

Debt

The following table summarizes total debt including debt associated with equity accounted investments:

As at	December 31, 2020			December 31, 2019		
(in thousands of dollars)	**Balance**	**Weighted Average Term of Debt (in years)**	**Weighted Average Interest Rate of Debt (%)**	Balance	Weighted Average Term of Debt (in years)	Weighted Average Interest Rate of Debt (%)
Secured debt	**1,327,760**	**3.8**	**3.68**	1,442,278	4.6	3.75
Unsecured debt	**3,670,929**	**5.2**	**3.22**	2,700,359	4.9	3.42
Unsecured loan from equity accounted investments	**211,434**	**N/A**	**—**	83,296	N/A	—
Revolving operating facility[1]	**—**	**—**	**—**	—	—	—
Total debt before equity accounted investments	**5,210,123**	**N/A**	**—**	4,225,933	N/A	—
Less: unsecured loan from equity accounted investments[2]	**(134,687)**	**N/A**	**—**	(83,296)	N/A	—
Subtotal	**5,075,436**	**4.9**	**3.29**	4,142,637	4.8	3.54
Share of secured debt (equity accounted investments)	**134,336**	**11.1**	**3.34**	136,039	12.2	3.90
Share of unsecured debt (equity accounted investments)	**51,588**	**1.1**	**2.19**	12,150	1.3	3.38
Share of debt classified as equity accounted investments	**185,924**	**8.3**	**3.02**	148,189	11.3	3.86
Total debt including equity accounted investments	**5,261,360**	**5.0**	**3.28**	4,290,826	5.0	3.55

(1) The Trust has available a $500.0 million unsecured revolving operating facility with undrawn accordion feature of $250.0 million.
(2) This represents the Trust's share of a loan from equity accounted investments.

The following table summarizes the activity in debt including debt recorded in equity accounted investments, for the year ended December 31, 2020:

(in thousands of dollars)	Secured Debt	Unsecured Debt	Revolving Operating Facility	Loan from Equity Accounted Investments	Equity Accounted Investments	Total
Balance – January 1, 2020	**1,442,278**	**2,700,359**	**—**	**—**	**148,189**	**4,290,826**
Borrowings	**860**	**1,245,265**	**460,000**	**81,702**	**67,196**	**1,855,023**
Scheduled amortization	**(45,244)**	**—**	**—**	**—**	**(2,215)**	**(47,459)**
Repayments	**(70,197)**	**(276,880)**	**(460,000)**	**(4,955)**	**(27,098)**	**(839,130)**
Amortization of acquisition fair value adjustments	**(855)**	**—**	**—**	**—**	**(162)**	**(1,017)**
Financing costs incurred, net of additions	**918**	**2,185**	**—**	**—**	**14**	**3,117**
Balance – December 31, 2020	**1,327,760**	**3,670,929**	**—**	**76,747**	**185,924**	**5,261,360**

Secured Debt

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

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

(in thousands of dollars)	Instalment Payments	Lump Sum Payments at Maturity	Total	Total (%)	Weighted Average Interest Rate of Maturing Debt (%)
2021	43,841	134,849	178,690	13.0	3.48
2022	41,111	220,306 (1)	261,417	20.0	3.35
2023	36,720	142,344	179,064	13.0	4.47
2024	31,775	118,696	150,471	11.0	3.63
2025	21,124	370,785	391,909	29.0	3.43
Thereafter	32,890	135,081	167,971	14.0	4.21
Total	**207,461**	**1,122,061**	**1,329,522**	**100.0**	**3.67**
Acquisition date fair value adjustment			1,541		
Unamortized financing costs			(3,303)		
			1,327,760		**3.67**

(1) Includes construction loan in the amount of $57.9 million, which bears interest at banker's acceptance rate plus 120 basis points.

Unsecured Debt

The following table summarizes the components of unsecured debt:

(in thousands of dollars)	December 31, 2020	December 31, 2019
Unsecured debentures (a)	**3,271,625**	2,301,257
Credit facilities (b)	**399,304**	399,102
	3,670,929	2,700,359
Other unsecured debt from equity accounted investments (c)	**211,434**	83,296
	3,882,363	2,783,655

a) Unsecured debentures

The following table summarizes unsecured debentures issued and outstanding:

(in thousands of dollars)

Series	Maturity Date	Annual Interest Rate (%)	December 31, 2020	December 31, 2019
Series I	May 30, 2023	3.985	**200,000**	200,000
Series M[3]	July 22, 2022	3.730	**150,000**	150,000
Series N	February 6, 2025	3.556	**160,000**	160,000
Series O	August 28, 2024	2.987	**100,000**	100,000
Series P	August 28, 2026	3.444	**250,000**	250,000
Series Q[3]	March 21, 2022	2.876	**150,000**	150,000
Series R	December 21, 2020	Variable (1)	**—**	250,000
Series S	December 21, 2027	3.834	**250,000**	250,000
Series T	June 23, 2021	2.757	**323,120**	350,000
Series U	December 20, 2029	3.526	**450,000**	450,000
Series V	June 11, 2027	3.192	**300,000**	—
Series W	December 11, 2030	3.648	**300,000**	—
Series X	December 16, 2025	1.740	**350,000**	—
Series Y	December 18, 2028	2.307	**300,000**	—
		3.139 (2)	**3,283,120**	2,310,000
	Unamortized financing costs		**(11,495)**	(8,743)
			3,271,625	2,301,257

(1) These unsecured debentures carried a floating rate of three-month CDOR plus 66 basis points.
(2) Represents the weighted average annual interest rate and excludes deferred financing costs.
(3) The 3.730% Series M senior unsecured debentures and the 2.876% Series Q senior unsecured debentures were subsequently redeemed in January 2021.

Unsecured debenture activities for the year ended December 31, 2020

Issuances

In June 2020, the Trust issued $300.0 million of 3.192% Series V senior unsecured debentures and $300.0 million of 3.648% Series W senior unsecured debentures (net proceeds of the two issuances in aggregate after issuance costs – $597.7 million). The Series V debentures will mature on June 11, 2027 and the Series W debentures will mature on December 11, 2030. Both debentures have semi-annual payments due on June 11 and December 11 of each year, commencing on December 11, 2020. The proceeds from the issuances were principally used to repay Series R unsecured debentures in December 2020, other existing indebtedness and for general Trust purposes.

In December 2020, the Trust issued $350.0 million of 1.740% Series X senior unsecured debentures and $300.0 million of 2.307% Series Y senior unsecured debentures (net proceeds of the two issuances in aggregate after issuance costs – $647.6 million). The Series X debentures will mature on December 16, 2025 and the Series Y debentures will mature on December 18, 2028. Series X debentures have semi-annual payments due on June 16 and December 16, and Series Y debentures have semi-annual payments due on June 18 and December 18 each year, commencing on June 16, 2021 and June 18, 2021, respectively. The proceeds from the issuances, together with cash on hand, were used to redeem the 3.730% Series M senior unsecured debentures and the 2.876% Series Q senior unsecured debentures in January 2021 and will also be used to repay the 2.757% Series T senior unsecured debentures due June 2021.

Repayment on Maturity

In December 2020, the Trust repaid the $250.0 million aggregate principal of Series R senior unsecured debentures upon their maturity, paying accrued interest of $0.7 million. The repayment was funded by the proceeds from the issuances of Series V and Series W senior unsecured debentures in June 2020, as noted above.

Redemptions

In December 2020, the Trust announced the redemption of 3.730% Series M senior unsecured debentures and 2.876% Series Q senior unsecured debentures, in aggregate principal amounts of $150.0 million and $150.0 million, respectively, with yield maintenance costs and accrued interest payable. The redemptions were settled in January 2021 (see also the Trust's consolidated financial statements for the year ended December 31, 2020, Note 28, "Subsequent events"). For the year ended December 31, 2020, the Trust recorded yield maintenance costs of $11.1 million relating to the redemptions. The redemptions were funded by the proceeds from the issuance of Series X and Series Y senior unsecured debentures in December 2020, as noted above.

In December 2020, the Trust purchased in the open market and cancelled $26.9 million of 2.757% Series T senior unsecured debentures.

Unsecured debenture activities for the year ended December 31, 2019

Issuances

In December 2019, the Trust issued $450.0 million of 3.526% Series U senior unsecured debentures (net proceeds after issuance costs – $448.2 million), which are due on December 20, 2029 with semi-annual payments due on June 20 and December 20 of each year. The proceeds were used to repay existing indebtedness, to fund a property acquisition and for general Trust purposes.

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

Redemptions

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

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

Credit Rating of Unsecured Debentures

DBRS provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfill its obligations. An investment-grade rating must exceed "BB", with the highest rating being "AAA". The Trust received a credit rating upgrade on December 6, 2019, and unsecured debentures issued after this date are rated "BBB(H)" with a stable trend as at December 31, 2020.

b) *Credit facilities*

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

(in thousands of dollars) (Issued In)	Maturity Date	Annual Interest Rate (%)	Facility Amount	December 31, 2020	December 31, 2019
Non-revolving:					
August 2018[1]	January 31, 2025	2.980	80,000	**80,000**	80,000
March 2019[2]	March 7, 2024	3.590	150,000	**150,000**	150,000
May 2019[3]	June 24, 2024	3.146	170,000	**170,000**	170,000
Revolving:					
May 2020[4]	May 11, 2021	BA + 1.450	60,000	**—**	—
				400,000	400,000
		Less: Unamortized financing costs		**(696)**	(898)
				399,304	399,102

(1) This credit facility was due to mature on August 29, 2023, bearing interest at a variable interest rate. In January 2020, the maturity date was extended to January 31, 2025, with the interest fixed at 2.98%.
(2) $150.0 million was drawn to fund the redemption of 4.050% Series H senior unsecured debentures in March 2019.
(3) $170.0 million was drawn to fund the redemption of 3.749% Series L unsecured debentures and for general Trust purposes in May 2019.
(4) In May 2020, the Trust obtained $60.0 million of unsecured revolving facilities for the construction of self-storage facilities, bearing interest at a variable interest rate based on either bank prime rate plus 45 basis points or the banker's acceptance rate plus 145 basis points, which matures on May 11, 2021. The facility includes an undrawn accordion feature of $60.0 million whereby the Trust has an option to increase its facility amount with the lenders.

c) *Other unsecured debt*

Other unsecured debt totalling $211.4 million (December 31, 2019 – $83.3 million) pertains to loans received from equity accounted investments (see also, "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 (see also, "Related Party Transactions"). The balances of the loans are expected to be paid at the end of their respective terms.

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

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

(1) In connection with the 700 Applewood purchase, in December 2019, the loan has a principal amount outstanding of $103.8 million (December 31, 2019 – $109.2 million), is non-interest bearing, and is repayable at the end of 10 years. As at December 31, 2020, the loan balance of $79.6 million is net of a fair value adjustment totalling $24.1 million.
(2) In connection with the 700 Applewood purchase, in March 2020, the Trust assumed a loan payable to PCVP from Penguin. The loan has a principal amount outstanding of $103.8 million, is non-interest bearing, and is repayable at the end of 10 years. As at December 31, 2020, the loan balance of $76.7 million is net of a fair value adjustment totalling $27.0 million. See also Note 5(b) in the consolidated financial statements for the year ended December 31, 2020 reflecting offsetting loan receivable amount.
(3) In connection with the Transit City condominium closings during the period from September to December 2020, the Trust received amounts that are non-interest bearing and were settled subsequent to year end.

Revolving Operating Facility

As at December 31, 2020, the Trust had a $500.0 million unsecured revolving operating facility bearing interest at a variable interest rate based on either bank prime rate plus 20 basis points or the banker's acceptance rate plus 120 basis points, which matures on September 30, 2024. In addition, the Trust has an undrawn accordion feature of $250.0 million whereby the Trust has an option to increase its facility amount with the lenders to sustain future operations as required.

(in thousands of dollars)	December 31, 2020	December 31, 2019
Revolving operating facility	**500,000**	500,000
Letters of credit – outstanding	**(8,627)**	(8,844)
Remaining unused operating facility	**491,373**	491,156
Operating facility – accordion feature (undrawn)	**250,000**	250,000
	741,373	741,156

In addition to the letters of credit outstanding on the Trust's revolving operating facility (see above), the Trust also has $20.6 million of letters of credit outstanding with other financial institutions as at December 31, 2020 (December 31, 2019 – $26.5 million).

Unencumbered Assets

As at December 31, 2020, the Trust had $5.8 billion of unencumbered assets (December 31, 2019 – $5.7 billion), which reflects the Trust's share of the value of investment properties. Expressed as a percentage, the Trust earned approximately 59.4% of its NOI from unencumbered assets (December 31, 2019 – 65.8%). In connection with this pool of unencumbered assets, management estimates the total Forecasted Annualized NOI for 2021 to be $325.9 million (December 31, 2019 – $339.5 million). Forecasted Annualized NOI is computed by annualizing the current quarter NOI for the Trust's income properties that are not encumbered by secured debt, and is a forward-looking non-GAAP measure. See "Presentation of Certain Terms Including Non-GAAP Measures".

Interest Expense

The following table summarizes the components of interest expense:

		Three Months Ended December 31			Year Ended December 31		
(in thousands of dollars)		**2020**	2019	Variance	**2020**	2019	Variance
Interest at stated rates		**41,071**	37,076	3,995	**157,635**	149,215	8,420
Amortization of acquisition date fair value adjustments on assumed debt		**(191)**	(431)	240	**(857)**	(2,002)	1,145
Amortization of deferred financing costs		**1,087**	952	135	**4,130**	3,811	319
Yield maintenance costs on redemption of debt and related write-off of unamortized financing costs		**11,954**	12,648	(694)	**11,954**	20,513	(8,559)
Distributions on vested deferred units and Units classified as liabilities		**1,521**	1,365	156	**5,785**	5,385	400
Total interest expense before interest capitalized	**(A)**	**55,442**	51,610	3,832	**178,647**	176,922	1,725
Less:							
Interest capitalized to properties under development		**(3,693)**	(5,057)	1,364	**(17,689)**	(18,956)	1,267
Interest capitalized to residential development inventory		**(230)**	(234)	4	**(914)**	(928)	14
Total interest capitalized	**(B)**	**(3,923)**	(5,291)	1,368	**(18,603)**	(19,884)	1,281
Total interest expense	**(C = A + B)**	**51,519**	46,319	5,200	**160,044**	157,038	3,006
Capitalized interest as a percentage of interest expense[(1)]	**(D = B / A)**	**7.1 %**	10.3 %	(3.2)%	**10.4 %**	11.2 %	(0.8)%

For the three months ended December 31, 2020, interest expense totalled $51.5 million, representing an increase of $5.2 million as compared to the same period in 2019, which was primarily due to the following:

- $3.8 million increase in interest expense before interest capitalized, which principally resulted from a higher debt level during the three months ended December 31, 2020 as compared to the same period in 2019. This was in large part due to the unsecured debentures issued during the year net of repayment and redemption, as discussed in the year to date commentary below (see also the "Debt" section for details); and
- $1.4 million decrease in interest capitalized, principally due to a decrease in interest capitalized to properties under development.

For the year ended December 31, 2020, interest expense totalled $160.0 million, representing an increase of $3.0 million as compared to 2019, which was primarily due to the following:

- $9.9 million increase in interest at stated rates, amortization of acquisition date fair value adjustments on assumed debt, and amortization of deferred financing costs, which was primarily due to the unsecured debentures issued during the year totalling $1.3 billion ($600.0 million in June 2020 and $650.0 million in December 2020) net of repayment and redemptions totalling $576.9 million ($250.0 million relating to Series R, $150.0 million relating to Series M, $150.0 million relating to Series Q, and $26.9 million relating to Series T) (see "Debt" section for details);
- $1.3 million decrease in interest capitalized, principally due to a decrease in interest capitalized to properties under development; and
- $0.4 million increase in distributions on vested deferred units and Units classified as liabilities, principally due to the growth in the deferred unit population as compared to 2019;

Partially offset by:

- $8.6 million decrease in yield maintenance costs on redemption of debt and related write-off of unamortized financing costs, principally due to the greater amount of early redemptions of unsecured and secured debt in 2019.

Financial Covenants

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

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

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

For the year ended December 31, 2020, the Trust was in compliance with all financial covenants.

Ratios	Threshold	**December 31, 2020**	December 31, 2019
Interest coverage[1]	≥ 1.65X	**3.2X**	3.5X
Interest coverage (net of capitalized interest expense)[2]	N/A[6]	**3.7X**	4.0X
Fixed charge coverage[3]	≥ 1.5X	**2.5X**	2.4X
Debt to aggregate assets[3][4][5]	≤ 65%	**44.6 %**	42.3 %
Debt to Gross Book Value (excluding convertible debentures)[1][4][5]	≤ 60%	**50.1 %**	49.0 %
Debt to Gross Book Value (including convertible debentures)[1][4][5]	≤ 65%	**50.1 %**	49.0 %
Secured debt to aggregate assets[3][5]	≤ 40%	**14.5 %**	15.6 %
Unsecured to Secured debt ratio[2][5]	N/A[6]	**68%/32%**	63%/37%
Unencumbered assets to unsecured debt[3][5]	≥ 1.3X	**1.9X**	2.1X
Adjusted Debt to Adjusted EBITDA[2][5]	N/A[6]	**8.5X**	8.0X
Unitholders' equity (in thousands)[1][3]	≥ $2,000,000	**$5,166,975**	$5,367,752

(1) This ratio is required by the Trust's indentures.
(2) This ratio is disclosed for informational purposes only.
(3) This ratio is a significant financial covenant pursuant to the terms of revolving operating facilities and other credit facilities.
(4) This ratio is stipulated by the Declaration of Trust.
(5) As at December 31, 2020, cash-on-hand of $754.4 million (December 31, 2019 – $37.0 million) was excluded for the purposes of calculating the ratios.
(6) Not applicable.

Unitholders' Equity

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

Type	Class and Series	December 31, 2020	December 31, 2019	Variance (#)
Trust Units	N/A	**144,618,657**	144,038,363	580,294
Smart Limited Partnership	Class B Series 1	**14,746,176**	14,746,176	—
Smart Limited Partnership	Class B Series 2	**950,059**	950,059	—
Smart Limited Partnership	Class B Series 3	**720,432**	720,432	—
Smart Limited Partnership II	Class B	**756,525**	756,525	—
Smart Limited Partnership III	Class B Series 4	**705,420**	668,428	36,992
Smart Limited Partnership III	Class B Series 5	**572,337**	572,337	—
Smart Limited Partnership III	Class B Series 6	**596,288**	449,375	146,913
Smart Limited Partnership III	Class B Series 7	**434,598**	434,598	—
Smart Limited Partnership III	Class B Series 8	**1,698,018**	1,698,018	—
Smart Limited Partnership IV	Class B Series 1	**3,067,593**	3,067,593	—
Smart Oshawa South Limited Partnership	Class B Series 1	**710,416**	710,416	—
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**374,223**	374,223	—
Smart Boxgrove Limited Partnership	Class B Series 1	**170,000**	—	170,000
Total Units classified as equity		**170,120,742**	169,186,543	934,199
Smart Limited Partnership	Class D Series 1	**311,022**	311,022	—
Smart Limited Partnership	Class F Series 3	**8,708**	4,886	3,822
Smart Oshawa South Limited Partnership	Class D Series 1	**260,417**	260,417	—
ONR Limited Partnership	Class B	**1,248,140**	1,248,140	—
ONR Limited Partnership I	Class B Series 1	**132,881**	132,881	—
ONR Limited Partnership I	Class B Series 2	**139,302**	139,302	—
Total Units classified as liabilities		**2,100,470**	2,096,648	3,822
Total Units		**172,221,212**	171,283,191	938,021

As of February 10, 2021, the Trust has 170,140,696 Units outstanding which are classified as equity, and 2,100,470 Units outstanding which are classified as liabilities.

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

(in thousands of dollars)	**Year Ended December 31, 2020**	Year Ended December 31, 2019
Unitholders' Equity – beginning of year	**5,367,752**	5,008,331
Issuance of Trust Units	**17,335**	299,693
Units issuance cost	**—**	(9,635)
Deferred Units exchanged for Trust Units	**32**	63
Trust options exercised for Trust Units	**—**	1,631
Issuance of LP Units classified as equity	**6,848**	621
Net income and comprehensive income	**89,940**	374,203
Return of contributions by other non-controlling interest	**(55)**	—
Distributions	**(314,877)**	(307,155)
Unitholders' Equity – end of year	**5,166,975**	5,367,752

Distributions

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

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

During the year ended December 31, 2020, distributions declared by the Trust totalled $318.8 million of which $314.9 million relates to distributions on Units classified as equity, and $3.9 million relates to distributions on Units classified as liabilities that is treated as interest expense (during the year ended December 31, 2019 – $310.7 million, $306.9 million on Units classified as equity, and $3.8 million relates to distributions on Units classified as liabilities that is treated as interest expense), or $1.8500 per Unit (during the year ended December 31, 2019 – $1.8125 per Unit).

For the year ended December 31, 2020, the Trust paid $301.4 million in cash distributions and the balance of $17.3 million by issuing 578,744 Trust Units under the DRIP (for the year ended December 31, 2019 – $241.0 million in cash distributions and the balance of $69.7 million by issuing 2,125,071 Trust Units under the DRIP).

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

	Year Ended December 31	
(in thousands of dollars)	**2020**	2019
Distributions declared on:		
Trust Units	**267,976**	261,301
LP Units	**46,901**	45,556
Distributions on Units classified as equity	**314,877**	306,857
Distributions on Units classified as liabilities	**3,881**	3,794
Total distributions declared	**318,758**	310,651
Distributions reinvested through DRIP	**(17,335)**	(69,693)
Total distributions declared, net of DRIP	**301,423**	240,958
DRIP as a percentage of total distributions declared	**5.4%**	22.4%

Normal Course Issuer Bid

The Trust commenced a normal course issuer bid ("NCIB") program on March 31, 2020. The NCIB program will terminate on March 30, 2021, or on such earlier date as the Trust may complete its purchases pursuant to the notice filed with the TSX. Under the NCIB program, the Trust is authorized to purchase up to 6,500,835 of its Trust Units representing approximately 5% of the public float as at March 23, 2020, by way of normal course purchases effected through the facilities of the TSX and/or alternative Canadian trading systems. All Trust Units purchased by the Trust will be cancelled.

During the year ended December 31, 2020, the Trust did not purchase any Trust Units under the NCIB.

Section VIII — Related Party Transactions

Pursuant to the Declaration of Trust, provided certain ownership thresholds are met, the Trust is required to issue such number of additional Special Voting Units to Penguin that will entitle Penguin to cast 25.0% of the aggregate votes eligible to be cast at a meeting of the Unitholders and Special Voting Unitholders ("Voting Top-Up Right"). As at December 31, 2020, there were 8,241,544 additional Special Voting Units outstanding (December 31, 2019 – 9,427,089). These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust, nor are they convertible into any Trust securities. There is no value assigned to the Special Voting Units. A five-year extension of the Voting Top-Up Right was approved by Unitholders at the Trust's most recent annual general and special meeting held on December 9, 2020. For further details, see the Trust's management information circular dated November 6, 2020, filed on the System for Electronic Document Analysis and Retrieval ("SEDAR").

As at December 31, 2020, Penguin owned 21.4% of the aggregate issued and outstanding Trust Units in addition to the Special Voting Units previously noted above. Penguin's ownership of Trust Units would increase to 25.4% if Penguin exercised all remaining options to purchase Units pursuant to existing development and exchange agreements (Earnouts). In addition, the Trust has entered into property management, leasing, development and exchange, and co-ownership agreements with Penguin. Pursuant to its rights under the Declaration of Trust, as at December 31, 2020, Penguin has appointed two of the eight trustees.

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

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

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

a) Penguin shall be reimbursed for 50% of disposition fees otherwise payable pursuant to the Development Services Agreement related to Penguin's interest in properties sold by the Trust,
b) for future VMC commercial phases and certain properties currently owned by Penguin (for which the Trust was historically assisted with development and planning requirements), all development fees are payable to Penguin and all other fees (management, leasing, etc.) are payable to the Trust,
c) when Penguin utilizes employees of the Trust to assist with its development projects, Penguin will pay for these services provided by employees of the Trust based on annual estimates of time billings related to these projects, charged at estimated total cost, including compensation,
d) for a property owned by a third party which is managed by Penguin in Richmond, BC, the Trust will be paid 50% of the management and leasing fees, and 100% of costs associated with Trust employees/personnel who service this particular property,
e) for Penguin's 50% interest in a property in Toronto co-owned with Revera to develop a retirement home, Penguin will pay 50% of the development fees it earns to the Trust for the development services provided by the Trust, and
f) the Trust will continue to manage and develop all other Penguin properties.

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

Penguin Services Agreement

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

Omnibus Agreement between the Trust and Penguin

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

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

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

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

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

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

		Year Ended December 31	
(in thousands of dollars)	Note[1]	**2020**	2019
Related party transactions with Penguin			
Revenues:			
Service and other revenues:			
Transition services fee revenue		**833**	2,417
Management fee and other services revenue pursuant to the Development and Services Agreement		**6,956**	4,974
Support services		**763**	1,209
	17	**8,552**	8,600
Interest income from mortgages and loans receivable	5	**7,626**	8,333
Rents and operating cost recoveries included in rentals from income properties (includes rental income from Penguin Pick-Up of $245 (Year Ended December 31, 2019 - $326))	17	**1,078**	1,270
		17,256	18,203
Expenses and other payments:			
Master planning services:			
Capitalized to properties under development	19	**6,880**	9,100
Development fees and interest expense (capitalized to investment properties)		**10**	11
Rent and operating costs (included in general and administrative expense and property operating costs)		**—**	397
Marketing, time billings and other administrative costs (included in general and administrative expense and property operating costs)		**112**	283
Expenditures on tenant inducement		**72**	—
		7,074	9,791
Related party transactions with PCVP			
Revenues:			
Interest income from mortgages and loans receivable	5	**2,580**	1,827
Expenses and other payments:			
Rent and operating costs (included in general and administrative expense and property operating costs)	18, 19	**2,634**	1,953

(1) Relates to the corresponding Note disclosure in the consolidated financial statements for the year ended December 31, 2020.

(in thousands of dollars)	Note[1]	**December 31, 2020**	December 31, 2019
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable[2]	10	**1,310**	7,958
Mortgages receivable (see below)	5(a)	**144,205**	138,762
Loans receivable	5(b)	**104,143**	24,388
Notes receivable	5(c)	**2,924**	2,979
Total receivables		**252,582**	174,087
Payables and other accruals:			
Accounts payable and accrued liabilities	12	**6,406**	8,893
Future land development obligations (see below)	12	**18,410**	27,074
Secured debt		**—**	318
Total payables and other accruals		**24,816**	36,285

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

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

As at	Note[1]	**December 31, 2020**	December 31, 2019
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable[2]	10	**1**	1,690
Loans receivable[3]	5(b)	**134,690**	92,427
Amounts payable[4]		**—**	2,024
Other unsecured debt	11(b)(iii)	**211,434**	83,296

(1) The Note reference relates to the corresponding Note disclosure in the consolidated financial statements for the year ended December 31, 2020.
(2) Amounts receivable includes Penguin's portion, which represents $nil (December 31, 2019 – $0.8 million) relating to Penguin's 50% investment in PCVP and 25% investment in Residences LP.
(3) Loans receivable includes Penguin's portion, which represents $47.5 million (December 31, 2019 – $46.2 million) relating to Penguin's 50% investment in PCVP.
(4) Amounts payable includes Penguin's portion, which represents $nil (December 31, 2019 – $1.0 million) relating to Penguin's 50% investment in PCVP.

Mortgages receivable
As at December 31, 2020, the weighted average interest rate associated with mortgages receivable from Penguin was 4.51% (December 31, 2019 – 5.38%) (see also Note 5, "Mortgages, loans and notes receivable" in the Trust's consolidated financial statements for the year ended December 31, 2020).

Future land development obligations
The future land development obligations represent payments required to be made to Penguin for certain undeveloped lands acquired by the Trust from Penguin from 2006 to 2015, either on completion and rental of additional space on the undeveloped lands or, in some cases if no additional space is completed on the undeveloped lands, at the expiry of the development management agreement periods ending from 2021 to 2025, which may be extended to 2022 to 2027. The accrued future land development obligations are measured at their amortized values using imputed interest rates ranging from 4.50% to 5.50% (see also Note 4, "Investment properties", in the Trust's consolidated financial statements for the year ended December 31, 2020).

Leasehold interest properties
The Trust has entered into leasehold agreements with Penguin for 16 investment properties (see also Note 4, "Investment properties" in the Trust's consolidated financial statements for the year ended December 31, 2020).

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

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

Acquisition completed through PCVP during the year ended December 31, 2019
In December 2019, the Trust acquired from Penguin, through PCVP, a 50% interest in a parcel of land with approximately 15.5 acres in Vaughan, Ontario, proximate to SmartVMC, which is a 50:50 joint arrangement with Penguin, for a purchase price of $109.2 million paid in cash, adjusted for other working capital amounts.

Section IX — Accounting Policies, Risk Management and Compliance

Significant Accounting Estimates and Policies

In preparing the Trust's consolidated financial statements and accompanying notes, it is necessary for management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the period. The significant accounting policies of the Trust are as follows:

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

Acquired investment properties are measured initially at cost, including related transaction costs in connection with asset acquisitions. Certain properties are developed by the Trust internally, and other properties are subject to Earnouts. Earnouts occur when the vendors retain responsibility for managing certain developments on land acquired by the Trust for additional proceeds paid on completion calculated based on a predetermined, or formula-based, capitalization rate, net of land and development costs incurred by the Trust (see Note 4(d)(ii), "Investment properties" in the consolidated financial statements for the year ended December 31, 2020). The completion of an Earnout is reflected as an additional purchase in Note 3, "Acquisitions and Earnouts" in the consolidated financial statements for the year ended December 31, 2020. Costs capitalized to properties under development include direct development and construction costs, Earnout Fees, borrowing costs, property taxes and other carrying costs, as well as capitalized staff compensation and other costs directly attributable to property under development.

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

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

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

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

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

Revenue Recognition
Rentals from investment properties and other
The Trust's rentals from investment properties and other comes from different sources and is accounted for in accordance with IFRS 15 and IFRS 16.

a) *Rentals from investment properties*
The Trust's lease agreements may contain both lease and non-lease elements. IFRS 16 requires lessors to allocate consideration in the contracts between lease and non-lease components based on their relative standalone prices. Rentals from investment properties accounted for using IFRS 16 (lease components) include rents from tenants under leases, recoveries of property tax and operating costs that do not relate to additional services provided to lessees, percentage participation rents, lease cancellation fees, parking income and some incidental lease-related income. Rents from tenants may include free rent periods and rental increases over the term of the lease and are recognized in revenue on a straight-line basis over the term of the lease. The difference between revenue income recognized and the cash received is included

in other assets as straight-line rent receivable. Lease incentives provided to tenants are deferred and are amortized against revenue rental income over the term of the lease. Percentage participation rents are recognized after the minimum sales level has been achieved with each lease. Lease cancellation fees are recognized as revenue income once an agreement is completed with the tenant to terminate the lease and the collectibility is probable.

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

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

b) Service and other revenues

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

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

Financial instruments – recognition and measurement

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

Initial Recognition

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

Classification

The classification of financial assets depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified and measured based on the following categories:

- amortized cost;
- fair value through other comprehensive income (“FVTOCI”); and
- fair value through profit or loss (“FVTPL”).

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

	Note[1]	**Classification under IFRS 9**
Financial assets		
Mortgages and loans receivable		Amortized cost
Amounts receivable and deposits		Amortized cost
Cash and cash equivalents		Amortized cost
Financial liabilities		
Accounts and other payables		Amortized cost
Secured debt		Amortized cost
Revolving operating facility		Amortized cost
Unsecured debt		Amortized cost
Units classified as liabilities	2.13	FVTPL
Earnout options	2.13	FVTPL
Deferred unit plan	2.13	FVTPL
Interest rate swap agreements		FVTPL

(1) Refer to notes in the consolidated financial statements for the year ended December 31, 2020.

a) *Financing costs*

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

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

b) *Derivative instruments*

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

c) *Fair value of financial and derivative instruments*

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

d) *Interest rate swap agreements*

The Trust may enter into interest rate swaps to economically hedge its interest rate risk. The fair value of interest rate swap agreements reflects the fair value of swap agreements at each reporting date, and is driven by the difference between the fixed interest rate and the Canadian Dealer Offered Rate ("CDOR").

e) *Modifications or extinguishments of loans and debt*

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

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

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

f) *Impairment of financial assets*

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

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

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

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

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

Equity accounted investments

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

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

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

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

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

Condominium sales revenue
During the year ended December 31, 2020, the Trust's equity accounted investments generated revenue from condominium sales. The Trust's equity accounted investments have adopted the accounting policy which requires that the revenue generated from contracts with customers on the sale of residential condominium units is recognized at a point in time when control of the asset (i.e., condominium unit) has transferred to the purchaser (i.e., generally, when the purchaser takes possession of the condominium unit) as the purchaser has the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. The amount of revenue recognized is based on the transaction price included in the purchasers' contracts. Any funds received prior to the purchasers taking possession of their respective assets are recognized as deferred revenue (contractual liability).

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

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

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

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

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

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

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

Risks and Uncertainties

The ability of the Trust to meet its performance targets is dependent on its success in mitigating the various forms of risks that it has identified. For a more comprehensive list of risks and uncertainties pertinent to the Trust, please see the additional factors disclosed in the Trust's AIF for the year ended December 31, 2020 under the headings "Risk Factors".

Public Health Crises Risks

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

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

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

Efforts by governmental agencies, health agencies, and private sector participants to contain COVID-19 or address its impacts have adversely affected the Trust's business and the operation of its properties and developments. A number of provincial and municipal governments have declared states of emergency and governments have implemented restrictive measures such as travel bans, quarantine, self-isolation, and social distancing. As a result, some tenants, that were not permitted to remain open, have sought rent relief including those tenants eligible for relief through the government-sponsored CECRA program, and/or have not complied with their rent obligations. Landlords, including SmartCentres, have entered into various rent assistance arrangements with certain tenants. Otherwise, SmartCentres will unless prohibited by law require tenants to honour the terms of their respective leases, including the payment of rent, and if they do not, SmartCentres may pursue enforcement and related alternatives. There can be no assurance that if the Trust enters into any such arrangements, deferred rents will be collected in accordance with the terms of those arrangements, or at all. Inability of tenants to meet their payment obligations, deferred or otherwise, and any inability of the Trust to collect rents in a timely manner or at all could adversely affect the Trust's business and financial condition. In addition, many jurisdictions in which the Trust operates have enacted, and in the future may reenact, mandatory business closures which affected certain of its tenants. Approximately 60% of the Trust's retail tenants (by rental revenue) are large, well-capitalized and well-known national and regional retail anchors providing grocery, pharmacy and household necessities, and although affected, are deemed 'essential services' in their respective provincial jurisdictions and, therefore, have remained open to retail customers during the height of the initial pandemic period.

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

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

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

Real Property Ownership and Leasing/Tenant Risk

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

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

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

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

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

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

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

With respect to residential rental properties, in addition to the risks highlighted above, the Trust is subject to the other risks inherent in the multi-tenant rental property industry, including controlling bad debt exposure, rent control regulations, increases in operating costs including the costs of utilities (residential leases are often "gross" leases under which the landlord is not able to pass on costs to its residents), the imposition of increased taxes or new taxes and capital investment requirements.

Liquidity Risk

The Trust's ability to meet its financial obligations as they become due represents the Trust's exposure to liquidity risk. It is management's intention to either repay or refinance maturing liabilities with newly issued secured or unsecured debt, equity or, in certain circumstances not expected to occur frequently, the disposition of certain assets. Any net working capital deficiencies are funded with the Trust's existing revolving operating facility. Management expects to finance future acquisitions, including committed Earnouts, Developments, Mezzanine Financing commitments and maturing debt from: (i) existing cash balances, (ii) a mix of mortgage debt secured by investment properties, operating facilities, issuance of equity and unsecured debentures, (iii) repayments of mortgages receivable, and (iv) the sale of non-core assets. However, the Trust's ability to meet these future obligations may be impacted by the liquidity risk associated with receiving repayments of its mortgages, loans, and notes receivable, amounts receivable and other, deposits, and cash equivalents on time and in full and the realization of fair value on

the disposition of the Trust's non-core assets. Cash flow generated from operating activities is the primary source of liquidity to pay Unit distributions, sustaining capital expenditures and leasing costs.

Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to lease out vacant units. In the next 12 months, $1.1 billion of liabilities (including $854.3 million of secured and unsecured debt and $242.5 million of account and other payable amounts) will mature and will need to be settled by means of renewal or payment.

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

The key assumptions used in the Trust's estimates of future cash flows when assessing liquidity risk are: the renewal or replacement of the maturing revolving operating facility, secured debt and unsecured debentures, at reasonable terms and conditions in the normal course of business and no major bankruptcies of large tenants. Management believes that it has considered all reasonable facts and circumstances in forming appropriate assumptions. However, as always, there is a risk that significant changes in market conditions could alter the assumptions used, particularly in light of the current conditions caused by COVID-19.

While it is not possible for management to reasonably estimate the duration, complexity or severity of this pandemic, which could have a material adverse impact on the Trust's business, results of operations, financial position and cash flows, as at December 31, 2020, the Trust had: a) cash and cash equivalents of $794.6 million; b) the funds available from its $500.0 million operating facility and its $250.0 million accordion feature; c) project-specific financing arrangements; and d) approximately $5.8 billion in unencumbered assets that could be used to obtain additional secured financing to assist with its liquidity requirements.

Capital Requirements and Access to Capital

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

Environmental and Climate Change Risk

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

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

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

Potential Conflicts of Interest
The Trust may be subject to various conflicts of interest because of the fact that the Trustees and executive management, and their associates, may be engaged in a wide range of real estate and other business activities. The Trust may become involved in transactions which conflict with the interests of the foregoing. The Trustees, executive management and their associates or affiliates may from time to time deal with persons, firms, institutions or corporations with which the Trust may be dealing, or which may be seeking investments similar to those desired by the Trust. The interests of these persons could conflict with those of the Trust. In addition, from time to time, these persons may be competing with the Trust for available investment opportunities. The Declaration of Trust contains "conflicts of interest" provisions requiring Trustees or officers of the Trust to disclose material interests in material contracts and transactions and refrain from voting.

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

Debt Financing
The ability of the Trust to make cash distributions or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing its indebtedness. The degree to which the Trust is leveraged could have important consequences to the holders of its securities, including: that the Trust's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; that a significant portion of the Trust's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations and distributions; that certain of the Trust's borrowings may be at variable rates of interest, which exposes it to the risk of increased interest rates; and that the Trust may be vulnerable to economic downturns including the Trust's ability to retain and attract tenants. Also, there can be no assurance that the Trust will continue to generate sufficient cash flow from operations to meet required interest and principal payments. Further, the Trust is subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of such financing may not be as favourable as the terms of its existing indebtedness. These factors may adversely affect the Trust's cash distributions.

The Trust's credit facility provides lenders with first charge security interests on most of the income producing properties in its portfolio. This credit facility contains numerous terms and covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the trust to create liens or other encumbrances, to make certain payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the credit facility contains a number of financial covenants that require the Trust to meet certain financial ratios and financial condition tests. For example, certain of the Trust's loans require specific loan to value and debt service coverage ratios which must be maintained by the Trust. A failure to comply with the obligations in the credit facility could result in a default which, if not cured or waived, could result in acceleration of the relevant indebtedness. If the indebtedness under the credit facility were to be accelerated, there can be no assurance that the assets of the Trust would be sufficient to repay that indebtedness in full.

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

Interest rate changes will also affect the Trust's development portfolio. The Trust has entered into development agreements that obligate the Trust to acquire up to approximately 0.2 million square feet of additional income properties at a cost determined by capitalizing the rental income at predetermined rates. Subject to the ability of the Trust to obtain financing on acceptable terms,

the Trust anticipates that it will finance these acquisitions by issuing additional debt and equity. Changes in interest rates will have an impact on the return from these acquisitions should the rate exceed the capitalization rate used and could result in a purchase not being accretive. This risk is mitigated as management has certain rights of approval over the developments and acquisitions.

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

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

Joint Venture Risk

The Trust is a co-owner in several properties including but not limited to SmartVMC, Transit City, a residential unit project in Laval, Quebec, a 16-acre parcel of land in Vaughan to build townhomes, and various other retail, self-storage, residential and other mixed-use properties. As part of its growth strategy, the Trust expects to increase its participation in additional joint ventures in the future, which may include additional joint ventures in condominiums, self-storage facilities, retirement homes and other initiatives. The Trust is subject to the risks associated with the conduct of joint ventures. Such risks include disagreements with its partners to develop and operate the properties efficiently, the inability of the partners to meet their obligations to the joint ventures or third parties as they become due and decisions made by partners which may not be in favour of the Trust's best interests, but rather are in the best interests of the partnership. In addition, the Trust may be exposed to the risks of the actions taken by any of the partners that may result in reputational damage to the Trust or the joint ventures. These risks could have a material adverse effect on the joint ventures, which may have a material adverse effect on the Trust. The Trust attempts to mitigate these risks by continuing to maintain strong relationships with its partners.

Development and Construction Risk

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

The Trust is becoming increasingly involved in mixed-use development initiatives that include residential condominiums and townhomes, rental apartments, seniors' housing and self-storage. Purchaser and tenant demand for these uses can be cyclical and is affected by changes in general market and economic conditions, such as consumer confidence, employment levels, availability of financing for home buyers, interest rates, demographic trends, and housing and similar commercial demand. Furthermore, the market value of undeveloped land, buildable lots and housing inventories held by the Trust can fluctuate significantly as a result of changing economic and real estate market conditions. An oversupply of alternative housing, such as new homes, resale homes (including homes held for sale by investors and speculators), foreclosed home and rental properties and apartments, accommodation of seniors' housing and self-storage space may: (i) reduce the Trust's ability to sell new condominiums and townhomes, depress prices and reduce margins from the sale of condominiums and townhomes, and (ii) have an adverse effect on the Trust's ability to lease rental apartments, seniors' housing and self-storage units and on the rents charged.

The Trust's construction commitments are subject to those risks usually attributable to construction projects, which include: (i) construction or other unforeseen delays including delays in obtaining municipal approvals, (ii) cost overruns, and (iii) the failure of tenants to occupy and pay rent in accordance with existing lease arrangements, some of which are conditional and these risks have been exacerbated by the COVID-19 pandemic and resulting economic downturn.

Credit Risk

Credit risk arises from cash and cash equivalents, as well as credit exposures with respect to tenant receivables and mortgages and loans receivable. Tenants may experience financial difficulty and become unable to fulfill their lease commitments. The Trust mitigates this risk of credit loss by reviewing tenants' covenants, ensuring its tenant mix is diversified and limiting its exposure to any one tenant, except Walmart Canada because of its creditworthiness. Further risks arise in the event that borrowers may default on the repayment of amounts owing to the Trust. The Trust endeavours to ensure adequate security has been provided in support of mortgages and loans receivable. The failure of the Trust's tenants or borrowers to pay the Trust amounts owing on a timely basis or at all would have an adverse effect on the Trust's financial condition.

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

In addition, the Trust's estimates and judgments could also be affected by various risks and uncertainties, including but not limited to the effects of the COVID-19 pandemic, which in turn could have a significant risk on the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements for the year ended December 31, 2020 and the reported amounts of revenues and expenses during the reporting period and may potentially result in a material adjustment in a subsequent period.

Potential Volatility of Unit Prices
The price for the Units could be subject to wide fluctuations in response to quarter-to-quarter variations in operating results, the gain or loss of significant properties, changes in income estimates by analysts and market conditions in the industry, as well as general economic conditions or other risk factors set out herein. In addition, stock markets have experienced volatility that has affected the market prices for many issuers' stocks and that often has been unrelated to the operating performance of such issuers. These market fluctuations may adversely affect the market price of the Units.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to the underlying value of the Trust's real estate assets.

One of the factors that may influence the market price of the Units is market interest rates relative to the monthly cash distributions of SmartCentres to the Unitholders. An increase in market interest rates or a decrease in monthly cash distributions by the Trust could adversely affect the market price of the Units. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the Trust.

Cash Distributions are Not Guaranteed and will Fluctuate with SmartCentres' Performance
A return on an investment in Units is not comparable to the return on an investment in a fixed-income security. The recovery of an investment in Units is at risk, and any anticipated return on an investment in Units is based on many performance assumptions.

Although the Trust intends to make distributions of a significant percentage of its available cash to its Unitholders, these cash distributions are not assured and may be reduced or suspended. The ability of the Trust to make cash distributions and the actual amount distributed will be dependent upon, among other things, the financial performance of the properties in its property portfolio, its debt covenants and obligations, its working capital requirements and its future capital requirements. In addition, the market value of the Units may decline for a variety of reasons including if the Trust is unable to meet its cash distribution targets in the future, and that decline may be significant.

It is important for a person making an investment in Units to consider the particular risk factors that may affect both the Trust and the real estate industry in which the Trust operates and which may therefore affect the stability of the cash distributions on the Units.

Availability of Cash Flow
Cash distributions to Unitholders may be reduced from time to time if such distributions would exceed the cash obligations of the Trust from time to time due to items such as principal repayments, tenant allowances, leasing commissions and capital expenditures and redemption of Units, if any. The Trust may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The Trust anticipates temporarily funding such items, if necessary, through an operating line of credit in expectation of refinancing long-term debt on its maturity.

Significant Unitholder Risk
According to reports filed under applicable Canadian securities legislation, as at December 31, 2020, Mitchell Goldhar ("Mr. Goldhar") of Vaughan, Ontario beneficially owns or controls a number of the outstanding Units which, together with the securities he beneficially owns or controls that are exchangeable at his option for Trust Units for no additional consideration and the associated Special Voting Units, represent an approximate 21.4% voting interest in the Trust. Further, according to the above-mentioned reports, as at December 31, 2020, Mr. Goldhar beneficially owns or controls additional rights to acquire Trust Units which, if exercised or converted, would result in him increasing his beneficial economic and voting interest in the Trust to as much as approximately 25.4%. In addition, pursuant to the Voting Top-Up Right Mr. Goldhar may be issued additional Special Voting Units to entitle him (directly or indirectly through Penguin) to cast 25% of the votes attached to voting Units at a meeting of the holders of voting Units.

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

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

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

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

Income Taxes and the REIT Exception

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

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

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Disclosure Controls and Procedures ("DCP")

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

Internal Control Over Financial Reporting ("ICFR")

The Trust's CEO and CFO have also designed, or caused to be designed under their direct supervision, the Trust's ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Using the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission 2013 (COSO 2013), the Trust's CEO and CFO have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of the Trust's ICFR as at December 31, 2020, and concluded that it was effective.

Inherent Limitations

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

Section X — Glossary of Terms

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

Glossary of Terms (continued)

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

Glossary of Terms (continued)

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

Glossary of Terms (continued)

Term	Definition
Transactional FFO	Transactional FFO is a non-GAAP financial measure that represents the net financial/economic gain resulting from a partial sale of an investment property. Transactional FFO is calculated as the difference between the actual selling price and actual costs incurred for the subject investment property. Because the Trust intends to establish numerous joint ventures with partners in which it plans to co-develop mixed-use development initiatives, the Trust expects such gains to be recurring and therefore represent part of the Trust's overall distributable earnings.
Unsecured to Secured Debt Ratio	Calculated as the ratio of unsecured debt to secured debt. The ratio is used by the Trust to assess the composition of debt and is not considered a measure in accordance with IFRS.
Voting Top-Up Right	Mitchell Goldhar (either directly or indirectly through Penguin) is entitled to have a minimum of 25.0% of the votes eligible to be cast at any meeting of Unitholders provided certain ownership thresholds are met. Pursuant to the Voting Top-Up Right, the Trust issued additional Special Voting Units of the Trust to Mitchell Goldhar and/or Penguin to increase his voting rights to 25.0% in advance of a meeting of Unitholders. The total number of Special Voting Units is adjusted for each meeting of the Unitholders based on changes in Mitchell Goldhar's, and Penguin's ownership interest. At the Trust's recent annual meeting of Unitholders in December 2020, Unitholders approved an extension of the Voting Top-Up Right to December 31, 2025.

Management's Responsibility for Financial Reporting

The Annual Report, including consolidated financial statements, is the responsibility of the management of SmartCentres Real Estate Investment Trust and has been approved by the Board of Trustees. The financial statements have been prepared in accordance with International Financial Reporting Standards. The summary of significant accounting policies used are described in Note 2 to the consolidated financial statements. Financial information contained elsewhere in this report is consistent with information contained in the consolidated financial statements.

Management maintains a system of internal controls over financial reporting that provides reasonable assurance that the assets of SmartCentres Real Estate Investment Trust are safeguarded and that facilitates the preparation of relevant, timely and reliable financial information that reflects, where necessary, management's best estimates and judgments based on informed knowledge of the facts.

The Board of Trustees is responsible for (i) ensuring that management fulfills its responsibility for financial reporting; and (ii) providing final approval of the consolidated financial statements. The Board of Trustees has appointed an Audit Committee comprising three independent Trustees to approve, monitor, evaluate, advise and make recommendations on matters affecting the external audit, the financial reporting and the accounting controls, policies and practices of SmartCentres Real Estate Investment Trust under its terms of reference.

The Audit Committee meets at least four times per year with management and with the independent external auditors to satisfy itself that they are properly discharging their responsibilities. The consolidated financial statements and the Management Discussion and Analysis of SmartCentres Real Estate Investment Trust have been reviewed by the Audit Committee and approved by the Board of Trustees.

PricewaterhouseCoopers LLP, the independent auditors, have audited the consolidated financial statements in accordance with International Financial Reporting Standards and have read Management's Discussion and Analysis. Their auditors' report is set forth herein.

Peter Forde	Peter Sweeney
President & CEO	Chief Financial Officer

Independent auditor's report

To the Unitholders of SmartCentres Real Estate Investment Trust

Our opinion

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

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

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

Basis for opinion

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

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

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

PricewaterhouseCoopers LLP
200 Apple Mill Road, Vaughan, Ontario, Canada L4K 0J8
T: +1 905 326 6800, F: +1 905 326 5339

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Key audit matters

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

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

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Ontario
February 10, 2021

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

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

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

Commitments and contingencies (Note 27)

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

Approved by the Board of Trustees.

Michael Young
Trustee

Garry Foster
Trustee

SMARTCENTRES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the years ended December 31, 2020 and December 31, 2019
(in thousands of Canadian dollars)

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

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and December 31, 2019
(in thousands of Canadian dollars)

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

Supplemental cash flow information (see Note 20)

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF EQUITY

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

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

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019
(in thousands of Canadian dollars, except Unit, square foot and per Unit amounts)

1. Organization
SmartCentres Real Estate Investment Trust and its subsidiaries ("the Trust"), is an unincorporated open-ended mutual fund trust governed by the laws of the Province of Alberta created under a declaration of trust, dated December 4, 2001, subsequently amended and last restated on December 9, 2020 ("the Declaration of Trust"). The Trust develops, leases, constructs, owns and manages shopping centres, office buildings, high-rise and low-rise condominiums and rental residences, seniors' housing, townhome units, and self-storage rental facilities in Canada, both directly and through its subsidiaries, Smart Limited Partnership, Smart Limited Partnership II, Smart Limited Partnership III, Smart Limited Partnership IV, Smart Oshawa South Limited Partnership, Smart Oshawa Taunton Limited Partnership, Smart Boxgrove Limited Partnership, ONR Limited Partnership and ONR Limited Partnership I. The exchangeable securities of these subsidiaries, which are presented as non-controlling interests or as a liability as appropriate, are economically equivalent to voting trust units ("Trust Units") as a result of voting, exchange and distribution rights as more fully described in Note 15(a). The address of the Trust's registered office is 3200 Highway 7, Vaughan, Ontario, L4K 5Z5. The Units of the Trust are listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "SRU.UN".

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

As at December 31, 2020, the Penguin Group of Companies ("Penguin"), owned by Mitchell Goldhar, owned approximately 21.4% (December 31, 2019 – 20.7%) of the issued and outstanding Units of the Trust and Limited Partnerships (see also Note 21, "Related party transactions").

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

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

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

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

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

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

2.3 *Equity accounted investments*

a) *Investment in associates*

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

b) *Investment in joint ventures*

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

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

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

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

Condominium sales revenue

During the year ended December 31, 2020, the Trust's equity accounted investments generated revenue from condominium sales. The Trust's equity accounted investments have adopted the accounting policy which requires that the revenue generated from contracts with customers on the sale of residential condominium units is recognized at a point in time when control of the asset (i.e., condominium unit) has transferred to the purchaser (i.e., generally, when the purchaser takes possession of the condominium unit) as the purchaser has the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. The amount of revenue recognized is based on the transaction price included in the purchasers' contracts. Any funds received prior to the purchasers taking possession of their respective assets are recognized as deferred revenue (contractual liability).

Condominium cost of sales

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

2.4 *Investment properties*

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

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

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

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

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

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

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

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

2.5 Residential development inventory

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

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

The revenue generated from contracts with customers on the sale of townhomes and residential condominium units is recognized at a point in time when control of the asset (i.e., townhome or condominium unit) has transferred to the purchaser (i.e., generally, when the purchaser takes possession of the townhome or condominium unit) as the purchaser has the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. The amount of revenue recognized is based on the transaction price included in the purchasers' contracts. Any funds received prior to the purchasers taking possession of their respective assets are recognized as deferred revenue (contractual liability).

2.6 *Business combinations*

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

Effective January 1, 2020, the Trust has adopted the amendments to IFRS 3, "Business Combinations" ("IFRS 3"). The amendments to IFRS 3 relate to whether a transaction meets the definition of a business combination. The amendments clarify the definition of a business, as well as provide additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted. The Trust has assessed the amendments to IFRS 3 and believes it did not have a significant impact on the Trust's consolidated financial statements.

2.7 *Intangible assets*

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

2.8 *Equipment*

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

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

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

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

2.9 *Provisions*

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

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

2.10 *Classification of Units as liabilities and equity*

a) *Trust Units*

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

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

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

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

b) Limited Partnership Units

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

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

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

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

2.11 Financial instruments – recognition and measurement

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

Initial Recognition

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

Classification

The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified and measured based on the following categories:

- amortized cost;
- fair value through other comprehensive income ("FVTOCI"); and
- fair value through profit or loss ("FVTPL").

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

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

a) *Financing costs*

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

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

b) *Derivative instruments*

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

c) *Fair value of financial and derivative instruments*

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

d) *Interest rate swap agreements*

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

e) *Modifications or extinguishments of loans and debt*

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

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

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

f) *Impairment of financial assets*

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

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

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

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

g) *Interest income*

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

2.12 Cash and cash equivalents

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

2.13 Trust and Limited Partnership Unit based arrangements

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

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

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

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

b) *Deferred unit plan*

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

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

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

c) *Long Term Incentive Plan*

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

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

d) *Equity Incentive Plan*

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

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

2.14 Rentals from investment properties and other

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

a) *Rentals from investment properties*

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

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

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

b) *Service and other revenues*

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

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

2.15 Tenant receivables

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

2.16 Current and deferred income tax

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

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

2.17 Distributions

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

2.18 Operating segments

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

2.19 Leases

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

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

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

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

2.20 *Critical accounting judgments*

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

a) *Investment properties*

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

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

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

b) *Investment in associates*

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

c) *Joint arrangements*

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

d) *Intangible assets*

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

e) Classifications of Units as liabilities and equity

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

f) Income taxes

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

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

2.21 Critical accounting estimates and assumptions

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

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

a) Fair value of investment properties

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

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

b) Fair value of financial instruments

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

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

ii) Deferred unit plan

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

iii) Units classified as liabilities

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

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

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

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

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

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

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

2.22 Future changes in accounting policies

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

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

3. Acquisitions and Earnouts

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

a) During the year ended December 31, 2020, pursuant to development management agreements referred to in Note 4, “Investment properties” (see also Note 21, “Related party transactions”), the Trust completed the purchase of:
   i) Earnouts totalling 1,936 square feet of development space with a purchase price of $291 and a parcel land sale with a purchase price of $1,789, of which $792 was satisfied through the issuance of 3,822 Class F Series 3 Smart LP Units (see also Note 13, “Other financial liabilities”) and 36,992 Class B Series 4 Smart LP III Units, and the balance of $1,288 was paid in cash, adjusted for other working capital amounts.

ii) An Earnout transaction representing a 50% interest in a parcel of land totalling 2.25 acres in Ottawa, Ontario, was transferred to a joint venture, Ottawa SW PropCo LP, which is recorded in equity accounted investments (see Note 6, "Equity accounted investments"), to develop one retirement and seniors' housing tower and one multi-residential rental tower. The purchase price was $4,375 (at the Trust's share), of which $2,624 was satisfied through the issuance of 146,913 Class B Series 6 Smart LP III Units and the balance of $1,751 was paid in cash, with adjustments made for development costs paid by the Trust and other working capital amounts (see also Note 21, "Related party transactions"). In conjunction with this purchase, the Trust granted its joint venture partner a non-revolving term acquisition credit facility in the amount of $2,850 (see Note 5, "Mortgages, loans and notes receivable"), to finance a portion of its share of the purchase price and closing costs for the above acquisition.

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

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

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

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

	Note	**Acquisitions**	**Earnouts**	**Total**
Cash		**7,910**	**3,318**	**11,228**
LP Units issued	4(d)(ii)	**—**	**6,925**	**6,925**
Other payable	5(b), 12, 15(a)(ii)	**—**	**3,460**	**3,460**
Amounts previously funded		**152**	**204**	**356**
		8,062	**13,907**	**21,969**

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

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

a) During the year ended December 31, 2019, pursuant to development management agreements referred to in Note 4, "Investment properties" (see also Note 21, "Related party transactions"), the Trust completed the purchase of Earnouts totalling 41,008 square feet of development space with a purchase price of $12,926, of which $1,858 was satisfied through the issuance of 53,002 Trust Units, 4,214 Class B Series 4 LP III Units, 4,886 Class F Series 3 Smart LP Units, 15,089 Class B Series 1 LP IV Units, 2,193 Class B Series 2 ONR LP I Units (see also Note 13(b)) and the balance paid in cash, adjusted for other working capital amounts.

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

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

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

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

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

4. Investment properties

The following table summarizes the activities in investment properties:

		Year Ended December 31, 2020			Year Ended December 31, 2019		
	Note	**Income Properties**	**Properties Under Development**	**Total**	Income Properties	Properties Under Development	Total
Balance – beginning of year		**8,488,669**	**561,397**	**9,050,066**	8,404,513	500,544	8,905,057
Additions (deductions):							
Acquisitions, Earnouts and related adjustments of investment properties		**—**	**21,678**	**21,678**	1,641	16,752	18,393
Transfer to income properties from properties under development		**39,748**	**(39,748)**	**—**	66,306	(66,306)	—
Transfer from income properties to properties under development		**(70,236)**	**70,236**	**—**	(43,400)	43,400	—
Transfer from properties under development to equity accounted investments		**—**	**(6,125)**	**(6,125)**	—	—	—
Earnout Fees on properties subject to development management agreements	4(d)(ii)	**291**	**—**	**291**	5,311	—	5,311
Capital expenditures		**8,445**	**—**	**8,445**	17,665	—	17,665
Leasing costs		**1,732**	**—**	**1,732**	1,789	—	1,789
Development expenditures		**—**	**50,728**	**50,728**	—	69,387	69,387
Capitalized interest		**—**	**17,689**	**17,689**	—	18,956	18,956
Dispositions		**—**	**(19,063)**	**(19,063)**	(95)	(15,868)	(15,963)
Fair value adjustment on revaluation of investment properties	25	**(201,219)**	**(73,832)**	**(275,051)**	34,939	(5,468)	29,471
Balance – end of year		**8,267,430**	**582,960**	**8,850,390**	8,488,669	561,397	9,050,066

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

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

Presented separately from investment properties is $81,511 (December 31, 2019 – $86,398) of net straight-line rent receivables and tenant incentives (these amounts are included in "Other assets", see Note 7) arising from the recognition of rental revenues on a straight-line basis and amortization of tenant incentives over the respective lease terms. The fair value of investment properties has been reduced by these amounts.

a) Valuation methods underlying management's estimation of fair value

i) Income properties

Valuation method for the year ended December 31, 2020

Effective January 1, 2020, the Trust applied a change in accounting estimate in the valuation method used to estimate the fair value of income properties. The Trust applied the discounted cash flow valuation method to estimate the value of income properties, which include: freehold properties, properties with leasehold interests with purchase options, and properties with leasehold interests without purchase options. The Trust changed its valuation method as it believes that the discounted cash flow valuation method represents the Trust's estimate of fair values of income properties based on expectations of changes in rental rates, occupancy rates, lease renewal rates, leasing costs, expected credit losses and downtime on lease expiries, among others, as a result of the impact of COVID-19.

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

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

Valuation methods for the year ended December 31, 2019

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

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

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

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

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

ii) Properties under development

Valuation method for the year ended December 31, 2020

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

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

Stabilized or forecasted net operating income:

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

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

Earnout Fee:

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

Capitalization rate:

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

Construction costs to complete:

Derived from internal budgets, based on management’s experience and knowledge of market conditions.

Completion date:

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

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

Valuation methods for the year ended December 31, 2019

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

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

Stabilized or forecasted net operating income:

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

Earnout Fee:

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

Capitalization rate:

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

Construction costs to complete:

Derived from internal budgets, based on management’s experience and knowledge of market conditions.

Completion date:

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

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

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

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

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

			Year ended December 31, 2019		
Class	Valuation Method	Carrying Value	Weighted Average Capitalization or Discount Rate (%)	Total Stabilized or Forecasted NOI	Range of Capitalization Rates (%)
Income properties	Direct income capitalization	7,456,585	5.79	431,662	4.25 – 9.11
	Direct income capitalization less present value of purchase option	829,462	6.33	52,500	5.88 – 6.75
	Discounted cash flow	202,622	6.20	12,568	6.00 – 6.50
		8,488,669			

Class	Valuation Method	Carrying Value	Weighted Average Capitalization Rate (%)
Properties under development	Direct income capitalization	99,882	6.56
	Land, development and construction costs recorded at market value	461,515	N/A
		561,397	
Balance – end of year		9,050,066	

The estimates of fair value are most sensitive to changes in the discount rates and forecasted future cash flows for each property. The sensitivity analysis in the table below indicates the approximate impact on the fair values of the Trust's investment property portfolio resulting from changes in discount rates assuming no changes in other assumptions.

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

b) *Dispositions*

Disposition of investment properties during the year ended December 31, 2020

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

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

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

Disposition of investment properties during the year ended December 31, 2019

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

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

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

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

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

c) *Leasehold property interests*

At December 31, 2020, 16 (December 31, 2019 – 16) investment properties with a fair value of $978,410 (December 31, 2019 – $1,032,084) are leasehold property interests accounted for as leases.

i) *Leasehold property interests without bargain purchase options*

Three of the leasehold interests commenced in 2005 under the terms of 35-year leases with Penguin. Penguin has the right to terminate the leases after 10 years on payment to the Trust of the fair value of a 35-year leasehold interest in the properties at that time and also has the right to terminate the leases at any time in the event that there is an acquisition in excess of 20% of the aggregate of the Trust Units and Special Voting Units by payment to the Trust of the unamortized balance of any prepaid lease cost. The Trust does not have a purchase option under these three leases.

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

The Trust prepaid its entire lease obligations for the 14 leasehold interests with Penguin noted above (see also Note 21, "Related party transactions") in the amount of $889,931 (December 31, 2019 – $889,931), including prepaid land rent of $229,846 (December 31, 2019 – $229,846).

ii) *Leasehold property interests with bargain purchase options*

One leasehold interest commenced in 2003 under the terms of a 35-year lease with Penguin (see also Note 21, "Related party transactions"). The lease requires a $10,000 payment at the end of the lease term in 2038 to exercise a purchase option, which is considered to be a bargain purchase option. The Trust prepaid its entire lease obligation for this property of $57,997 (December 31, 2019 – $57,997). As the Trust expects to exercise the purchase option in 2038, the purchase option price has been included in accounts payable in the amount of $1,957 (December 31, 2019 – $1,786), net of imputed interest at 9.18% of $8,043 (December 31, 2019 – $8,214) (see also Note 12, "Accounts and other payables").

A second leasehold interest was acquired on February 11, 2015 and includes a land lease that expires on September 1, 2054. The land lease requires monthly payments ranging from $450 to $600 annually until September 1, 2054, and a $6,000 payment between September 1, 2023 and September 1, 2025 to exercise a purchase option that is considered to be a bargain purchase option. As the Trust expects to exercise the purchase option on September 1, 2023, the purchase option price and the monthly payments up to September 1, 2023 have been included in accounts payable, net of imputed interest at 6.25% of $1,027 (December 31, 2019 – $1,408), in the amount of $6,211 (December 31, 2019 – $6,279) (see also Note 12, "Accounts and other payables").

d) Properties under development

The following table presents properties under development:

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

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

i) Properties under development not subject to development management agreements

During the year ended December 31, 2020, the Trust completed the development and leasing of certain properties under development not subject to development management agreements, for which the value of land and development costs incurred has been reclassified from properties under development to income properties.

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

ii) Properties under development subject to development management agreements

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

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

For additional space completed on land with a fair value of $13,743 (December 31, 2019 – $13,237), the fixed predetermined negotiated capitalization rates range from 6.0% to 7.4% during the five-year period of the respective development management agreements. For additional space completed on land with a fair value of $48,068 (December 31, 2019 – $35,126), the predetermined negotiated capitalization rates are fixed for each contract for either the first one, two, three, four or five years, ranging from 6.0% to 8.0%, and then are determined by reference to the 10-year Government of Canada bond rate at the time of completion plus a fixed predetermined negotiated spread ranging from 2.00% to 3.90% for the remaining term of the 10-year period of the respective development management agreements subject to a maximum capitalization rate ranging from 6.60% to 9.50% and a minimum capitalization rate ranging from 5.75% to 7.50%.

For certain of these properties under development, Penguin and others have been granted Earnout options that give them the right, at their option, to invest up to 40% of the Earnout Fee for one of the agreements and up to 30% to 40% of the Gross Cost for the remaining agreements in Trust Units, Class B, D and F Smart LP Units, Class B and D Smart LP III Units, Class B Smart LP IV Units, Class B and D Smart Oshawa South LP Units, Class B and D Smart Oshawa Taunton LP Units, Class B Smart Boxgrove LP Units and Class B ONR LP I Units at predetermined option strike prices subject to a maximum number of units. On December 9, 2020, the Trust entered into an Omnibus Settlement Agreement with Mitchell Goldhar that provided a right to extend the terms of certain Earnout agreements for an additional two years. As a result, the Earnout agreements for Earnout options that were originally set to expire between 2020 to 2025 may be extended to 2022 to 2027. See also Note 13, "Other financial liabilities".

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

		Year Ended December 31	
Unit Type	Class and Series	**2020**	2019
Trust Units	N/A	**—**	1,065
Smart Limited Partnership	Class F Series 3	**77**	98
Smart Limited Partnership III	Class B Series 4	**715**	134
Smart Limited Partnership IV	Class B Series 1	**—**	487
Smart Limited Partnership III	Class B Series 6	**2,624**	—
Smart Boxgrove Limited Partnership	Class B Series 1	**3,509**	—
ONR Limited Partnership I	Class B Series 2	**—**	74
		6,925	1,858

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

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

5. Mortgages, loans and notes receivable

The following table summarizes mortgages, loans and notes receivable:

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

a) Mortgages receivable of $144,205 (December 31, 2019 – $138,762) are provided pursuant to agreements with Penguin (see also Note 21, "Related party transactions"). These amounts are provided to fund costs associated with both the original acquisition and development of seven (December 31, 2019 – nine) properties across Ontario, Quebec and British Columbia. The Trust is committed to lend up to $312,778 (December 31, 2019 – $279,235) to assist with the further development of these properties.

The following table provides further details on the mortgages receivable (by maturity date) provided to Penguin:

Property	Committed	Maturity Date	Extended Maturity Date[3]	Annual Variable Interest Rate at Year End (%)	Purchase Option of Property (%) [1]	December 31, 2020	December 31, 2019
Aurora (South), ON[5]	38,964	March 2022	August 2028	3.45	50.00	**16,858**	17,005
Innisfil, ON[2][7]	39,740	May 2022	August 2028	4.20	—	**22,164**	20,937
Salmon Arm, BC[2][4]	30,080	May 2022	August 2028	4.19	—	**15,370**	14,997
Pitt Meadows, BC[6]	85,653	November 2023	August 2028	3.85	50.00	**30,669**	29,387
Vaughan (7 & 427), ON[5]	36,100	December 2023	August 2028	3.57	50.00	**18,908**	17,820
Caledon (Mayfield), ON[7]	26,689	April 2024	August 2028	3.71	50.00	**10,363**	9,944
Toronto (StudioCentre), ON[2][6]	55,552	June 2024	August 2028	3.68	25.00	**29,873**	28,672
	312,778			**3.81** [8]		**144,205**	138,762

(1) The Trust has a purchase option from the borrower in these properties upon a certain level of development and leasing being achieved. As at December 31, 2020, it is management's expectation that the Trust will exercise these purchase options.
(2) The Trust owns a 50% interest in these properties, with the other 50% interest owned by Penguin. These loans are secured against Penguin's interest in the property.
(3) The maturity date for this mortgage is automatically extended to August 31, 2028 unless written notice is delivered from the borrower. During the extended maturity period, the mortgages receivable accrue interest at a variable rate based on the banker's acceptance rate plus 4.00% to 5.00%
(4) The weighted average interest rate on this mortgage is subject to an upper limit of 6.50%.
(5) The weighted average interest rate on this mortgage is subject to an upper limit of 6.75%.
(6) The weighted average interest rate on this mortgage is subject to an upper limit of 6.90%.
(7) The weighted average interest rate on this mortgage is subject to an upper limit of 7.00%.
(8) Represents the weighted average interest rate.

Mortgages receivable amendments

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

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

In addition, the interest rates on these mortgages receivable were amended pursuant to independent opinions obtained that provided current market-based interest rates for such loans with similar security. Interest on these mortgages accrues monthly as follows: from December 9, 2020 to the maturity of each mortgage, at a variable rate based on the banker's acceptance rate plus 2.75% to 4.20%; from the maturity of each mortgage to the extended maturity (August 2028), at a variable rate based on the banker's acceptance rate plus 4.00% to 5.00%; prior to December 9, 2020, (i) at a variable rate based on the banker's acceptance rate plus 1.75% to 4.20% or at the Trust's cost of capital (as defined in the mortgage agreement) plus 0.25%; and (ii) at fixed rates of 6.35% to 7.50%, which is added to the outstanding principal up to a predetermined maximum accrual, after which it is payable in cash monthly or quarterly. Additional interest of $109,171 (December 31, 2019 – $63,613) on the existing credit facilities may be accrued on certain of the mortgages receivable before cash interest must be paid.

The mortgage security includes a first or second charge on properties, assignments of rents and leases and general security agreements. In addition, $144,205 (December 31, 2019 – $125,536) of the outstanding balance is guaranteed by Penguin. The loans are subject to individual loan guarantee agreements that provide additional guarantees for all interest and principal advanced on outstanding amounts. The guarantees decrease on achievement of certain specified value-enhancing events. All mortgages receivable are considered by management to be fully collectible.

The following table illustrates the activity in mortgages receivable:

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

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

Issued to	Committed	Maturity Date	Interest Rate (%)	Note	December 31, 2020	December 31, 2019
Penguin[1]	19,148	March 2021	Variable	21	**9,349**	10,215
Penguin[2]	N/A	January 2021	Interest-free	21	**3,460**	—
Penguin[3]	26,227	June 2021	Variable	21	**14,587**	14,173
Penguin[4]	N/A	December 2029	Interest-free	21, 11 (b)(iii)	**76,747**	—
Total loans issued to Penguin					**104,143**	24,388
PCVP[5]	N/A	June 2021	2.76	21	**95,008**	92,427
Self-storage facilities[6]	60,000	July 2023	Variable		**39,682**	—
Total loans issued to equity accounted investments					**134,690**	92,427
Vaughan NW Residence Inc.[7]	N/A	November 2020	6.25		**—**	9,804
Selection Group[8]	N/A	April 2021	Variable		**2,850**	—
Greenwin[9]	11,694	September 2024	Variable		**—**	4,500
Greenwin[10]	1,280	January 2025	Variable		**—**	—
Total loans issued to unrelated parties					**2,850**	14,304
					241,683	131,119

(1) This loan receivable was provided pursuant to a development management agreement with Penguin with a total loan facility of $19,148. Repayment of the pro rata share of the outstanding loan amount is due upon the completion of each Earnout event. The loan bears interest at 10 basis points plus the lower of: (i) the Canadian prime rate plus 45 basis points, and (ii) the Canadian Dealer Offer Rate plus 145 basis points.

(2) In August 2020, this non-interest bearing, unsecured loan was issued to the holders of Class G Series 1 Units of Smart Boxgrove LP in the amount of $3,460 pursuant to the amended and restated Smart Boxgrove Limited Partnership agreement. Such loan had limited recourse up to the amount of $3,460 and was due and payable on or before the fifth business day after year end (December 31, 2020). As such, in January 2021, Smart Boxgrove LP made a distribution to the holders of Class G Series 1 Units in an amount equal to the outstanding loan amount, which was set-off to repay the aggregate amount of loans issued.

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

(4) This loan receivable relates to the acquisition of a parcel of land in Vaughan, Ontario, through PCVP in December 2019 ("700 Applewood purchase"). In March 2020, the Trust assumed this loan receivable from Penguin in regards to PCVP. The loan has a principal amount outstanding of $103,764, is non-interest bearing, and is repayable at the end of 10 years. As at December 31, 2020, the loan balance of $76,747 is net of a cumulative fair value adjustment totalling $27,017. See also Note.11(b)(iii) reflecting the corresponding loan payable amount.

(5) In April 2019, the Trust entered into a loan agreement with PCVP (in which the Trust has a 50% interest) for a total loan facility of $90,600, bearing interest accruing at 2.76% per annum. The loan security includes a first or second charge on properties, assignments of rents and leases and general security agreements, and is guaranteed by Penguin up to its 50% share of the loan. This loan facility was advanced in full in April 2019. Unless prepaid in accordance with the terms of the loan agreement, principal and any accrued and unpaid interest in respect of the loan receivable shall be repaid in full in June 2021. The Trust reflects the activity from the PCVP as an equity accounted investment (see also Note 6, "Equity accounted investments") and 100% of the loan provided to the PCVP is recorded in the consolidated financial statements for the year ended December 31, 2020.

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

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

(8) In April 2020, the Trust entered into a loan agreement, with Selection Group, whereby the Trust loaned Selection Group funds for the acquisition of development lands in Ottawa, Ontario (see also Note 6, "Equity accounted investments") for a non-revolving term acquisition credit facility of $2,850. This loan has been contributed by Selection Group to a joint venture with the Trust. This loan will mature at the earlier of: (i) the date of the first disbursement of the construction financing, and (ii) the date 12 months from the date of obtaining an advance of the facility and bears interest at the prime rate of interest plus 2% per annum.

(9) In September 2019, the Trust entered into a loan agreement with Greenwin to use in acquiring a 50% interest in development lands in Barrie, Ontario. As at December 31, 2020, the total remaining credit facility was $11,694. The loan security includes a first charge on the development lands and is guaranteed by Greenwin. This loan matures in September 2024, and bears interest at the greater of: (i) 7.0% per annum, and (ii) the Trust's weighted average cost of capital plus 1.25% per annum. In August 2020, Greenwin repaid this loan in advance of the maturity date.

(10) In January 2020, the Trust entered into a loan agreement with Greenwin, whereby the Trust assisted Greenwin to fund its 25% interest in development lands in Toronto, Ontario (see also Note 6, "Equity accounted investments"). As at December 31, 2020, the total remaining non-revolving term acquisition credit facility was $1,280. The loan agreement also includes a non-revolving put exercise credit facility in an amount equal to the put purchase price plus any associated closing costs at the time of exercise. The loan security includes a first charge on the development lands and is guaranteed by Greenwin. This loan matures in January 2025, and bears interest at the greater of: (i) 7.0% per annum, and (ii) the Trust's weighted average cost of capital plus 1.25% per annum. In August 2020, Greenwin repaid this loan in advance of the maturity date.

The following table illustrates the activity in loans receivable:

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

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

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

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

The estimated fair values of mortgages, loans and notes receivable are based on their respective current market rates, bearing similar terms and risks. This information is disclosed in Note 14, "Fair value of financial instruments".

6. Equity accounted investments

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

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

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

a) Investment in associates

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

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

In 2012, the Trust entered into the Penguin-Calloway Vaughan Partnership ("PCVP") with Penguin (see also Note 21, "Related party transactions") to develop the Vaughan Metropolitan Centre ("SmartVMC"), which is expected to consist of approximately 10.0 million to 11.0 million square feet of mixed-use space once fully developed, on 53 acres of development land in Vaughan, Ontario.

In 2017, the Trust entered into the VMC Residences Limited Partnership ("Residences LP") and VMC Residences III Limited Partnership ("Residences III LP") with Penguin and CentreCourt Developments, to develop three residential condominium towers and a related parking facility, located on the SmartVMC site.

In 2018, the Trust entered into the VMC East Block Residences Limited Partnership ("East Block Residences LP") with Penguin and CentreCourt Developments, to develop two additional residential condominium towers, located on the SmartVMC site.

In 2019, the Trust acquired, through PCVP, a 50% interest in a parcel of land with approximately 15.5 acres in Vaughan, Ontario, proximate to SmartVMC available for development once Walmart has relocated to its new Applewood location.

Note that the limited partnerships involving residential condominium developments, as noted in the above table: Residences LP, Residences III LP and East Block Residences LP, are hereinafter collectively referred to as "VMC Residences".

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

In December 2019, the Trust acquired, through PCVP, a 50% interest in a parcel of land with approximately 15.5 acres in Vaughan, Ontario, proximate to SmartVMC, which is a 50:50 joint arrangement with Penguin, for a purchase price of $109,218 paid in cash, adjusted for other working capital amounts.

i) Summary of balance sheets

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

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

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

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

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

ii) Summary of earnings (losses)

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

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

(1) Includes office rental revenue from the Trust in the amount of $2,634 for the year ended December 31, 2020 (year ended December 31, 2019 – $1,953).
(2) Includes condominium sales revenue recognized on the closings of 551 units and 558 units in Transit City 1 and Transit City 2, respectively.
(3) Additional profit allocated to the Trust for Transit City 1 and 2 closings pursuant to the development agreement and limited partnership agreement.

In accordance with the Supplemental Development Fee Agreement, the Trust invoiced PCVP a net amount of $4,061 related to associated development fees for the year ended December 31, 2020 (year ended December 31, 2019 – $6,390).

iii) Summary of development credit facilities

The development financing relating to the PCVP and VMC Residences comprise pre-development, construction and letters of credit facilities. With respect to the development credit facilities relating to the PCVP, the obligations are joint and several to each of the PCVP limited partners; however, by virtue of an indemnity agreement between the PCVP limited partners, the obligations are effectively several. From time to time, the original facility amounts are reduced through repayments and through amended agreements with the financial institutions from which the facilities were obtained.

The following table shows the development facilities available:

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

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

As at			December 31, 2020		December 31, 2019	
	Maturity in	**Annual Interest Rate (%)[1]**	**Facility Amount**	**The Trust's Share**	Facility Amount	The Trust's Share
PCVP						
Development credit facility	December 2022	BA + 1.35	**15,876**	**7,938**	15,876	7,938
Development credit facility	June 2021	BA + 1.45	**48,500**	**24,250**	48,500	24,250
Construction credit facility	August 2022	BA + 2.20	**270,000**	**135,000**	—	—
Letters of credit facility	May 2021	0.75	**35,000**	**17,500**	35,000	17,500
			369,376	**184,688**	99,376	49,688
VMC Residences						
Development credit facility	December 2021	BA + 1.75	**14,512**	**3,628**	246,612	61,653
Development credit facility	December 2021	BA + 1.75	**132,688**	**33,172**	142,150	35,538
Development credit facility	September 2023	BA + 1.60	**280,164**	**70,041**	280,164	70,041
			427,364	**106,841**	668,926	167,232
			796,740	**291,529**	768,302	216,920

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

b) *Investment in joint ventures*

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

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

Acquisitions completed during the year ended December 31, 2020

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

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

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

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

In November 2020, pursuant to the 50:50 joint venture formed with SmartStop known as Aurora Self Storage Limited Partnership, both joint venture parties contributed cash into the joint venture to fund the purchase of a parcel of land located in Aurora, Ontario, totalling 1.59 acres with the intention to develop, construct and operate a self-storage facility.

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

i) Summary of balance sheets

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

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

The joint ventures listed above have entered into various development construction contracts with existing commitments totalling $21,498, of which the Trust's share is $10,777 (December 31, 2019 – $24,335, of which the Trust's share is $12,167).

ii) Summary of earnings (losses)

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

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

iii) Summary of credit facilities

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

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

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

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

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

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

7. Other assets

The following table presents the components of other assets:

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

The following table summarizes the activity in other assets:

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

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

8. Intangible assets

The following table summarizes the components of intangible assets:

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

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

9. Residential development inventory

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

The following table summarizes the activity in residential development inventory:

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

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

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

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

Allowance for expected credit loss

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

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

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

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

11. Debt

The following table presents debt balances:

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

a) *Secured debt*

Secured debt bears interest at a weighted average interest rate of 3.67% as at December 31, 2020 (December 31, 2019 – 3.81%). Total secured debt of $1,327,760 (December 31, 2019 – $1,442,278) includes $1,269,900 (December 31, 2019 – $1,385,278) at fixed interest rates and $57,860 (December 31, 2019 – $57,000) at variable interest rates based on banker's acceptance rates plus 120 basis points. Secured debt matures at various dates between 2021 and 2031 and is secured by first or second registered mortgages over specific income properties and properties under development and first general assignments of leases, insurance and registered chattel mortgages.

The following table presents principal repayment requirements for secured debt:

	Instalment Payments	**Lump Sum Payments at Maturity**	**Total**
2021	43,841	134,849	178,690
2022	41,111	220,306 [1]	261,417
2023	36,720	142,344	179,064
2024	31,775	118,696	150,471
2025	21,124	370,785	391,909
Thereafter	32,890	135,081	167,971
	207,461	1,122,061	1,329,522
Unamortized acquisition date fair value adjustments			1,541
Unamortized financing costs			(3,303)
			1,327,760

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

b) *Unsecured debt*

The following table summarizes the components of unsecured debt:

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

i) Unsecured debentures

The following table summarizes the components of unsecured debentures:

Series	Maturity Date	Annual Interest Rate (%)	Interest Payment Dates	December 31, 2020	December 31, 2019
Series I	May 30, 2023	3.985	May 30 and November 30	**200,000**	200,000
Series M	July 22, 2022	3.730	January 22 and July 22	**150,000**	150,000
Series N	February 6, 2025	3.556	February 6 and August 6	**160,000**	160,000
Series O	August 28, 2024	2.987	February 28 and August 28	**100,000**	100,000
Series P	August 28, 2026	3.444	February 28 and August 28	**250,000**	250,000
Series Q	March 21, 2022	2.876	March 21 and September 21	**150,000**	150,000
Series R	December 21, 2020	Variable (1)	March 21, June 21, September 21 and December 21	**—**	250,000
Series S	December 21, 2027	3.834	June 21 and December 21	**250,000**	250,000
Series T	June 23, 2021	2.757	June 23 and December 23	**323,120**	350,000
Series U	December 20, 2029	3.526	June 20 and December 20	**450,000**	450,000
Series V	June 11, 2027	3.192	June 11 and December 11	**300,000**	—
Series W	December 11, 2030	3.648	June 11 and December 11	**300,000**	—
Series X	December 16, 2025	1.740	June 16 and December 16	**350,000**	—
Series Y	December 18, 2028	2.307	June 18 and December 18	**300,000**	—
		3.139 (2)		**3,283,120**	2,310,000
			Less: Unamortized financing costs	**(11,495)**	(8,743)
				3,271,625	2,301,257

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

Unsecured debenture activities for the year ended December 31, 2020

Issuances

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

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

Repayment on Maturity

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

Redemptions

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

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

Unsecured debenture activities for the year ended December 31, 2019

Issuances

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

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

Redemptions

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

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

Credit rating of unsecured debentures

Dominion Bond Rating Services ("DBRS") provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfill its obligations. An investment-grade rating must exceed "BB", with the highest rating being "AAA". The Trust received a credit rating upgrade on December 6, 2019, and unsecured debentures issued after this date are rated "BBB(H)" with a stable trend as at December 31, 2020.

ii) Credit facilities

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

(Issued In)	**Maturity Date**	**Annual Interest Rate (%)**	**Facility Amount**	**December 31, 2020**	December 31, 2019
Non-revolving:					
August 2018[1]	January 31, 2025	2.980	80,000	**80,000**	80,000
March 2019[2]	March 7, 2024	3.590	150,000	**150,000**	150,000
May 2019[3]	June 24, 2024	3.146	170,000	**170,000**	170,000
				400,000	400,000
Revolving:					
May 2020[4]	May 11, 2021	BA + 1.450	60,000	**—**	—
				400,000	400,000
		Less: Unamortized financing costs		**(696)**	(898)
				399,304	399,102

(1) This credit facility was due to mature on August 29, 2023, bearing interest at a variable interest rate. In January 2020, the maturity date was extended to January 31, 2025, with the interest fixed at 2.98%.

(2) $150,000 was drawn to fund the redemption of 4.050% Series H senior unsecured debentures in March 2019.

(3) $170,000 was drawn to fund the redemption of 3.749% Series L unsecured debentures and for general Trust purposes in May 2019.

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

iii) Other unsecured debt

Other unsecured debt net of fair value adjustments totalling $211,434 (December 31, 2019 – $83,296) at the Trust's share pertains to loans received from equity accounted investments in connection with contribution agreements relating to joint ventures. The loans are non-interest bearing with repayment terms based on the distributions that are to be paid pursuant to the limited partnership agreements. The balances of the loans are expected to be paid at the end of their respective terms.

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

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

(1) In connection with the 700 Applewood purchase, in December 2019, the loan has a principal amount outstanding of $103,764 (December 31, 2019 – $109,218), is non-interest bearing, and is repayable at the end of 10 years. As at December 31, 2020, the loan balance of $79,624 is net of a fair value adjustment totalling $24,140.
(2) In connection with the 700 Applewood purchase, in March 2020, the Trust assumed a loan payable to PCVP from Penguin. The loan has a principal amount outstanding of $103,764, is non-interest bearing, and is repayable at the end of 10 years. As at December 31, 2020, the loan balance of $76,747 is net of a fair value adjustment totalling $27,017. See also Note 5(b) reflecting offsetting loan receivable amount.
(3) In connection with the Transit City condominium closings during the period from September to December 2020, the Trust received amounts that are non-interest bearing and were settled subsequent to year end.

c) *Revolving operating facility*

The Trust has a $500,000 unsecured revolving operating facility bearing interest at a variable interest rate based on either bank prime rate plus 20 basis points or the banker's acceptance rate plus 120 basis points, which matures on September 30, 2024. In addition, the Trust has an undrawn accordion feature of $250,000 whereby the Trust has an option to increase its facility amount with the lenders to sustain future operations as required. The following table summarizes components of the Trust's revolving operating facility:

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

d) *Interest expense*

The following table summarizes interest expense:

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

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

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

e) Other letters of credit

In addition to the letters of credit outstanding on the Trust's revolving operating facility (see Note 11(c) above), the Trust also has $20,562 of letters of credit outstanding with other financial institutions as at December 31, 2020 (December 31, 2019 – $26,545).

12. Accounts and other payables

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

As at	Note	**December 31, 2020**	December 31, 2019
Accounts payable		**70,938**	77,295
Accounts payable and accrued liabilities with Penguin	21	**6,406**	8,893
Tenant prepaid rent, deposits, and other payables		**87,519**	69,836
Accrued interest payable		**29,067**	16,929
Distributions payable(1)		**30,011**	26,406
Realty taxes payable		**4,964**	3,443
Current portion of other payables		**13,596**	14,801
		242,501	217,603

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

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

As at	Note	**December 31, 2020**	December 31, 2019
Future land development obligations with Penguin	12(a)	**18,410**	27,074
Lease liability – investment properties(1)		**8,168**	8,065
Lease liability – other		**5,183**	461
Long Term Incentive Plan liability	12(b)	**1,540**	645
Total other payables		**33,301**	36,245
Less: current portion of other payables		**(13,596)**	(14,801)
Total non-current portion of other payables		**19,705**	21,444

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

a) Future land development obligations

The future land development obligations represent payments required to be made to Penguin (see also Note 21, "Related party transactions") for certain undeveloped lands acquired from 2006 to 2015, either on completion and rental of additional space on the undeveloped lands or, if no additional space is completed on the undeveloped lands, at the expiry of the development management agreement periods ending in 2021 to 2025, which may be extended to 2022 to 2027. The accrued future land development obligations are measured at their amortized values using imputed interest rates ranging from 4.50% to 5.50%. For the year ended December 31, 2020, imputed interest of $867 (year ended December 31, 2019 – $1,166) was capitalized to properties under development.

b) Long Term Incentive Plan liability

The following table summarizes the activity in the LTIP:

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

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

13. Other financial liabilities

The following table summarizes the components of other financial liabilities:

As at	**December 31, 2020**	December 31, 2019
Units classified as liabilities (a)	**48,479**	65,436
Earnout options (b)	**—**	52
Deferred unit plan (c)	**28,051**	30,247
Fair value of interest rate swap agreements	**8,658**	—
	85,188	95,735

a) *Units classified as liabilities*

Total number of Units classified as liabilities

The following table presents the number of Units classified as liabilities that are issued and outstanding:

	Class D Series 1 Smart LP Units	Class F Series 3 Smart LP Units	Class D Series 1 Smart Oshawa South LP Units	Class B ONR LP Units	Class B Series 1 ONR LP I Units	Class B Series 2 ONR LP I Units	Total
Balance – January 1, 2019	311,022	—	260,417	1,248,140	132,881	137,109	2,089,569
Options exercised	—	4,886	—	—	—	2,193	7,079
Balance – December 31, 2019	311,022	4,886	260,417	1,248,140	132,881	139,302	2,096,648
Balance – January 1, 2020	**311,022**	**4,886**	**260,417**	**1,248,140**	**132,881**	**139,302**	**2,096,648**
Options exercised	**—**	**3,822**	**—**	**—**	**—**	**—**	**3,822**
Balance – December 31, 2020	**311,022**	**8,708**	**260,417**	**1,248,140**	**132,881**	**139,302**	**2,100,470**

Carrying value of Units classified as liabilities

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

	Class D Series 1 Smart LP Units	Class F Series 3 Smart LP Units	Class D Series 1 Smart Oshawa South LP Units	Class B ONR LP Units	Class B Series 1 ONR LP I Units	Class B Series 2 ONR LP I Units	Total
Balance – January 1, 2019	9,589	—	8,028	38,480	4,096	4,227	64,420
Options exercised	—	98	—	—	—	74	172
Change in carrying value	118	54	100	475	51	46	844
Balance – December 31, 2019	9,707	152	8,128	38,955	4,147	4,347	65,436
Balance – January 1, 2020	**9,707**	**152**	**8,128**	**38,955**	**4,147**	**4,347**	**65,436**
Options exercised	**—**	**77**	**—**	**—**	**—**	**—**	**77**
Change in carrying value[(1)]	**(2,529)**	**(28)**	**(2,117)**	**(10,147)**	**(1,080)**	**(1,133)**	**(17,034)**
Balance – December 31, 2020	**7,178**	**201**	**6,011**	**28,808**	**3,067**	**3,214**	**48,479**

(1) The Trust's policy is to measure this liability based on the market value of the Trust Units at each reporting date. As such, the total change in carrying value for the year ended December 31, 2020 was the result of the $8.13 decline in the Trust's Unit price from $31.21 at December 31, 2019, to $23.08 at December 31, 2020.

b) *Earnout options*

As part of the consideration paid for certain investment property acquisitions, the Trust has granted options in connection with the development management agreements (see also Note 4(d)). On completion and rental of additional space on specific properties, the Earnout options vest and the holder may elect to exercise the options and receive Trust Units, Class B Smart LP Units, Class D Smart LP Units, Class F Smart LP Units, Class B Smart LP III Units, Class B Smart LP IV Units, Class B Smart Oshawa South LP Units, Class D Smart Oshawa South LP Units, Class B Smart Oshawa Taunton LP Units, Class D Smart Oshawa Taunton LP Units, Class B Smart Boxgrove LP Units and Class B ONR LP I Units, as applicable. Earnout options that have not vested expire at the end of the term of the corresponding development management agreement. In certain circumstances, the Trust may be required to issue additional Earnout options to Penguin. The option strike prices were based on the market price of Trust Units on the date the substantive terms were agreed on and announced. In the case of Class B Smart LP III Units, Class B Smart LP IV Units, Class B Smart Oshawa South LP Units, Class D Smart Oshawa South LP Units, Class B Smart Oshawa Taunton LP Units, Class D Smart Oshawa Taunton LP Units, Class B Smart Boxgrove LP Units, and Class B ONR LP I Units, the strike price is the market price of the Trust Units at the date of exchange. On December 9, 2020, the Trust entered into an Omnibus Settlement Agreement with Mitchell Goldhar that provided a right to extend the terms of certain Earnout agreements for an additional two years. As a result, the Earnout agreements for Earnout options in the table below that were originally set to expire between 2020 to 2025 may be extended to 2022 to 2027.

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

	Strike Price	Options Outstanding at January 1, 2020	Options Granted (Cancelled)	Options Exercised	Options Outstanding at December 31, 2020	Amounts from Options Exercised
	($)	(#)	(#)	(#)	(#)	($)
Options to acquire Trust Units						
July 2005	20.10	**55,604**	—	—	**55,604**	—
December 2006	29.55 to 33.55	**53,458**	—	—	**53,458**	—
July 2007	29.55 to 33.00	**1,348,223**	—	—	**1,348,223**	—
		1,457,285	—	—	**1,457,285**	—
Options to acquire Class B Smart LP Units, Class D Smart LP Units and Class F Smart LP Units[(1)]						
July 2005	20.10	**1,354,153**	—	—	**1,354,153**	—
December 2006	29.55 to 30.55	**2,226,949**	—	—	**2,226,949**	—
July 2007	29.55 to 33.00	**1,600,000**	—	—	**1,600,000**	—
June 2008[(2)]	20.10	**680,227**	**(1,968)**	**(3,822)**	**674,437**	**77**
		5,861,329	**(1,968)**	**(3,822)**	**5,855,539**	**77**
Options to acquire Class B Smart LP III Units[(3)]						
September 2010	Market price	**598,913**	—	**(33,131)**	**565,782**	**715**
August 2011	Market price	**596,219**	—	—	**596,219**	—
August 2013	Market price	**560,071**	—	**(102,017)**	**458,054**	**2,624**
September 2014	Market price	**259,704**	—	—	**259,704**	—
		2,014,907	—	**(135,148)**	**1,879,759**	**3,339**
Options to acquire Class B Smart LP IV Units[(4)]						
May 2015	Market price	**422,059**	—	—	**422,059**	—
		422,059	—	—	**422,059**	—
Options to acquire Class B Smart Oshawa South LP Units and Class D Smart Oshawa South LP Units[(5)]						
May 2015	Market price	**26,585**	—	—	**26,585**	—
		26,585	—	—	**26,585**	—
Options to acquire Class B Smart Oshawa Taunton LP Units and Class D Smart Oshawa Taunton LP Units[(6)]						
May 2015	Market price	**265,422**	—	—	**265,422**	—
		265,422	—	—	**265,422**	—
Options to acquire Class B and Class G Smart Boxgrove LP Units[(7)]						
May 2015	Market price	**170,000**	**340,000**	**(242,821)**	**267,179**	**3,509**
		170,000	**340,000**	**(242,821)**	**267,179**	**3,509**
Options to acquire Class B ONR LP I Units[(8)]						
October 2017	Market price	**482,086**	—	—	**482,086**	—
		482,086	—	—	**482,086**	—
Total Earnout options		**10,699,673**	**338,032**	**(381,791)**	**10,655,914**	**6,925**

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

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

	Strike Price	Options Outstanding at January 1, 2019	Options Cancelled	Options Exercised	Options Outstanding at December 31, 2019	Amounts from Options Exercised
	($)	(#)	(#)	(#)	(#)	($)
Options to acquire Trust Units						
July 2005	20.10	108,606	—	(53,002)	55,604	1,065
December 2006	29.55 to 33.55	53,458	—	—	53,458	—
July 2007	29.55 to 33.00	1,348,223	—	—	1,348,223	—
		1,510,287	—	(53,002)	1,457,285	1,065
Options to acquire Class B Smart LP Units and Class D Smart LP Units[1]						
July 2005	20.10	1,354,153	—	—	1,354,153	—
December 2006	29.55 to 30.55	2,226,949	—	—	2,226,949	—
July 2007	29.55 to 33.00	1,600,000	—	—	1,600,000	—
June 2008[2]	20.10	685,113	—	(4,886)	680,227	98
		5,866,215	—	(4,886)	5,861,329	98
Options to acquire Class B Smart LP III Units[3]						
September 2010	Market price	617,932	(12,810)	(6,209)	598,913	134
August 2011	Market price	596,219	—	—	596,219	—
August 2013	Market price	560,071	—	—	560,071	—
September 2014	Market price	286,054	(26,350)	—	259,704	—
		2,060,276	(39,160)	(6,209)	2,014,907	134
Options to acquire Class B Smart LP IV Units[4]						
May 2015	Market price	439,149	—	(17,090)	422,059	487
		439,149	—	(17,090)	422,059	487
Options to acquire Class B Smart Oshawa South LP Units and Class D Smart Oshawa South LP Units[5]						
May 2015	Market price	26,585	—	—	26,585	—
		26,585	—	—	26,585	—
Options to acquire Class B Smart Oshawa Taunton LP Units and Class D Smart Oshawa Taunton LP Units[6]						
May 2015	Market price	265,422	—	—	265,422	—
		265,422	—	—	265,422	—
Options to acquire Class B Smart Boxgrove LP Units[7]						
May 2015	Market price	170,000	—	—	170,000	—
		170,000	—	—	170,000	—
Options to acquire Class B ONR LP I Units[8]						
October 2017	Market price	540,000	(41,705)	(16,209)	482,086	74
		540,000	(41,705)	(16,209)	482,086	74
Total Earnout options		10,877,934	(80,865)	(97,396)	10,699,673	1,858

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

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

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

c) *Deferred unit plan*

The Trust has a deferred unit plan that entitles: i) Trustees, and ii) eligible associates, which include a) senior executive officers (key management personnel); b) senior officers holding the title of vice president, senior vice president or executive vice president; and c) other eligible associates; at the participant's option, to receive deferred units in consideration for all or a portion of trustee fees or associate bonuses with the Trust matching the number of units received. Any deferred units granted to Trustees, which include the matching deferred units, vest immediately. Any deferred units granted to eligible associates as part of their compensation structure vest immediately, and the matching deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units ("reinvested units") for the distributions that would otherwise have been paid on the deferred units (i.e., had they instead been issued as Trust Units on the date of grant). Once the matching deferred units have vested, participants are entitled to receive an equivalent number of Trust Units for both the vested deferred units initially granted, and the matching deferred units.

The following table summarizes outstanding deferred units:

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

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

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

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

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

14. Fair value of financial instruments

The fair value of financial instruments is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's-length transaction based on the current market for assets and liabilities with the same risks, principal and remaining maturity. The following table summarizes the fair value of the Trust's financial instruments:

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

Fair value hierarchy

The Trust values financial assets and financial liabilities carried at fair value using quoted closing market prices, where available. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities. When quoted market prices are not available, the Trust maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. Valuations at this level are more subjective and, therefore, more closely managed. Such assessment has not indicated that any material difference would arise due to a change in input variables. The following table categorizes the inputs used in valuation methods for the Trust's financial liabilities measured under FVTPL:

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

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

15. Unit equity

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

		Number of Units Issued and Outstanding			Carrying Value		
	Note	Trust Units (#)	Smart LP Units (#) (Table A)	Total Units (#)	Trust Units ($)	Smart LP Units ($) (Table B)	Total ($)
Balance – January 1, 2019		134,498,397	25,128,877	159,627,274	2,781,069	632,737	3,413,806
Options exercised[1]	4,13(b)	53,002	19,303	72,305	1,631	621	2,252
Deferred units exchanged for Trust Units	13(c)	1,893	—	1,893	63	—	63
Distribution reinvestment plan	15(b),16	2,125,071	—	2,125,071	69,693	—	69,693
Unit issuance cost		—	—	—	(9,635)	—	(9,635)
Units issued for cash		7,360,000	—	7,360,000	230,000	—	230,000
Balance – December 31, 2019		144,038,363	25,148,180	169,186,543	3,072,821	633,358	3,706,179
Balance – January 1, 2020		**144,038,363**	**25,148,180**	**169,186,543**	**3,072,821**	**633,358**	**3,706,179**
Options exercised[1]	4(d),13(b)	**—**	**353,905**	**353,905**	**—**	**6,848**	**6,848**
Deferred Units exchanged for Trust Units	13(c)	**1,550**	**—**	**1,550**	**32**	**—**	**32**
Distribution reinvestment plan	15(b),16	**578,744**	**—**	**578,744**	**17,335**	**—**	**17,335**
Balance – December 31, 2020		**144,618,657**	**25,502,085**	**170,120,742**	**3,090,188**	**640,206**	**3,730,394**

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

Table A: Number of LP Units issued and outstanding

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

Unit Type	Class and Series	Balance – January 1, 2020	Options Exercised (Note 13(b))	Balance – December 31, 2020
Smart Limited Partnership	**Class B Series 1**	**14,746,176**	**—**	**14,746,176**
Smart Limited Partnership	**Class B Series 2**	**950,059**	**—**	**950,059**
Smart Limited Partnership	**Class B Series 3**	**720,432**	**—**	**720,432**
Smart Limited Partnership II	**Class B**	**756,525**	**—**	**756,525**
Smart Limited Partnership III	**Class B Series 4**	**668,428**	**36,992**	**705,420**
Smart Limited Partnership III	**Class B Series 5**	**572,337**	**—**	**572,337**
Smart Limited Partnership III	**Class B Series 6**	**449,375**	**146,913**	**596,288**
Smart Limited Partnership III	**Class B Series 7**	**434,598**	**—**	**434,598**
Smart Limited Partnership III	**Class B Series 8**	**1,698,018**	**—**	**1,698,018**
Smart Limited Partnership IV	**Class B Series 1**	**3,067,593**	**—**	**3,067,593**
Smart Oshawa South Limited Partnership	**Class B Series 1**	**710,416**	**—**	**710,416**
Smart Oshawa Taunton Limited Partnership	**Class B Series 1**	**374,223**	**—**	**374,223**
Smart Boxgrove Limited Partnership	**Class B Series 1**	**—**	**170,000**	**170,000**
		25,148,180	**353,905**	**25,502,085**

Unit Type	Class and Series	Balance – January 1, 2019	Options Exercised (Note 13(b))	Balance – December 31, 2019
Smart Limited Partnership	Class B Series 1	14,746,176	—	14,746,176
Smart Limited Partnership	Class B Series 2	950,059	—	950,059
Smart Limited Partnership	Class B Series 3	720,432	—	720,432
Smart Limited Partnership II	Class B	756,525	—	756,525
Smart Limited Partnership III	Class B Series 4	664,214	4,214	668,428
Smart Limited Partnership III	Class B Series 5	572,337	—	572,337
Smart Limited Partnership III	Class B Series 6	449,375	—	449,375
Smart Limited Partnership III	Class B Series 7	434,598	—	434,598
Smart Limited Partnership III	Class B Series 8	1,698,018	—	1,698,018
Smart Limited Partnership IV	Class B Series 1	3,052,504	15,089	3,067,593
Smart Oshawa South Limited Partnership	Class B Series 1	710,416	—	710,416
Smart Oshawa Taunton Limited Partnership	Class B Series 1	374,223	—	374,223
		25,128,877	19,303	25,148,180

Table B: Carrying value of LP Units

The following table presents the carrying values of Units issued and outstanding:

Unit Type	**Class and Series**	**Balance – January 1, 2020**	**Value From Options Exercised** (Note 13(b))	**Balance – December 31, 2020**
Smart Limited Partnership	**Class B Series 1**	**347,675**	**—**	**347,675**
Smart Limited Partnership	**Class B Series 2**	**27,587**	**—**	**27,587**
Smart Limited Partnership	**Class B Series 3**	**16,836**	**—**	**16,836**
Smart Limited Partnership II	**Class B**	**17,680**	**—**	**17,680**
Smart Limited Partnership III	**Class B Series 4**	**16,468**	**715**	**17,183**
Smart Limited Partnership III	**Class B Series 5**	**15,356**	**—**	**15,356**
Smart Limited Partnership III	**Class B Series 6**	**11,720**	**2,624**	**14,344**
Smart Limited Partnership III	**Class B Series 7**	**11,668**	**—**	**11,668**
Smart Limited Partnership III	**Class B Series 8**	**48,732**	**—**	**48,732**
Smart Limited Partnership IV	**Class B Series 1**	**88,162**	**—**	**88,162**
Smart Oshawa South Limited Partnership	**Class B Series 1**	**20,441**	**—**	**20,441**
Smart Oshawa Taunton Limited Partnership	**Class B Series 1**	**11,033**	**—**	**11,033**
Smart Boxgrove Limited Partnership	**Class B Series 1**	**—**	**3,509**	**3,509**
		633,358	**6,848**	**640,206**

Unit Type	Class and Series	Balance – January 1, 2019	Value From Options Exercised (Note 13(b))	Balance – December 31, 2019
Smart Limited Partnership	Class B Series 1	347,675	—	347,675
Smart Limited Partnership	Class B Series 2	27,587	—	27,587
Smart Limited Partnership	Class B Series 3	16,836	—	16,836
Smart Limited Partnership II	Class B	17,680	—	17,680
Smart Limited Partnership III	Class B Series 4	16,334	134	16,468
Smart Limited Partnership III	Class B Series 5	15,356	—	15,356
Smart Limited Partnership III	Class B Series 6	11,720	—	11,720
Smart Limited Partnership III	Class B Series 7	11,668	—	11,668
Smart Limited Partnership III	Class B Series 8	48,732	—	48,732
Smart Limited Partnership IV	Class B Series 1	87,675	487	88,162
Smart Oshawa South Limited Partnership	Class B Series 1	20,441	—	20,441
Smart Oshawa Taunton Limited Partnership	Class B Series 1	11,033	—	11,033
		632,737	621	633,358

a) Authorized Units

i) Trust Units (authorized – unlimited)

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

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

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

As at December 31, 2020, there were 27,593,847 (December 31, 2019 – 27,239,942) Special Voting Units outstanding, which are associated with those LP Units that have voting rights. There is no value assigned to the Special Voting Units. These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust; nor are they convertible into any Trust securities.

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

ii) Limited Partnership Units (authorized – unlimited)

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

Class A[(1)(2)]	**December 31, 2020**	December 31, 2019
Smart Limited Partnership	**75,062,169**	75,062,169
Smart Limited Partnership II	**263,303**	263,303
Smart Limited Partnership III	**12,556,688**	12,556,688
Smart Limited Partnership IV	**4,902,569**	3,402,569
Smart Oshawa South Limited Partnership	**2,168,190**	668,190
Smart Oshawa Taunton Limited Partnership	**637,895**	637,895
Smart Boxgrove Limited Partnership	**397,438**	397,438
ONR Limited Partnership	**3,912,943,532**	3,912,943,532
ONR Limited Partnership I	**38,000,010**	38,000,010

Class B[(3)(4)]	**December 31, 2020**	December 31, 2019
Classified as Equity		
Limited Partnership Units[(5)]	**25,502,085**	25,148,180
Classified as Liabilities		
ONR Limited Partnership Class B[(6)]	**1,248,140**	1,248,140
ONR Limited Partnership I Class B Series 1[(6)]	**132,881**	132,881
ONR Limited Partnership I Class B Series 2[(6)]	**139,302**	139,302

(1) Entitled to all distributable cash of the LP after the required distributions on the other classes of Units have been paid; owned directly by the Trust and eliminated on consolidation.

(2) At the meetings of the respective LP, Class A partners have 20 votes for each Class A Unit held with exception to Smart LP II, in which a Class A LP II partner has five votes for each Class A Unit held.

(3) Non-transferable, except under certain limited circumstances; exchangeable into an equal number of Trust Units at the holder's option; entitled to receive distributions equivalent to the distributions on Trust Units; entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust; considered to be economically equivalent to Trust Units.
(4) Class B partners have one vote for each Class B Unit held at the meetings of the respective LPs.
(5) Units have been presented as non-controlling interest. See further details in Table A above.
(6) Units have been presented as liabilities.

The following table summarizes the Class C Limited Partnership Units:

Class C[1][2]	Series	December 31, 2020	December 31, 2019
Smart Limited Partnership	Series 1[3]	**3,445,341**	3,445,341
Smart Limited Partnership	Series 2[3]	**3,026,949**	3,026,949
Smart Limited Partnership	Series 3[3]	**674,437**	680,227
Smart Limited Partnership III	Series 4[4]	**565,782**	598,913
Smart Limited Partnership III	Series 5[4]	**596,219**	596,219
Smart Limited Partnership III	Series 6[4]	**458,054**	560,071
Smart Limited Partnership III	Series 7[4]	**259,704**	259,704
Smart Limited Partnership IV	Series 1[4]	**422,059**	422,059
Smart Oshawa South Limited Partnership	Series 1[4]	**21,082**	21,082
Smart Oshawa Taunton Limited Partnership	Series 1[4]	**132,711**	132,711
Smart Boxgrove Limited Partnership	Series 1[4][5]	**267,179**	170,000
ONR Limited Partnership I	Series 2[4]	**482,086**	482,086

(1) Entitled to receive 0.01% of any distributions of the LP and have nominal value assigned in the consolidated financial statements.
(2) Class C partners have no votes at the meetings of the respective LPs.
(3) At the holder’s option, and on the completion and rental of additional space on specific properties and payment of a specific predetermined amount per Unit, Units are exchangeable into Class B Units of the respective LP, except for Class C Series 3 LP Units, which are exchangeable into Class F Series 3 LP Units.
(4) At the holder’s option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, and exchangeable into Class B Units of the respective LP.
(5) In August 2020, pursuant to the updated limited partnership agreement, there was a 3-for-1 Unit split of Class C Series 1 Smart Boxgrove LP Units, which resulted in 510,000 Class C Smart Boxgrove LP Units outstanding after the Unit split. Subsequent to the 3-for-1 Unit split and at the holder’s option, 122,258 Class C Series 1 Smart Boxgrove LP Units were cancelled in exchange of 170,000 Class B Series 1 Smart Boxgrove LP Units, and 120,563 Class C Series 1 Units Smart Boxgrove LP were cancelled in exchange of 120,563 Class G Series 1 Units (see further details below in footnote 8).

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

Unit type	Class and Series	December 31, 2020	December 31, 2019
Smart Limited Partnership	Class D Series 1[1][5][6]	**311,022**	311,022
Smart Limited Partnership	Class E Series 1[2][3][7]	**16,704**	16,704
Smart Limited Partnership	Class E Series 2[2][3][7]	**800,000**	800,000
Smart Limited Partnership	Class F Series 3[4][5][7]	**8,708**	4,886
Smart Oshawa South Limited Partnership	Class D Series 1[1][5][6]	**260,417**	260,417
Smart Oshawa South Limited Partnership	Class E Series 1[2][3][7]	**5,503**	5,503
Smart Oshawa Taunton Limited Partnership	Class E Series 1[2][3][7]	**132,711**	132,711
Smart Boxgrove Limited Partnership	Class G Series 1[3][7][8]	**120,563**	—

(1) Non-transferable, except under certain limited circumstances; exchangeable into an equal number of Trust Units at the holder's option; entitled to receive distributions equivalent to the distributions on Trust Units; entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend, and vote at all meetings of the Trust; considered to be economically equivalent to Trust Units; Units owned by outside parties have been presented as liabilities.
(2) At the holder’s option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, and exchangeable into Class D Units of the respective LP.
(3) Entitled to receive 0.01% of any distributions of the LP and have nominal value assigned in the consolidated financial statements.
(4) Entitled to 65.5% of the distribution on Trust Units and exchangeable for $20.10 in cash per Unit or on the completion and rental of additional space on specific properties.
(5) Units have been presented as liabilities.
(6) Class D partners have one vote for each Class D Unit held at the meetings of the respective LPs.
(7) Class E, F and G partners have no votes at the meetings of the respective LPs.
(8) Class G Series 1 Smart Boxgrove LP Units represent a new class of units that were issued in August 2020 as part of the 120,563 Class C Series 1 Smart Boxgrove LP Units exchange discussed in Class C table above (see footnote 5). Concurrent with this issuance, Smart Boxgrove LP issued a loan receivable to the holders of Class G Series 1 Smart Boxgrove LP Units (as discussed in Note 5(b)). The holders of Class G Series 1 Smart Boxgrove LP Units have the right to receive a distribution equal to the loan amount and, as such, the Trust has recorded a distributions payable presently reflected in Other payables in the consolidated financial statements (see also, Note 12 “Accounts and other payables”). Subsequent to this distribution, Smart Boxgrove LP is entitled to redeem all Class G Series 1 Units outstanding for an amount equal to the nominal value assigned to them.

b) Distribution reinvestment plan

The Trust enables holders of Trust Units to reinvest their cash distributions in additional Trust Units at 97% of the volume weighted average Unit price over the 10 trading days prior to the distribution. The 3% bonus amount is recorded as an additional issuance of Trust Units.

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

c) Trust Units issued for cash

During the year ended December 31, 2020, no Trust Units were issued for cash (year ended December 31, 2019 – the Trust issued 7,360,000 Trust Units for cash at an issue price of $31.25, totalling $230,000, before issuance costs of $9,635).

d) Normal Course Issuer Bid

The Trust commenced a normal course issuer bid ("NCIB") program on March 31, 2020 with acceptance by the TSX. The NCIB program will terminate on March 30, 2021, or on such earlier date as the Trust may complete its purchases pursuant to a Notice of Intention filed with the TSX. Under the NCIB program, the Trust is authorized to purchase up to 6,500,835 of its Trust Units representing approximately 5% of the public float as at March 23, 2020 by way of normal course purchases effected through the facilities of the TSX and/or alternative Canadian trading systems. All Trust Units purchased by the Trust will be cancelled.

During the year ended December 31, 2020, the Trust did not purchase for cancellation any Trust Units under the NCIB.

16. Unit distributions

Pursuant to the Declaration of Trust, the Trust endeavours to distribute annually such amount as is necessary to ensure the Trust will not be subject to tax on its net income under Part I of the *Tax Act*. The following table presents Unit distributions declared:

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

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

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

17. Rentals from investment properties and other

The following table presents rentals from investment properties and other:

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

(1) For the year ended December 31, 2020, service and other revenues included $8,552 relating to the fees associated with the Development and Services Agreement with Penguin (year ended December 31, 2019 – $8,600). See also Note 21, "Related party transactions".

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

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

On May 25, 2020, the Government of Canada announced the Canada Emergency Commercial Rent Assistance ("CECRA") program which was established to provide rent relief for eligible small and medium-sized businesses that were most affected by COVID-19. Under the CECRA program, the Trust has written off 25% of gross rents from CECRA-eligible tenants due for the period of April to September 2020. These CECRA rent amounts written off aggregated approximately $7,706 for the year ended December 31, 2020.

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

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

18. Property operating costs and other

The following table summarizes property operating costs and other:

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

(1) Include recoverable property tax and insurance costs.
(2) Includes an adjustment for the Canada Emergency Wage Subsidy of $850 for the year ended December 31, 2020 (year ended December 31, 2019 – $nil).
(3) Other expenses relate to service and other revenues as disclosed in Note 17, “Rentals from investment properties and other”.

19. General and administrative expense, net

The following table summarizes the general and administrative expense, net:

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

20. Supplemental cash flow information

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

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

21. Related party transactions

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

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

		Units owned by Penguin	
Type	**Class and Series**	**December 31, 2020**	December 31, 2019
Trust Units	N/A	**15,032,063**	13,892,863
Smart Limited Partnership	Class B Series 1	**12,488,816**	12,488,816
Smart Limited Partnership	Class B Series 2	**367,550**	367,550
Smart Limited Partnership	Class B Series 3	**720,432**	720,432
Smart Limited Partnership	Class F Series 3	**8,708**	4,886
Smart Limited Partnership III	Class B Series 4	**705,420**	668,428
Smart Limited Partnership III	Class B Series 5	**572,337**	572,337
Smart Limited Partnership III	Class B Series 6	**596,288**	449,375
Smart Limited Partnership III	Class B Series 7	**434,598**	434,598
Smart Limited Partnership III	Class B Series 8	**1,698,018**	1,698,018
Smart Limited Partnership IV	Class B Series 1	**2,838,954**	2,838,954
Smart Oshawa South Limited Partnership	Class B Series 1	**630,880**	630,880
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**374,223**	374,223
Smart Boxgrove Limited Partnership	Class B Series 1	**170,000**	—
ONR Limited Partnership I	Class B Series 1	**132,881**	132,881
ONR Limited Partnership I	Class B Series 2	**139,302**	139,302
Units owned by Penguin		**36,910,470**	35,413,543
Distributions declared to Penguin (in thousands of dollars)		**66,799**	63,983

Pursuant to the Declaration of Trust, provided certain ownership thresholds are met, the Trust is required to issue such number of additional Special Voting Units to Penguin that will entitle Penguin to cast 25.0% of the aggregate votes eligible to be cast at a meeting of the Unitholders and Special Voting Unitholders ("Voting Top-Up Right"). As at December 31, 2020, there were 8,241,544 additional Special Voting Units outstanding (December 31, 2019 – 9,427,089). These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust, nor are they convertible into any Trust securities. There is no value assigned to the Special Voting Units. A five-year extension of the Voting Top-Up Right was approved by Unitholders at the Trust's most recent annual general and special meeting held on December 9, 2020. For further details, see the Trust's management information circular dated November 6, 2020, filed on the System for Electronic Document Analysis and Retrieval ("SEDAR").

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

		Year Ended December 31	
Unit Type	**Class and Series**	**2020**	2019
Trust Units	N/A	**—**	1,065
Smart Limited Partnership	Class F Series 3	**77**	98
Smart Limited Partnership III	Class B Series 4	**715**	134
Smart Limited Partnership III	Class B Series 6	**2,624**	—
Smart Limited Partnership IV	Class B Series 1	**—**	424
Smart Boxgrove Limited Partnership	Class B Series 1	**3,509**	—
ONR Limited Partnership I	Class B Series 2	**—**	74
		6,925	1,795

During the year ended December 31, 2020, pursuant to development management agreements referred to in Note 3 "Acquisitions and Earnouts" and Note 4 "Investment Properties", the Trust completed the purchase of an Earnout of a 40% interest in approximately 11.0 acres of land with a purchase price of $7,452, of which:

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

ii) $3,460 was satisfied through the issuance of Class G Series 1 Smart Boxgrove LP Units which has a committed distribution in January 2021. This committed distribution payable to the holders of Class G Series 1 Smart Boxgrove LP Units is in conjunction with a loan receivable issued for the same amount (see details in Note 5(b), Note 12, and Note 15(a)(ii)); and
iii) the balance of $483 was paid in cash adjusted for other working capital amounts.

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

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

Type	**Class and Series**	**December 31, 2020**	December 31, 2019
Trust Units	N/A	**1,286,833**	1,286,833
Smart Limited Partnership	Class B Series 1	**1,337,449**	1,337,449
Smart Limited Partnership	Class B Series 2	**3,026,949**	3,026,949
Smart Limited Partnership	Class B Series 3	**674,437**	680,227
Smart Limited Partnership III	Class B Series 4	**565,782**	598,913
Smart Limited Partnership III	Class B Series 5	**596,219**	596,219
Smart Limited Partnership III	Class B Series 6	**458,054**	560,071
Smart Limited Partnership III	Class B Series 7	**259,704**	259,704
Smart Limited Partnership IV	Class B Series 1	**387,859**	387,859
Smart Oshawa South Limited Partnership	Class B Series 1	**16,082**	16,082
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**132,711**	132,711
Smart Boxgrove Limited Partnership	Class B Series 1	**267,179**	170,000
ONR Limited Partnership I	Class B Series 2	**482,086**	482,086
		9,491,344	9,535,103

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

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

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

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

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

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

a) Penguin shall be reimbursed for 50% of disposition fees otherwise payable pursuant to the Development Services Agreement related to Penguin's interest in properties sold by the Trust,
b) for future VMC commercial phases and certain properties currently owned by Penguin (for which the Trust was historically assisted with development and planning requirements), all development fees are payable to Penguin and all other fees (management, leasing, etc.) are payable to the Trust,
c) when Penguin utilizes employees of the Trust to assist with its development projects, Penguin will pay for these services provided by employees of the Trust based on annual estimates of time billings related to these projects, charged at estimated total cost, including compensation,
d) for a property owned by a third party which is managed by Penguin in Richmond, BC, the Trust will be paid 50% of the management and leasing fees, and 100% of costs associated with Trust employees/personnel who service this particular property,
e) for Penguin's 50% interest in a property in Toronto co-owned with Revera to develop a retirement home, Penguin will pay 50% of the development fees it earns to the Trust for the development services provided by the Trust, and
f) the Trust will continue to manage and develop all other Penguin properties.

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

Penguin Services Agreement

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

Omnibus Agreement between the Trust and Penguin

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

Mezzanine Loan Amending Agreements between the Trust and its affiliates and Penguin

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

Non-Competition Agreement

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

Executive Employment Agreement

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

Equity Incentive Plan

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

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

		Year Ended December 31	
	Note	**2020**	2019
Related party transactions with Penguin			
Revenues:			
Service and other revenues:			
Transition services fee revenue		**833**	2,417
Management fee and other services revenue pursuant to the Development and Services Agreement		**6,956**	4,974
Support services		**763**	1,209
	17	**8,552**	8,600
Interest income from mortgages and loans receivable	5	**7,626**	8,333
Rents and operating cost recoveries included in rentals from income properties (includes rental income from Penguin Pick-Up of $245 (Year Ended December 31, 2019 - $326))	17	**1,078**	1,270
		17,256	18,203
Expenses and other payments:			
Master planning services:			
Capitalized to properties under development	19	**6,880**	9,100
Development fees and interest expense (capitalized to investment properties)		**10**	11
Rent and operating costs (included in general and administrative expense and property operating costs)		**—**	397
Marketing, time billings and other administrative costs (included in general and administrative expense and property operating costs)		**112**	283
Expenditures on tenant inducement		**72**	—
		7,074	9,791
Related party transactions with PCVP			
Revenues:			
Interest income from mortgages and loans receivable	**5**	**2,580**	1,827
Expenses and other payments:			
Rent and operating costs (included in general and administrative expense and property operating costs)	18, 19	**2,634**	1,953

As at	Note	December 31, 2020	December 31, 2019
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable[1]	10	**1,310**	7,958
Mortgages receivable (see below)	5(a)	**144,205**	138,762
Loans receivable	5(b)	**104,143**	24,388
Notes receivable	5(c)	**2,924**	2,979
Total receivables		**252,582**	174,087
Payables and other accruals:			
Accounts payable and accrued liabilities	12	**6,406**	8,893
Future land development obligations (see below)	12	**18,410**	27,074
Secured debt		**—**	318
Total payables and other accruals		**24,816**	36,285

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

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

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

(1) Amounts receivable includes Penguin's portion, which represents $nil (December 31, 2019 – $833) relating to Penguin's 50% investment in the PCVP and 25% investment in Residences LP.
(2) Loans receivable includes Penguin's portion, which represents $47,504 (December 31, 2019 – $46,214) relating to Penguin's 50% investment in the PCVP.
(3) Amounts payable includes Penguin's portion, which represents $nil (December 31, 2019 – $1,012) relating to Penguin's 50% investment in the PCVP.

Mortgages receivable
As at December 31, 2020, the weighted average interest rate associated with mortgages receivable from Penguin was 3.81% (December 31, 2019 – 5.38%) (see also Note 5, "Mortgages, loans and notes receivable").

Future land development obligations
The future land development obligations represent payments required to be made to Penguin for certain undeveloped lands acquired by the Trust from Penguin from 2006 to 2015, either on completion and rental of additional space on the undeveloped lands or, in some cases if no additional space is completed on the undeveloped lands, at the expiry of the development management agreement periods ending from 2021 to 2025, which may be extended to 2022 to 2027. The accrued future land development obligations are measured at their amortized values using imputed interest rates ranging from 4.50% to 5.50% (see also Note 4, "Investment properties").

Leasehold interest properties
The Trust has entered into leasehold agreements with Penguin for 16 investment properties (see also Note 4, "Investment properties").

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

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

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

In December 2019, the Trust acquired, through PCVP, a 50% interest in a parcel of land with approximately 15.5 acres in Vaughan, Ontario, proximate to SmartVMC, which is a 50:50 joint arrangement with Penguin, for a purchase price of $109,218 paid in cash, adjusted for other working capital amounts (see also Note 5(b) and 6(a)).

22. Key management and Trustee compensation

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly. Currently, the Trust's key management personnel include the Executive Chairman (see also, Note 21 "Related party transactions"), President and Chief Executive Officer, Chief Financial Officer, Chief Development Officer, Executive Vice President – Portfolio Management and Investments, and two Executive Vice Presidents of Development. In addition, the Trustees have oversight responsibility for the Trust.

The following table presents the compensation relating to key management:

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

The following table presents the compensation relating to Trustees:

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

23. Co-owned property interests

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

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

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

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

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

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

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

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

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

24. Segmented information

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

As at December 31, 2020, the Trust has one reportable segment, which comprises the development, ownership, management and operation of investment properties located in Canada. In measuring performance, the Trust does not distinguish or group its operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes.

The Trust's major tenant is Walmart, accounting for 25.6% of the Trust's annualized rentals from investment properties for the year ended December 31, 2020 (year ended December 31, 2019 – 25.2%).

25. Adjustments to fair value

The following table summarizes the adjustments to fair value:

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

(1) The Trust's policy is to measure this liability based on the market value of the Trust Units at each reporting date. As such, the total change in carrying value for the year ended December 31, 2020 was the result of the $8.13 decline in the Trust's Unit price from $31.21 at December 31, 2019, to $23.08 at December 31, 2020.

26. Risk management

a) Financial risks

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

i) Interest rate risk

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

The Trust analyzes its interest rate exposure on a regular basis. From time to time, the Trust may enter into interest rate swaps as part of its strategy for managing certain interest rate risks. The Trust recognizes any change in fair value associated with interest rate swap agreements in the consolidated statements of income (loss) and comprehensive income (loss).

The Trust monitors the historical movement of 10-year Government of Canada bonds and performs a sensitivity analysis to identify the possible impact on net income of an interest rate shift. The simulation is performed on a regular basis to ensure the maximum loss potential is within the limit acceptable to management. Management performs the simulation only for secured debt, unsecured debt, and revolving operating facility. The Trust's policy is to capitalize interest expense incurred relating to properties under development and residential development inventory (year ended December 31, 2020 – 10.41% of total interest costs; year ended December 31, 2019 – 11.24% of total interest costs).

The Trust's exposure to interest rate risk is monitored by management on a regular basis (see also Note 11, "Debt").

ii) Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures with respect to mortgages and loans receivable (see also Note 5, "Mortgages, loans and notes receivable") and tenant receivables (see also Note 10, "Amounts receivable and other, deferred financing costs, and prepaid expenses and deposits"). Tenants may experience financial difficulty and become unable to fulfill their lease commitments. The Trust mitigates this risk of credit loss by reviewing tenants' covenants, by ensuring its tenant mix is diversified and by limiting its exposure to any one tenant except Walmart. Further risks arise in the event that borrowers of mortgages and loans receivable default on the repayment of amounts owing to the Trust. The Trust endeavours to ensure adequate security has been provided in support of mortgages and loans receivable. The Trust limits cash transactions to high-credit-quality financial institutions to minimize its credit risk from cash and cash equivalents.

The ECL model requires an entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition or at an amount equal to 12-month expected credit losses if the credit risk on that financial instrument has not increased significantly since initial recognition. The Trust uses a provision matrix based on historical credit loss experiences to estimate 12-month expected credit losses as the Trust has deemed the risk of credit loss has not increased significantly for both mortgages and loans receivable (see also Note 5, "Mortgages, loans and notes receivable") and tenant receivables (see also Note 10, "Amounts receivable and other, deferred financing costs, and prepaid expenses and deposits"). Credit risks for both have been mitigated by various measures including ensuring adequate security has been provided in support of mortgages and loans receivable and reviewing tenant's covenants, ensuring its tenant mix is diversified and by limiting its exposure to any one tenant except Walmart for tenant receivables. However, the assumptions and estimates underlying the manner in which ECLs have been implemented historically may not be appropriate in the current COVID-19 pandemic environment. Accordingly, the Trust has not applied its existing ECL methodology mechanically. Instead, during the current COVID-19 pandemic environment, the Trust has been in discussions with tenants on a case-by-case basis to determine optimal rent payment solutions and has incorporated this available, reasonable and supportable information when estimating ECL on tenant receivables.

iii) Liquidity risk

Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to lease out vacant units. In the next 12 months, $1,096,762 of liabilities (including $854,261 of secured and unsecured debt and $242,501 of accounts and other payable amounts) will mature and will need to be settled by means of renewal or payment.

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

The key assumptions used in the Trust's estimates of future cash flows when assessing liquidity risk are: the renewal or replacement of the maturing revolving operating facility, secured debt and unsecured debentures, at reasonable terms and conditions in the normal course of business and no major bankruptcies of principal tenants. Management believes that it has considered all reasonable facts and circumstances in forming appropriate assumptions. However,

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

The Trust's liquidity position is monitored by management on a regular basis. A schedule of principal repayments on secured debt and other debt maturities is disclosed in Note 11, "Debt".

The impact of COVID-19
While it is not possible for management to reasonably estimate the duration, complexity or severity of this pandemic, which could have a material adverse impact on the Trust's business, results of operations, financial position and cash flows, as at December 31, 2020, the Trust had: a) cash and cash equivalents of $794,594; b) the funds available to be drawn from its $500,000 operating facility and its $250,000 accordion feature; c) project-specific financing arrangements; and d) approximately $5,835,600 in unencumbered assets that could be used to obtain additional secured financing to assist with its liquidity requirements.

b) Capital risk management
The Trust defines capital as the aggregate amount of Unitholders' equity, debt and Units classified as liabilities. The Trust's primary objectives when managing capital are: (i) to safeguard the Trust's ability to continue as a going concern so that it can continue to provide returns for Unitholders; and (ii) to ensure the Trust has access to sufficient funds for operating, acquisitions (including Earnouts) and development activities.

The Trust sets the amount of capital in proportion to risk. The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Trust may adjust the amount of distributions paid to Unitholders, issue new Units and debt or sell assets to reduce debt or fund operating, acquisition and development activities.

The Trust anticipates meeting all current and future obligations. Management expects to finance operating, future acquisitions, mortgages receivable, development costs and maturing debt from: (i) existing cash balances; (ii) a mix of debt secured by investment properties, operating and credit facilities, issuance of equity and unsecured debentures; and (iii) the sale of non-core assets. Cash flows generated from operating activities is the source of liquidity to service debt (except maturing debt), sustaining capital expenditures, leasing costs and Unit distributions.

The Trust monitors its capital structure based on the following ratios: interest coverage ratio, debt to total assets and debt to total earnings before interest, taxes, depreciation and amortization and fair value changes associated with investment properties and financial instruments. These ratios are used by the Trust to manage an acceptable level of leverage and are not considered measures in accordance with IFRS, nor are there equivalent IFRS measures.

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

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

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

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

27. Commitments and contingencies

The Trust has certain obligations and commitments pursuant to development management agreements to complete the purchase of Earnouts totalling approximately 154,000 square feet (December 31, 2019 – 247,000 square feet) of development space from Penguin and others, based on a pre-negotiated formula, as more fully described in Note 4, "Investment properties". As at December 31, 2020, the carrying value of these obligations and commitments included in properties under development was $61,811 (December 31, 2019 – $48,363). The timing of completion of the purchase of the Earnouts, and the final prices, cannot be readily determined because they are a function of future tenant leasing.

The Trust has also entered into various other development construction contracts totalling $23,103 (December 31, 2019 – $23,178) and commitments relating to equity accounted investments that total $157,769 (December 31, 2019 – $250,294), of which the Trust's share is $51,113 (December 31, 2019 – $73,257) – see Note 6, "Equity accounted investments", that will be incurred in future periods.

The Trust entered into agreements with Penguin in which the Trust will lend funds in the form of mortgages receivable, as disclosed in Note 5(a). The maximum amount that may be provided under the agreements totals $312,778 (December 31, 2019 – $279,235) (see also Note 5, "Mortgages, loans and notes receivable"), of which $144,205 has been provided as at December 31, 2020 (December 31, 2019 – $138,762).

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

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

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

28. Subsequent events

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

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

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

CORPORATE INFORMATION

TRUSTEES

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

Peter Forde
President & CEO
SmartCentres Real Estate Investment Trust

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

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

Jamie McVicar[1,3]
Trustee

Sharm Powell[2]
Trustee

Kevin Pshebniski[1,2]
President
Hopewell Development Corporation

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

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

EXECUTIVE OFFICERS

Mitchell Goldhar
Executive Chairman of the Board

Peter Forde
President & CEO

Peter Sweeney
Chief Financial Officer

Mauro Pambianchi
Chief Development Officer

Rudy Gobin
Executive Vice President
Portfolio Management & Investments

Paula Bustard
Executive Vice President of Development

Allan Scully
Executive Vice President of Development

BANKERS

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

AUDITORS

PricewaterhouseCoopers LLP
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LEGAL COUNSEL

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Toronto, Ontario

Davies Ward Phillips & Vineberg LLP
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REGISTRAR & TRANSFER AGENT

Computershare Trust Company of Canada
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