2021 FIRST QUARTER REPORT

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

For the three months ended March 31, 2021

THE SHAPE OF THINGS TO COME

SMARTCENTRES®
REAL ESTATE INVESTMENT TRUST

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DEMONSTRATING OPERATIONAL STRENGTH AND EXCELLENCE AND PROPELLING GROWTH THROUGH THE PANDEMIC

Mitchell Goldhar
Executive Chairman

Peter Forde
President & CEO

All of us will remember forever how our lives have been changed as a result of the global COVID-19 pandemic. Every person and every business has been impacted, and all of us have been required to change existing practices and habits and quickly pivot to effectively operate in a new 'virtual environment'. At SmartCentres, what we are most proud of is our continued offer of over one million square feet of space to Canadian health authorities to support their needs during the pandemic. Most recently, our properties in Cambridge Ontario, Rimouski Quebec, and Chilliwack and Maple Ridge British Columbia have become vaccination centres for residents in these areas, and we are continuing discussions with Canadian health authorities to provide additional locations so that we can further assist in the vaccination process for Canadians.

Our future growth potential is best illustrated by the vast number of built-in opportunities well-suited to increase both recurring income through intensification and expansion, and development income through condominium and townhome development on our existing owned properties across Canada. These 284 opportunities represent 197 recurring income initiatives and 87 development income initiatives being considered for development on 95 of our existing properties, including:

- 96 residential apartment buildings,
- 40 seniors' residences,
- 50 self-storage locations,
- 7 office buildings,
- 4 hotels,
- 72 high-rise condominium towers, and
- 15 townhome developments.

This extraordinary potential to develop on our existing properties is unique in that it will enhance the communities in which our properties are located, thus further enhancing our properties' economic value, while simultaneously bringing many new customers to our existing network of shopping centres, creating additional opportunities for our retail and service-oriented tenants. To date, we have identified approximately 32.5 million square feet (at our share) of mixed-use future development space across our portfolio; and we believe we will continue to identify more development opportunities.

It is important that you, our stakeholders, understand that these mixed-use initiatives represent extraordinary opportunities to grow both Unitholder NAV and FFO. It is equally important that all of us should remember that over the last twenty years, our team of development professionals has an established pedigree of consistently delivering "what we said we were going to deliver" on announced commitments, on time and on budget. Notwithstanding the challenges that we have faced over the last 12 months, this environment has permitted SmartCentres to accelerate our pipeline of development opportunities by pursuing zoning and related planning entitlements generally on a larger scale than we had initially planned. These efforts have resulted in substantive levels of incremental value being attributed to our various planned income producing and development properties, none of which is currently reflected on our balance sheet. These developments will be built on lands that we already own, thus eliminating the need to compete to purchase development lands at today's prices.

SmartCentres' continued success is dependent upon the availability of capital to fund our development pipeline, and we believe that our continued commitment to our balance sheet will ensure that we have sufficient liquidity to fund this pipeline of opportunities and growth. Our conservative debt levels, growing unencumbered asset pool, maintenance of a BBB(high) credit rating with a stable trend, judicious allocation of capital to accretive development projects, and strong and stable tenant base provide us with a distinct competitive advantage during periods of uncertainty. And because we are focused on large development projects that will endure various challenging economic cycles, our experience has taught us to be disciplined and conservative in our budgeting and forecasting process.

From an operating perspective, because of government restrictions, many small to mid-size retailers have been forced to temporarily shutter their operations, thus creating substantive operational and financial challenges that had not been anticipated. Concurrently, those retailers that provide essential goods and services are still required to restrict customer traffic, to establish social distancing protocols, to establish enhanced ‘click and collect’ programs, and to find ways to ensure the safety of their patrons and employees. For SmartCentres, our operating platform accelerated efforts to closely work with our tenants and their needs at levels that we had never experienced in the past.

When the pandemic began, we made a commitment to every affected tenant that we would assist them in any and all reasonable ways to ensure they were given every opportunity to successfully maintain their business during the pandemic. We have extended credit terms, we have provided rent deferral and abatement opportunities, we have assisted with the administration and application for the Canada Emergency Commercial Rent Assistance (“CECRA”) program and other government-sponsored subsidy programs, and we have gone to extraordinary lengths to ensure that our tenants clearly know we are there to help them through this unprecedented experience. After 12 months, we can say unequivocally these efforts have resulted in enormous reciprocal benefits, particularly in the lines of communication and support with our tenants. These businesses, which represent restaurants, fitness clubs, services and other small to mid-size retailers were experienced, well-managed and viable businesses before the pandemic, and we are confident that once this pandemic has passed that they will once again demonstrate growth, financial success and innovation.

This period has also resulted in some key metrics being challenged within our business, including Same Properties NOI, provisions for doubtful accounts and to a lesser extent, occupancy levels. These metrics are representative of the impact of temporary forced store closures and in some cases, permanent closures, caused by the pandemic. However, as we look to the future, we expect occupancy levels to improve, Same Properties NOI levels to be restored, and provisions for doubtful accounts to return to normal levels. The pandemic has, however, reminded us of certain strengths inherent in our business. Most particularly, these include: i) the heightened awareness that our open-format shopping centres are strategically important to both retailers and customers because of their ability to provide continuous social distancing opportunities in a retail environment, and ii) the importance of strong and secure tenancies such as Walmart and other large format essential retailers.

As we have experienced over the last 12 months, Walmart’s role as an essential retailer for Canadians has been further amplified, and their in-store and e-commerce platforms have experienced demonstrable levels of growth during the pandemic. In addition, during the pandemic, i) our shopping centre portfolio has experienced a variety of new medical and related services’ tenants taking occupancy and these types of tenancies are expected to assist our occupancy levels to grow in the future, ii) in return for some level of financial relief, certain restrictions in tenant leases have been amended to accommodate the acceleration of some of our development initiatives, iii) our focus on environmental and sustainability initiatives associated with our properties has improved, iv) our monitoring of daily cash receipts and cashflow forecasting discipline have significantly improved, and lastly, v) we have focused on further augmenting our liquidity levels. Each of these enhancements is representative of our ability to embrace change and continuous improvement, and once we have passed the pandemic, we anticipate these areas of improvement to have long-lasting positive influences on our business.

In 2020, we generated approximately $48.0 million in FFO from the closings of over 1,100 condominium units in the first and second phases of Transit City. Similarly, in 2021 we expect to close 631 units in the third of our five Transit City towers, resulting in another $20.0 million (approximate) in incremental FFO. And note that these FFO levels represent only a 25% interest in these respective Transit City phases. As we plan for the imminent launch of our next phases of residential development at SmartVMC and elsewhere, it is our expectation that SmartCentres’ ownership share in these projects will be substantially higher.

Development, which is in our DNA, has made us ‘long-term thinkers’ and we fundamentally believe that the market will reward our Unitholders as it begins to clearly understand how, for many years to come, we plan to extract additional sources of FFO and NAV that are embedded in our properties. As 2021 unfolds and we work together to find our way back to our normal daily lives, we hope that you and your families remain safe and healthy and we hope that you share our enthusiasm for the future.

Sincerely,

Mitchell Goldhar,

Mitchell Goldhar
Executive Chairman
SmartCentres

Peter Forde
President & CEO
SmartCentres

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

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 three months ended March 31, 2021, 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, and the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021, the notes contained therein, and the Trust's annual information form ("AIF"). Such interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of condensed consolidated financial statements, and International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. The Canadian dollar is the functional and reporting currency for purposes of preparing the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021.

This MD&A is dated May 12, 2021, which is the date of the press release announcing the Trust's results for the three months ended March 31, 2021. 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 ECL provision", "Interest Coverage", "Interest Coverage Ratio", "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 where applicable. These terms are defined in this MD&A and reconciled to the closest IFRS measure in the unaudited interim condensed consolidated financial statements of the Trust for the three months ended March 31, 2021. 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".

Forward-Looking Statements

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, Outlook and Strategic Direction", "Outlook – Leading Through the Pandemic by Helping Canadians", "Key Business Development, Financial and Operational Highlights for the Three Months Ended March 31, 2021", "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", "Mortgages, Loans and Notes Receivable and Interest Income", "Capital Resources and Liquidity", "Debt" 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 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 refinancing 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 – Leading Through the Pandemic by Helping Canadians" 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

Creating Exceptional Places to Shop, Live and Work in Canada

The Trust's Beginnings

From the Trust's inception in 2001 and prior to 2015, its 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 an adjacent property not owned by the Trust) being Walmart. Even through the COVID-19 pandemic, the Trust's national open-format shopping centre portfolio continues to perform well with a current occupancy rate of 97.0%.

Furthermore, the Trust is adapting to the changing needs of today's customers that are incorporating online shopping with in-store visits, assisted by the curbside pick-up services which our tenants provide.

The Trust is Evolving into a Growth-Oriented Diversified REIT

In May of 2015, a major transformative event occurred: the Trust acquired the SmartCentres platform and the "SmartCentres" brand from Penguin. This brand has historically represented a family and value-oriented shopping experience. More significantly, this acquisition resulted in the Trust acquiring a large team of experienced professionals working in the areas of land acquisition, planning, development, leasing, construction and other complementary services. The Trust now has a team that, over the last 25 years, was responsible for the development, leasing and construction of more than 60.0 million square feet of real estate development. Today, this team is focused on the development of the Trust's large and growing mixed-use development initiatives as outlined below.

The Trust recognized that it could do so much more with its large national shopping centre portfolio. As a result of the Trust's 2015 purchase of the Penguin platform of development expertise, the Trust announced the commencement of development of major mixed-use initiatives principally using lands already owned by the Trust. This team of professionals provides investors with a foundation for strong development and NAV growth.

The Trust together with Penguin has designed and commenced the development of a major city centre in Vaughan, Ontario. SmartVMC in Vaughan has to be seen to be believed. It is a 100-acre master planned community (of which the Trust has a 50% interest in 53 acres) and it serves as a model for other city centres that are now in the Trust's development pipeline. SmartVMC, which is an example of how to better serve urban residents with a thoughtfully designed and integrated living space and transportation hub. With previous completion of two AAA class office buildings, and the closings of the first 1,110 condo units last year, this project has already delivered and is expected to continue to deliver significant FFO. The Trust is now working on planning for similar city centre developments in Oakville, Scarborough, Pickering, Laval and Cambridge, with more to come. Creating city centre developments that integrate facilities for work, home and play fits well with the changing lifestyles of today's workers who can divide their time between working at home or in a traditional office. The times have indeed changed.

As an Illustration of SmartCentres REIT's Investment Strengths

The Trust has a formidable array of investment strengths for investors to consider. First and foremost, the Trust is now evolving into a diversified REIT with recurring revenue from two major sources: i) recurring rental income from retail, office, apartments, and self-storage, and ii) development income from condominium and townhome sales. The Trust has established a national shopping centre portfolio that continues to provide reliable and recurring income from national well-known retailers such as Walmart, Canadian Tire, Home Depot, Costco and Loblaws. The Trust has a program in place to assist retailers requiring help through the pandemic and it is introducing a host of new services to ensure its open-format retail shopping centres remain vital and connected to its customers. This includes implementing pick-up services, automobile charging stations and digital signage. Professional management of the Trust's portfolio is an important strength that continues to enhance the quality of shopping, working and living at its properties. As of March 31, 2021, the Trust has an in-place occupancy rate of 97.0% at its shopping centres (97.3% inclusive of committed deals for future occupancy).

However, the shift of SmartCentres' focus on evolving into a major mixed-use real estate developer in 2015 was, as stated, transformative. The Trust is now partnering with recognized experts in each development category which includes apartments, condominiums, self-storage centres, retirement homes, and office buildings. In 2020, the completed mixed-use development projects provided approximately $45.0 million of additional FFO and the number of planned projects in the Trust's pipeline has grown exponentially. Creating entire city centres has become a major new growth avenue for SmartCentres. Workers around the world have discovered they can be productive working away from the downtown core of major cities. Operating from their residences in secondary urban environments, they enjoy the convenience of nearby retail shopping centres, restaurants, recreational facilities, properly planned parkland and excellent transportation services.

Finally, the Trust's ability to manage its finances prudently and strategically is a core investment strength at SmartCentres. The Trust has a strong balance sheet with a current annualized distribution level of $1.85 per Unit, and the Trust's 12-month rolling ACFO payout ratio (with one-time adjustment) at March 31, 2021 was 89.0%. At March 31, 2021, its debt to total assets is at 44.7% and its Interest Coverage Ratio is 3.2X. Most importantly, the Trust is able to responsibly manage and appropriately fund its strong growth platform.

Executing on Established Growth Plan

First, the Trust's retail portfolio has been well-managed through the pandemic and is continually being upgraded to meet the in-person and online shopping requirements of its customers and is positioned to provide reliable recurring income.

But more significant is the size and growth of the Trust's mixed-use development initiatives. As the chart below illustrates, a) the Trust has 57 projects that are underway out of a total of 284 projects that are planned, and b) the total share of the Trust's project area is now at 6.7 million square feet and is expected to grow to 32.5 million square feet and the total cost, at the Trust's share, is currently approximately $3.2 billion and is expected to grow to approximately $7.9 billion as the projects are completed.

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
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
Recurring income initiatives	40	60	97	197
Condominium developments	13	21	38	72
Townhome developments	4	1	10	15
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.

Summary

The entrepreneurial yet fiscally conservative management of SmartCentres has provided Unitholders with a strong, integrated and well-rounded Trust. With two major sources of recurring revenue, an excellent list of investment strengths and a growth plan that is being executed, we believe the Trust is well-positioned for continued success. With the opportunities, and the energy and support of the Trust's dynamic team, SmartCentres expects to reach new heights of REIT excellence.

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 12 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 at the Trust's share) were identified to potentially be built on 95 of the Trust's properties. This number has now grown to 284 mixed-use initiatives representing approximately 32.5 million square feet (at the Trust's share). 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, because of the closings of Transit City 1 & 2 condominiums in 2020, we recognized over $45 million in FFO ($0.26 of FFO per Unit). Transit City 3 closings are expected to commence in the second quarter of 2021 and all 631 pre-sold units are expected to close by the end of the third quarter of 2021. The expected FFO contribution from these closings is approximately $20.0 million, all of which is expected to be recognized in 2021. In addition, the 22 townhomes being built as part of Transit City 1 & 2 are expected to be completed later in the fourth quarter of 2021.

The table below summarizes activities currently underway at SmartVMC through the Trust's equity accounted investments ("EAI") (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(1)	45	498	498	100.0	2023
Transit City 5(1)	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(1)	36	454			2023/2024
Total – SmartVMC Residential		**3,243**			

(1) 92 of the 454 units attributable to the purpose-built residential rental apartment tower will be located in a podium connecting the Transit City 4 and 5 phases. These 92 units are anticipated to be completed commensurate with Transit City 4 and 5 phases.

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, 2020 and, with the exception of 22 townhomes, all high-rise units have fully closed. 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%:

Period	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
2020	**551**	**558**	**—**	**—**	**1,109**	**62.9**
Q1 2021	**—**	**1**	**—**	**—**	**1**	**0.1**
Q2/Q3 2021	**—**	**—**	**631**	**—**	**631**	**35.8**
Q4 2021	**—**	**—**	**—**	**22**	**22**	**1.2**
Total – 2020 and 2021	**551**	**559**	**631**	**22**	**1,763**	**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 later in 2021. We are planning to launch the next phase of condominium development later this year. This phase is expected to include approximately 620 units to be built in three separate buildings and will be located in a portion of what was previously the Walmart store parking lot. Also, we are now actively designing a future 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 addition to SmartVMC, our residential development initiatives on other sites are expected to continue to progress over the next 12 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 Apartment	Laval, Quebec	167	Jadco
Vaughan NW Townhomes	Vaughan, Ontario	179	Fieldgate Homes
Seniors' Rental and Seniors' Living Community	Ottawa, Ontario	402	Groupe Selection
Phase 1 Residential Rental Apartments (2 Buildings)	Mascouche, Quebec	238	Cogir

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 90% of the rental units have now been leased. Economic stabilization and permanent financing of this first tower are expected later in 2021 and construction of the second phase is now expected to commence later in 2021 with completion expected in 2023.

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 are working on obtaining preliminary approvals 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.) 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 November 2020 and we are currently working on rezoning and similar entitlement requirements. 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 in Q2 2021 with completion expected in 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 has now been completed on our first three self-storage projects in Leaside, Vaughan NW and Brampton. Each of these three projects opened in 2020 and all have been very well received by their respective communities with current occupancy levels ahead of expectations. We are also experiencing leasing levels ahead of expectations at the self-storage facility that, together with our partner, we purchased on Dupont Street last year. Construction is progressing on the next several SmartStop projects in Oshawa, Aurora and Scarborough with completions expected later this year, by which time we expect approximately 150,000 square feet (at our share) of self-storage space to be available in these locations. 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 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. In addition, together with our partner, SmartStop, we recently purchased lands on Jane Street in Toronto on which we intend to build a new self-storage facility with approximately 100,000 square feet of available space.

The Trust's 34 million square foot portfolio of predominately Walmart-anchored shopping centres was built for 'heavy weather' and during these uncertain times, continues to demonstrate strong occupancy levels. When including committed deals, our overall occupancy level was 97.3% at the end of Q1 (December 31, 2020 – 97.3%). 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 March 31, 2021, we have renewed 64.8% of our expiring lease maturities (March 31, 2020 – 56.1%) with rental rates similar to those expiring rental rates.

The following table presents the improving monthly collection experience since the pandemic began:

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 2020	78.8	85.3
May 2020	79.5	85.9
June 2020	82.6	89.1
July 2020	88.1	94.5
August 2020	89.6	96.1
September 2020(2)	89.6	96.2
October 2020	95.9	95.9
November 2020	95.8	95.8
December 2020	95.3	95.3
January 2021	93.8	93.8
February 2021	93.9	93.9
March 2021	94.5	94.5

(1) Represents the Trust's collection experience up to May 5, 2021.
(2) The CECRA program ended on September 30, 2020.

As of May 5, 2021, the Trust has collected 93.0% of gross monthly billings for the month of April 2021.

The following table provides some additional details on the Trust's tenant billings, amounts received, abatements and deferral arrangements up to April 23, 2021, and the remaining balance outstanding subject to deferral arrangements under negotiation and before expected credit loss ("ECL") provision:

(in thousands of dollars)	**Three Months Ended March 31, 2021**	**As a %**	Nine Months Ended December 31, 2020(1)	As a %
Total recurring tenant billings	**200,061**	**100.0**	601,251	100.0
Less: Amounts received directly from tenants to date	**187,677**	**93.8**	530,530	88.2
Balance outstanding	**12,384**	**6.2**	70,721	11.8
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
Rent abatements provided to tenants	**19**	**—**	5,184	0.9
Balance outstanding	**12,365**	**6.2**	39,443	6.6
Less: Deferral arrangements negotiated	**446**	**0.2**	7,213	1.2
Rents to be collected subject to rent deferral arrangements under negotiation and before ECL provision	**11,919**	**6.0**	32,230	5.4

(1) The Trust identifies the nine months ended December 31, 2020 as the beginning of the COVID-19 pandemic period.

These challenges associated with the COVID-19 pandemic continue to impact collections. Accordingly, in the first quarter we recorded additional bad debt expense/ECL provisions totalling $2.3 million. The table below represents a summary of total tenant receivables and ECL balances as at March 31, 2021 and December 31, 2020:

(in thousands of dollars)	**March 31, 2021**	December 31, 2020
Tenant receivables	**53,466**	57,563
Unbilled other tenant receivables	**13,186**	8,287
Total tenant receivables	**66,652**	65,850
Less: Allowance for ECL	**20,758**	19,742
Balance outstanding subject to deferral arrangements	**45,894**	46,108

The retail portfolio's additional vacant space and the additional time now expected to backfill such space had an impact on our IFRS property valuations in 2020, however, we believe the property market is now beginning to stabilize. Accordingly, because of changes to certain leasing assumptions resulting from the pandemic, the value of the Trust's investment properties has decreased moderately by 0.2% since December 31, 2020. 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.

The following table identifies the impact to IFRS investment property values for the three months ended March 31, 2021:

	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, 2021	8,269,996		604,930		8,874,926	
Fair value adjustment on revaluation of investment properties in Q1 2021	**(22,878)**	**(0.3)%**	**4,119**	**0.7 %**	**(18,759)**	**(0.2)%**
Fair value as at March 31, 2021	**8,247,118**		**609,049**		**8,856,167**	

The pandemic has resulted in further reductions in benchmark interest rates (i.e., the current overnight Bank of Canada lending rate is 0.25%) however, spreads associated with both secured and unsecured borrowings have increased. Economists believe the pandemic will continue to result in a challenging economic environment for at least the next 12–18 months, which in turn is expected to result in continued low short- and long-term overall 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 69%/31% (March 31, 2020 – 64%/36%). This strategy permits us to continue to increase our unencumbered asset pool, which is currently valued at in excess of $5.9 billion (March 31, 2020 – $5.6 billion).

Liquidity and having the ability to fund obligations during challenging periods is the principal reason that we increased and extended our unsecured revolving operating line of credit to $500.0 million in 2017, as well as establishing a $250.0 million accordion feature. As a result of our continued commitment to our balance sheet, late in 2019, we received a credit rating upgrade to BBB(high) 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-year 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 March 31, 2021, our credit metrics (net of cash on hand) had the following strong attributes:

(in thousands of dollars)	**March 31, 2021**	December 31, 2020
Average stated interest rate (%)	**3.26**	3.28
Average duration of unsecured debt (in years)	**5.5**	5.2
Adjusted debt/Adjusted EBITDA	**8.6X**	8.5X
Debt/Total assets (%)	**44.7**	44.6
Interest coverage ratio	**3.2X**	3.2X
Maturing secured debt in the balance of 2021	**89,508**	134,849
Maturing unsecured debt in the balance of 2021 and 2022(1)	**323,120**	623,120

(1) Including $323.1 million aggregate principal amount 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. Over the next six months, we expect to realize approximately $20.0 million in FFO from closings at Transit City 3. As we experienced in 2020, during this period of uncertainty, the FFO derived from these closings is expected to offset the adverse impact of rent collection challenges associated with our small and mid-size tenants, all of which have been forced to either close or dramatically reduce their businesses at some point during the pandemic.

Key Business Development, Financial and Operational Highlights for the Three Months Ended March 31, 2021

Mixed-Use Development and Intensification at SmartVMC

- 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 May 2021.
- Construction continues on Transit City 4 (45 storeys) and 5 (50 storeys) condo towers, representing 1,026 sold residential units. Construction is complete on the multi-level underground parking garage. Above grade, concrete and formwork is well underway.
- Construction is well underway on the 36-storey, 362-unit purpose-built residential rental building at SmartVMC, with concrete and formwork for the multi-level underground parking garage complete. There are also an additional 92 purpose-built rental units located within a portion of the Transit City 4 and Transit City 5 podiums.
- As part of the Transit City 1 and 2 projects, construction is well underway and delivery is expected in late 2021 of the 22 townhomes, which are 100% pre-sold.
- Preparing for the launch of the next phase of high-rise condominium development in 2021 expected to include 620 units.

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 90% of the 171-unit building has been leased. Construction of the next phase is expected to commence in Q3 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.
- Planning approvals are now in place to permit the Trust to commence construction of a new retirement home in Q2 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 Minister's Zoning Order issued in Q4 2020, 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 with the potential for over 12.0 million square feet of development. The initial phase of the redevelopment will include various forms of residential development including townhouses as well as mid-rise and high-rise residential buildings.
- 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

- Net income and comprehensive income(1) was $60.6 million as compared to $64.2 million in the same period in 2020, representing a decrease of $3.6 million. This decrease was primarily attributed to: i) $49.1 million increase in unfavourable fair value adjustments on financial instruments principally due to the increase in the Trust's Unit Price, ii) $7.4 million decrease in net operating income principally due to lower rent and higher bad debt expense, iii) $3.0 million higher interest expense, and iv) $1.9 million higher G&A expense (net), and partially offset by i) $55.6 million decrease in unfavourable fair value adjustments on revaluation of investment properties and ii) $2.2 million lower acquisition-related costs.
- The Trust further improved its unsecured/secured debt ratio(2) to 69%/31% (December 31, 2020 – 68%/32%).
- The Trust continues to add to its unencumbered pool of high-quality assets. As at March 31, 2021, this unencumbered portfolio consisted of income properties valued at $5.9 billion (March 31, 2020 – $5.7 billion).

- In January 2021, the Trust completed the redemption of its 3.730% Series M senior unsecured debentures and 2.876% Series Q senior unsecured debentures, in aggregate principal amounts of $150.0 million and $150.0 million, respectively.

- In February 2021, the Trust repaid an aggregate of $57.8 million in respect of secured mortgage debt upon their maturities.

- Debt metrics continue to demonstrate the Trust's commitment to its balance sheet, including Debt to Total Assets(2)(3) of 44.7%, Interest Coverage Ratio multiple(2) of 3.2X, Interest Coverage net of capitalized interest multiple(2) of 3.6X, and Adjusted Debt to Adjusted EBITDA multiple(2)(3) of 8.6X.

- FFO(2) decreased by $11.7 million or 12.2% to $84.3 million as compared to the same period in 2020, primarily due to a $7.4 million decrease in net operating income, principally resulting from the impact of the COVID-19 pandemic and related ECL provisions of $2.3 million (2020 – $0.2 million).

- ACFO(2) decreased by $7.6 million or 8.2% to $85.2 million as compared to the same period in 2020 primarily due to the impact of the COVID-19 pandemic.

- ACFO(2) exceeded distributions declared by $5.5 million (2020 – $12.9 million).

- The Payout Ratio relating to ACFO with one-time adjustment(2) for the rolling 12 months ended March 31, 2021 increased by 3.8% to 89.0%, as compared to the same period in 2020.

Operational

- Rentals from investment properties and other(1) was $198.8 million, as compared to $206.7 million in the same period in 2020, representing a decrease of $7.9 million or 3.8%. This decrease was primarily due to lower: i) rent and percentage rent, ii) short-term rental revenue, iii) parking and other miscellaneous revenues, and iv) recoverable costs, principally resulting from the COVID-19 pandemic.

- Committed and in-place occupancy rates were 97.3% and 97.0%, respectively, as at March 31, 2021 which were unchanged from December 31, 2020.

- Same Properties NOI(2) decreased by $6.0 million or 4.8% as compared to the same period in 2020. This decrease was primarily due to: i) an increase in ECL, ii) decreases in net rental income, and iii) increases in CAM and realty tax recovery shortfalls, all resulting from the COVID-19 pandemic. Excluding the ECL of $2.3 million recorded in the three months ended March 31, 2021, Same Properties NOI(2) would have been $123.1 million representing a decrease of $4.7 million or 3.7% as compared to the same period in 2020.

Subsequent Events

- The Trust, through its joint venture with SmartStop, acquired a property on Jane Street in Toronto, Ontario in April 2021 which it intends to develop a self-storage facility.

- The Trust, through PCVP, has entered into a $340.0 million construction credit facility agreement in May 2021 with a syndicate of four highly rated Canadian financial institutions. This facility replaces the $48.5 million development credit facility maturing in June 2021 and the $270.0 million construction credit facility maturing in August 2022, both related to PCVP development.

(1) Represents a GAAP measure.
(2) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures".
(3) Net of cash-on-hand of $397.7 million as at March 31, 2021 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)	**March 31, 2021**	December 31, 2020	March 31, 2020
Portfolio Information			
Number of retail and other properties	**146**	148	150
Number of properties under development	**11**	10	9
Number of office properties	**1**	1	1
Number of mixed-use properties	**10**	8	6
Total number of properties with an ownership interest	**168**	167	166
Leasing & Operational Information			
Gross leasable area including retail and office space (in thousands of sq. ft.)	**34,037**	34,056	34,174
Occupied area including retail and office space (in thousands of sq. ft.)	**32,999**	33,039	33,404
Vacant area including retail and office space (in thousands of sq. ft.)	**1,038**	1,017	770
Committed occupancy rate (%)	**97.3**	97.3	98.0
In-place occupancy rate (%)	**97.0**	97.0	97.8
Average lease term to maturity (in years)	**4.6**	4.6	5.0
Net retail rental rate (per occupied sq. ft.) ($)	**15.40**	15.37	15.53
Net retail rental rate excluding Anchors (per occupied sq. ft.) ($)	**22.00**	21.89	22.26
Mixed-use Development Information			
Future development area (in thousands of sq. ft.)	**32,500**	32,500	27,900
Total number of residential rental projects	**96**	96	88
Total number of seniors' housing projects	**40**	40	45
Total number of self-storage projects	**50**	50	48
Total number of office building projects	**7**	7	10
Total number of hotel projects	**4**	4	5
Total number of condominium developments	**72**	72	46
Total number of townhome developments	**15**	15	14
Total number of future projects currently in development planning stage	**284**	284	256
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**	7,900,000	5,500,000

(in thousands of dollars, except per Unit and other non-financial data)	**March 31, 2021**	December 31, 2020	March 31, 2020
Financial Information			
Total assets(1)	**10,321,117**	10,724,492	10,430,793
Investment properties(2)(3)	**9,434,999**	9,400,584	9,485,883
Total unencumbered assets(2)	**5,910,900**	5,835,600	5,647,800
Debt(2)(3)	**4,924,116**	5,261,360	4,841,249
Debt to Aggregate Assets (%)(2)(3)(4)	**44.7**	44.6	43.3
Debt to Gross Book Value (%)(2)(3)(4)	**50.2**	50.1	49.7
Unsecured to Secured Debt Ratio(2)(3)(4)	**69%/31%**	68%/32%	64%/36%
Unencumbered assets to unsecured debt(2)(3)(4)	**1.9X**	1.9X	2.0X
Weighted average interest rate (%)(2)(3)	**3.26**	3.28	3.41
Weighted average term of debt (in years)	**5.1**	5.0	4.8
Interest Coverage Ratio(2)(3)(4)	**3.2X**	3.2X	3.5X
Interest coverage (net of capitalized interest expense)(2)(3)(4)	**3.6X**	3.7X	4.1X
Adjusted Debt to Adjusted EBITDA (net of cash)(2)(3)(4)	**8.6X**	8.5X	8.2X
Equity (book value)(1)	**5,149,986**	5,166,975	5,370,335
Weighted average number of units outstanding – diluted	**173,417,020**	172,971,603	172,515,723

(1) Represents a GAAP measure.
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(3) Includes the Trust's proportionate share of equity accounted investments.
(4) As at March 31, 2021, cash-on-hand of $397.7 million was excluded for the purposes of calculating the applicable ratios (December 31, 2020 – $754.4 million).

Quarterly Comparison to Prior Year

The following table presents key financial, per Unit, and payout ratio information for the three months ended March 31, 2021 and March 31, 2020:

(in thousands of dollars, except per Unit information)	**March 31, 2021**	March 31, 2020	Variance
	(A)	(B)	(A–B)
Financial Information			
Rentals from investment properties and other(1)	**198,838**	206,727	(7,889)
Net base rent(1)	**121,330**	126,342	(5,012)
Total recoveries(1)	**71,782**	74,831	(3,049)
Miscellaneous revenue(1)	**2,841**	2,845	(4)
Service and other revenues(1)	**2,885**	2,709	176
Net income and comprehensive income(1)	**60,559**	64,201	(3,642)
Net income and comprehensive income excluding fair value adjustments(2)(3)	**76,553**	86,669	(10,116)
Cash flows provided by operating activities(1)	**79,485**	79,162	323
NOI(2)	**118,981**	126,397	(7,416)
Change in SPNOI(2)	**(4.8)%**	0.3 %	(5.1)%
FFO(2)(3)(4)(5)	**84,275**	95,964	(11,689)
FFO with Transactional FFO(2)(3)(4)(5)	**85,862**	95,964	(10,102)
ACFO(2)(3)(4)(5)	**85,153**	92,790	(7,637)
Distributions declared	**79,660**	79,918	(258)
Surplus of ACFO over distributions declared(2)	**5,493**	12,872	(7,379)
Units outstanding(6)	**172,267,483**	171,865,757	401,726
Weighted average – basic	**172,237,982**	171,566,750	671,232
Weighted average – diluted(7)	**173,417,020**	172,515,723	901,297
Per Unit Information (Basic/Diluted)			
Net income and comprehensive income(1)	**$0.35/$0.35**	$0.37/$0.37	-$0.02/-$0.02
Net income and comprehensive income excluding fair value adjustments(2)(3)	**$0.44/$0.44**	$0.51/$0.50	-$0.07/-$0.06
FFO(2)(3)(4)(5)	**$0.49/$0.49**	$0.56/$0.56	-$0.07/-$0.07
FFO with Transactional FFO(2)(3)(4)	**$0.50/$0.50**	$0.56/$0.56	-$0.06/-$0.06
Distributions declared	**$0.463**	$0.463	$0.000
Payout Ratio Information			
Payout Ratio to ACFO with one-time adjustment (rolling 12-months)(2)(3)(4)(5)	**89.0 %**	85.2 %	3.8 %
Payout Ratio to ACFO(2)(3)(4)(5)	**93.5 %**	86.1 %	7.4 %

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

Quarterly Results and Trends

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

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Results of operations								
Net income (loss) and comprehensive income (loss)(1)	**60,559**	48,380	111,033	(133,674)	64,201	103,584	95,138	95,513
Per Unit								
Basic	**$0.35**	$0.28	$0.65	-$0.78	$0.37	$0.61	$0.56	$0.56
Diluted(3)	**$0.35**	$0.28	$0.64	-$0.78	$0.37	$0.60	$0.56	$0.56
Net base rent(1)(2)	**124,374**	126,663	126,045	125,558	128,901	129,921	128,780	128,261
Rentals from investment properties(1)(2)	**200,984**	199,609	188,981	192,607	208,735	209,001	197,545	198,174
Rentals from investment properties and other	**198,838**	197,897	186,344	190,285	206,727	207,702	195,531	196,746
NOI(1)(2)	**118,981**	137,002	147,612	108,094	126,397	131,418	128,645	128,217
Other measures of performance								
FFO(2)	**84,275**	86,697	110,107	75,199	95,964	88,037	97,330	91,781
Per Unit								
Basic	**$0.49**	$0.50	$0.64	$0.44	$0.56	$0.51	$0.57	$0.54
Diluted(3)	**$0.49**	$0.50	$0.64	$0.43	$0.56	$0.51	$0.57	$0.54
Cash flows provided by operating activities(1)	**79,485**	91,371	79,100	46,349	79,162	131,647	80,615	80,767
Distributions declared	**79,660**	79,657	79,621	79,562	79,918	79,682	77,264	76,988
Units outstanding(4)	**172,267,483**	172,221,212	172,220,387	172,046,139	171,865,757	171,283,191	170,689,152	170,118,375
Weighted average Units outstanding								
Basic	**172,237,982**	172,220,907	172,112,821	171,988,473	171,566,750	170,992,873	170,400,281	169,858,745
Diluted(3)	**173,417,020**	173,264,654	173,120,316	172,980,866	172,515,723	171,858,434	171,255,329	170,718,814
Total assets(1)	**10,321,117**	10,724,492	10,365,651	10,382,902	10,430,793	9,928,467	9,704,677	9,676,090
Total unencumbered assets	**5,910,900**	5,835,600	5,763,400	5,644,500	5,647,800	5,696,100	4,652,700	4,499,700
Debt(1)(2)	**4,924,116**	5,261,360	4,908,808	5,000,070	4,841,249	4,290,826	4,132,699	4,127,264
In-place occupancy rate (%)	**97.0**	97.0	97.1	97.6	97.8	98.1	98.1	97.8
Occupancy rate with committed deals (%)	**97.3**	97.3	97.4	97.8	98.0	98.2	98.2	98.0

(1) Includes the Trust's share of earnings from equity accounted investments.
(2) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures".
(3) Diluted metrics 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 – Leading Through the Pandemic by Helping Canadians" in this MD&A, acquisition, Earnout, development and disposition activities and the impacts of the COVID-19 pandemic (since Q1 2020) do have an influence on the demand for space, occupancy and collection levels and, consequently, impact 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 Properties NOI growth, Acquisitions, Developments, Earnouts, and dispositions. In addition, the COVID-19 pandemic has had an adverse effect on results of operations for Q2 of 2020 through Q1 of 2021.

Net income and comprehensive income increased in Q1 2021 from Q4 2020 by $12.2 million, which was primarily due to: i) $14.2 million decrease in interest expense which was principally due to higher interest costs accrued in Q4 2020 related to the redemption of Series M and Series Q unsecured debentures; ii) $8.6 million decrease in fair value loss on revaluation of investment properties, which resulted from changes in leasing assumptions and estimated of future cash flows; iii) $6.9 million decrease in fair value loss on financial instruments which was attributed to the fluctuation in the Trust's Unit price; and offset by iv) $18.0 million decrease in net rental income and other, which was principally due to the condominium sales profit of $16.0 million recorded in Q4 2020 as well as additional bad debt expenses and ECL provisions recorded in Q1 2021 relating to the adverse impact from the COVID-19 pandemic.

Net income and comprehensive income declined in Q4 2020 from Q3 2020, primarily due to fair value adjustments (loss) on revaluation of properties under development, fair value adjustments (loss) on financial instruments attributed to the increase in the Trust's Unit price, and an increase in interest expense. 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 increased in Q4 2020 and the trend continued in Q1 2021, as a result of high CAM and realty tax recoveries, and higher miscellaneous revenue. 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, principally due to the COVID-19 pandemic. Rentals from investment properties increased in 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 Q1 2021 from Q4 2020 by $2.4 million, which was primarily attributed to the recognition of condominium sale profits of $16.0 million in Q4 2020 and partially offset by lower interest expenses in Q1 2021 due to the higher interest costs accrued in Q4 2020 related to the redemption of Series M and Q unsecured debentures. FFO decreased in Q4 2020 from Q3 2020, primarily due to a decrease in earnings from equity accounted investments of approximately $14.0 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 $12.0 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) the DRIP (ended April 2020), (ii) Earnouts, and (iii) deferred units exchanged for Trust Units.

Total Assets
Total assets decreased in Q1 2021 from Q4 2020, primarily due to the use of cash to redeem unsecured debentures, as noted below in 'Debt and financing activities'. Total assets increased in Q4 2020 from Q3 2020, principally due to the proceeds from issuance of unsecured debentures, net of repayments. 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. Total assets increased in Q1 2020 from Q4 2019 primarily as a result of the increase in cash balance from the drawing of the revolving operating line, 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 NW that the Trust purchased from Penguin.

Debt and financing activities
Total debt decreased in Q1 2021 from Q4 2020, primarily as a result of the redemption of Series M and Series Q senior unsecured debentures, in aggregate principal amounts of $150.0 million and $150.0 million, respectively. 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 occupancy rate, inclusive of committed deals, of 97.3% (March 31, 2020 - 98.0%) was negatively impacted over the past year. 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 which continued in Q4 2020 and Q1 2021. Typically, 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.

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 i) SmartVMC; ii) a two-phase high-rise rental residential project in Laval, Quebec; iii) several seniors' apartments and retirement home buildings in the Greater Toronto Area and Ottawa; and iv) 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 is planned to consist of approximately 11.0 million square feet (5.5 million square feet at the Trust's share) of mixed-use development, anchored by public transit infrastructure spending by the various levels of government of over $3.0 billion 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(1)	45	498	498	100.0	2023
Transit City 5(1)	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(1)	36	454			2023/2024
Total – SmartVMC Residential		**3,243**			

(1) 92 of the 454 units attributable to the purpose-built residential rental apartment tower will be located in a podium connecting the Transit City 4 and 5 phases. These 92 units are anticipated to be completed commensurate with Transit City 4 and 5.

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 (2)	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 (2)	2023	25.0

(1) Includes 112,000 square feet of YMCA, library and community-use space.
(2) 92 of the 454 units attributable to the purpose-built residential rental apartment tower will be located in a podium connecting the Transit City 4 and 5 phases. These 92 units are anticipated to be completed commensurate with Transit City 4 and 5.

SmartVMC, Residential and Other Development Initiatives
As at March 31, 2021, the Trust continues to experience 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:
At March 31, 2021, all Transit City 1 and 2 condo unit sales had closed. Transit City 3 is progressing on time and ahead of budget. 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 and is expected to be completed in July 2023. 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 and parking lot.

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 Q3 2021;

b. an integrated complex comprising a 174-unit rental building and a 228-unit retirement residence at SmartCentres Laurentian Place in Ottawa, Ontario, which is expected to commence construction within the next quarter 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 were both completed and opened in 2020;

d. a 135,000 square-foot self-storage facility at the Trust's Bramport shopping centre in Brampton, Ontario is substantially complete with two of the four floors 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 and opened by August 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 November 2021;

g. with the Minister's Zoning Order issued in Q4 2020, the Trust has begun to redevelop its 73-acre Cambridge retail property with various forms of residential, retail, office, institutional and commercial uses being planned to create a complete vibrant urban community with the potential for over 12.0 million square feet of development;

h. a 137,500 square-foot self-storage facility at the Trust's Kingspoint Plaza centre in Brampton, Ontario where construction is anticipated to begin in June 2021 and is expected to be completed in 2022; and

i. a 126,000 square-foot self-storage facility on lands acquired by the Trust and SmartStop from a related party to the Trust in Aurora on Wellington Avenue East at Highway 404, where construction is anticipated to begin in August 2021 and is expected to be completed in 2022.

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 been 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 in 2020 for approval of Phase 1 of 550,000 square feet;

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 submitted in April 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 submitted in Q1 2021;

g. the development of up to 1.7 million square feet of residential space in various forms on the Trust's undeveloped lands at the Vaughan NW property 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 opened 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 with a third party home builder;

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. A site plan was submitted in August 2020 for Phase 1 with anticipated approval in Spring 2021;

l. the development of a 35-storey high-rise purpose-built residential rental tower containing 449 units, on Balliol Street in midtown Toronto, Ontario, with zoning and site plan 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 238 units in two 10-storey rental towers approved by municipal council in August 2020. Construction began in April 2021, and the closing of units is anticipated to commence in July 2022;

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, 46-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. The site plan application was resubmitted in March 2021 with approvals expected by Q3 2021;

q. the development of six additional self-storage facilities with the Trust's partner, SmartStop, in Markham, Ontario, New Westminster, B.C., Stoney Creek, Ontario, Surrey, B.C., Toronto, Ontario, and Whitby, Ontario, with zoning and/or site plan applications either well underway or to be submitted in 2021;

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 Premium Outlets Montreal in Mirabel for the ultimate development of residential density of up to 4,500 units;

s. the development of a rental project of 168 units on adjacent land in Mirabel, QC zoning applications to be submitted in Q4 2021;

t. 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;

u. 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;

v. the development of 1.25 million square feet of residential density adjacent to the new South Keys light rail train station at the Trust's Ottawa South Keys centre, consistent with current zoning permissions. Site plan application for the first phase rental building with 240 units to be submitted in Q3 2021;

w. the Q1 2021 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;

x. the Q4 2020 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; and

y. the development of approximately 1 million square feet of residential density on the Trust's Parkway Plaza centre in Stoney Creek, ON with an application for a Phase 1 development for a 26-storey, 233,500 square foot, 290-unit condo expected to be submitted in May 2021.

Residential Development Inventory

Vaughan NW Townhome Development

From a consolidated perspective (GAAP basis) and as recorded in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021, the 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)	**March 31, 2021**	December 31, 2020
Balance – beginning of period	**25,795**	24,564
Development costs	**92**	317
Capitalized interest	**237**	914
Balance – end of period	**26,124**	25,795

Properties Under Development

As at March 31, 2021, the fair value of properties under development including properties under development recorded in equity accounted investments totalled $916.5 million as compared to $898.6 million at December 31, 2020, resulting in a net increase of $17.9 million (for details on the factors influencing this change, see "Investment Properties") presented in the table as follows:

(in thousands of dollars)	**March 31, 2021**	December 31, 2020	Variance ($)
Developments	**546,558**	521,149	25,409
Earnouts subject to option agreements[(1)]	**62,491**	61,811	680
Total	**609,049**	582,960	26,089
Equity accounted investments	**307,463**	315,628	(8,165)
Total including equity accounted investments (Non-GAAP)	**916,512**	898,588	17,924

(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 11(b) of the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021. 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 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 2.0 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 March 31, 2021:

(in thousands of square feet)	**Committed**	**Years 0–2**	**Years 3–5**	**Beyond Year 5**	**Total[(1)]**
Developments	90	746	181	300	**1,317**
Earnouts	57	28	53	48	**186**
	147	774	234	348	**1,503**
Mezzanine Financing	—	—	—	503	**503**
	147	774	234	851	**2,006**

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

During the quarter ended March 31, 2021, the future retail properties under development pipeline increased by 0.1 million square feet to a total of 1.5 million square feet. The change is summarized in the following table:

(in thousands of square feet)	**Total Area**
Future retail properties under development pipeline – January 1, 2021	1,445
Add:	
Properties transferred from investment properties to properties under development	29
Less:	
Net adjustment to project densities	131
Completion of Earnouts and Developments	(102)
Net change	58
Future retail properties under development pipeline – March 31, 2021	**1,503**

Committed Retail Pipeline

The following table summarizes the committed investment by the Trust in retail properties under development as at March 31, 2021:

(in thousands of dollars)	**Square Feet (in thousands)**	**Total Estimated Costs**	**Costs Incurred**	**Estimated Future Development Costs**
Developments	90	28,684	11,268	17,416
Earnouts	57	20,283	5,467	14,816
	147	**48,967**	**16,735**	**32,232**

The completion of these committed Earnouts and Developments as currently scheduled is expected to have an average estimated yield of 5.6% in 2021 and 5.4% 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	Future Development Costs
Developments	285,945	77,209	117,683	480,837	178,812	302,025
Earnouts	8,496	17,411	12,153	38,060	6,276	31,784
	294,441	**94,620**	**129,836**	**518,897**	**185,088**	**333,809**

Approximately 10.3% of the retail properties under development, representing a proportion of gross investment cost (committed and uncommitted) relating to Earnouts ($58.3 million, divided by total estimated costs of $567.9 million), representing 186,000 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.

Completed and Future Earnouts and Developments on Existing Properties

For the three months ended March 31, 2021, $26.1 million of Earnouts and Developments (including Developments relating to equity accounted investments) were completed and transferred to income properties, including the Trust's share of approximately 91,000 square feet in two self-storage facilities located in Brampton and Vaughan, Ontario, as compared to $8.7 million in the same period in 2020.

	Three Months Ended March 31, 2021		Three Months Ended March 31, 2020	
	Area (sq. ft.)	**Investment ($ millions)**	Area (sq. ft.)	Investment ($ millions)
Earnouts[(1)]	**2,416**	**0.7**	—	—
Retail Developments	**8,064**	**2.7**	23,388	8.7
Developments – equity accounted investments	**—**	**5.6**	—	—
Self-storage facilities – equity accounted investments	**91,319**	**17.1**	—	—
	101,799	**26.1**	23,388	8.7

(1) The Earnouts for the three months ended March 31, 2021 included one land parcel sale totalling $4.7 million of investment and as a result, the area for this parcel sale is not reflected in the table above (for the three months ended March 31, 2020: nil).

The following table summarizes future retail Developments, Earnouts and Mezzanine Financing as at March 31, 2021:

	Area (sq. ft.)	Total Area (%)	Income ($000s)	Gross Commitment ($000s)	Invested To-date ($000s)	Net Commitment ($000s)	Yield / Cap Rate (%)
Developments							
Committed Developments							
2021	56,757	3.8	858	17,369 [(2)]	6,648 [(2)]	10,721	4.9 [(3)]
2022 and beyond	33,273	2.2	621	11,316 [(2)]	2,913 [(2)]	8,403	5.5 [(3)]
Total Committed Developments	**90,030**	**6.0**	**1,479**	**28,685**	**9,561**	**19,124**	**5.2**
Uncommitted Developments							
2021	338,781	22.5	4,772	123,737 [(2)]	72,350 [(2)]	51,387	3.9 [(3)]
2022 and beyond	888,937	59.2	18,926	357,100 [(2)]	108,168 [(2)]	248,932	5.3 [(3)]
Total Uncommitted Developments	**1,227,718**	**81.7**	**23,698**	**480,837**	**180,518**	**300,319**	**4.9**
Total Developments	**1,317,748**	**87.7**	**25,177**	**509,522**	**190,079** [(1)]	**319,443**	**4.9**
Earnouts							
Committed Earnouts							
2021	50,242	3.3	1,053	17,023	4,244	12,779	6.2
2022 and beyond	6,947	0.5	202	3,260	1,222	2,038	6.2
Total Committed Earnouts	**57,189**	**3.8**	**1,255**	**20,283**	**5,466**	**14,817**	**6.2**
Uncommitted Earnouts							
2021	1,224	0.1	26	409	80	329	6.4
2022 and beyond	127,156	8.4	2,598	37,651	6,196	31,455	6.9
Total Uncommitted Earnouts	**128,380**	**8.5**	**2,624**	**38,060**	**6,276**	**31,784**	**6.9**
Total Earnouts	**185,569**	**12.3**	**3,879**	**58,343**	**11,742** [(1)]	**46,601**	**6.6**
Total before non-cash development cost	**1,503,317**	**100.0**	**29,056**	**567,865**	**201,821**	**366,044**	**5.1**
Non-cash Development Cost [(4)]					(32,516) [(1)]		
Land / Intensification projects					439,744 [(1)]		
Equity Accounted Investments					307,463 [(1)]		
Total	**1,503,317**	**100.0**	**29,056**	**567,865**	**916,512** [(1)]	**366,044**	**5.1**
Options through Mezzanine Financing	**502,586**						
Total Potential Pipeline	**2,005,903**						

(1) Under "Completed and Future Earnouts and Developments on Existing Properties" in the MD&A for the three months ended March 31, 2021, Earnouts of $62.5 million, Developments of $546.6 million and Equity Accounted Investments of $307.5 million comprise the total amount of $916.5 million. The amounts in the chart above have been adjusted for Earnouts that are expected to be completed after the expiry of the Earnout options being reclassified as Developments.

(2) Includes fair value adjustment for land.

(3) On a cost basis, the yield would be 5.7%, 5.1%, 7.4%, and 3.2%, respectively.

(4) Represents net liability currently recorded.

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 three months ended March 31, 2021, the Trust's real estate portfolio (excluding fair value adjustments) has continued to steadily perform, in part from Developments and Earnouts, as compared to the three months ended March 31, 2020 (see "Completed and Future Earnouts and Developments 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)		**March 31, 2021**			December 31, 2020	
	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	**8,856,167**	**578,832**	**9,434,999**	8,850,390	550,194	9,400,584
Mortgages, loans and notes receivable	**274,181**	**(71,214)**	**202,967**	263,558	(67,345)	196,213
Equity accounted investments	**433,307**	**(433,307)**	**—**	463,204	(463,204)	—
Other assets	**90,040**	**7,414**	**97,454**	88,141	7,437	95,578
Intangible assets	**46,137**	**—**	**46,137**	46,470	—	46,470
	9,699,832	**81,725**	**9,781,557**	9,711,763	27,082	9,738,845
Current assets						
Residential development inventory	**26,124**	**95,056**	**121,180**	25,795	88,783	114,578
Current portion of mortgages, loans and notes receivable	**122,580**	**—**	**122,580**	125,254	—	125,254
Amounts receivable and other	**58,008**	**(3,387)**	**54,621**	58,644	(3,767)	54,877
Deferred financing costs	**1,250**	**25**	**1,275**	1,173	79	1,252
Prepaid expenses and deposits	**13,375**	**8,431**	**21,806**	7,269	9,527	16,796
Cash and cash equivalents	**399,948**	**22,328**	**422,276**	794,594	28,704	823,298
	621,285	**122,453**	**743,738**	1,012,729	123,326	1,136,055
Total assets	**10,321,117**	**204,178**	**10,525,295**	10,724,492	150,408	10,874,900
Liabilities						
Non-current liabilities						
Debt	**4,333,239**	**34,152**	**4,367,391**	4,355,862	(8,288)	4,347,574
Other payables	**19,091**	**—**	**19,091**	19,385	—	19,385
Other financial liabilities	**101,994**	**—**	**101,994**	86,728	—	86,728
	4,454,324	**34,152**	**4,488,476**	4,461,975	(8,288)	4,453,687
Current liabilities						
Current portion of debt	**476,867**	**79,858**	**556,725**	854,261	59,525	913,786
Accounts payable and current portion of other payables	**239,940**	**90,168**	**330,108**	241,281	99,171	340,452
	716,807	**170,026**	**886,833**	1,095,542	158,696	1,254,238
Total liabilities	**5,171,131**	**204,178**	**5,375,309**	5,557,517	150,408	5,707,925
Equity						
Trust Unit equity	**4,301,217**	**—**	**4,301,217**	4,317,357	—	4,317,357
Non-controlling interests	**848,769**	**—**	**848,769**	849,618	—	849,618
	5,149,986	**—**	**5,149,986**	5,166,975	—	5,166,975
Total liabilities and equity	**10,321,117**	**204,178**	**10,525,295**	10,724,492	150,408	10,874,900

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:

(in thousands of dollars)	**Three Months Ended March 31, 2021**			Three Months Ended March 31, 2020		
	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	**198,838**	**5,031**	**203,869**	206,727	4,717	211,444
Condominium sales revenue	**—**	**165**	**165**	—	—	—
Property operating costs and other	**(82,701)**	**(2,253)**	**(84,954)**	(82,900)	(1,902)	(84,802)
Condominium cost of sales	**—**	**(99)**	**(99)**	—	(245)	(245)
Net rental income and other	**116,137**	**2,844**	**118,981**	123,827	2,570	126,397
Other income and expenses						
General and administrative expense, net	**(7,480)**	**—**	**(7,480)**	(5,614)	—	(5,614)
Earnings from equity accounted investments	**15,318**	**(15,318)**	**—**	4,698	(4,698)	—
Fair value adjustment on revaluation of investment properties	**(18,759)**	**13,833**	**(4,926)**	(63,382)	2,825	(60,557)
Gain on sale of investment properties	**10**	**—**	**10**	3	—	3
Interest expense	**(37,201)**	**(1,380)**	**(38,581)**	(34,518)	(1,016)	(35,534)
Interest income	**3,602**	**22**	**3,624**	3,279	717	3,996
Supplemental costs	**—**	**(1)**	**(1)**	—	(398)	(398)
Fair value adjustment on financial instruments	**(11,068)**	**—**	**(11,068)**	38,089	—	38,089
Acquisition-related costs	**—**	**—**	**—**	(2,181)	—	(2,181)
Net income and comprehensive income	**60,559**	**—**	**60,559**	64,201	—	64,201

For the three months ended March 31, 2021, net income and comprehensive income (as noted in the table above) decreased by $3.6 million or 5.7% as compared to the same period last year. This decrease was primarily attributed to the following:

- $49.1 million increase in unfavourable fair value adjustment on financial instruments principally due to the Trust's Unit price changes;
- $7.4 million decrease in NOI (see further details in the "Net Operating Income" subsection);
- $3.0 million net increase in interest expense;
- $1.9 million increase in general and administrative expenses (net); and
- $0.4 million decrease in interest income;

Partially offset by the following:

- $55.6 million decrease in unfavourable fair value adjustments on revaluation of investment properties principally due to the higher revaluation loss recorded during the same period in 2020, which reflected the changes in leasing and cash flow assumptions at the inception of the COVID-19 pandemic;
- $2.2 million decrease in acquisition-related costs; and
- $0.4 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:

(in thousands of dollars)	**Three Months Ended March 31, 2021**			Three Months Ended March 31, 2020			
	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	**121,330**	**3,044**	**124,374**	126,342	2,559	128,901	(4,527)
Property tax and insurance recoveries	**47,374**	**656**	**48,030**	48,609	587	49,196	(1,166)
Property operating cost recoveries	**24,408**	**868**	**25,276**	26,222	866	27,088	(1,812)
Miscellaneous revenue	**2,841**	**463**	**3,304**	2,845	705	3,550	(246)
Rentals from investment properties	**195,953**	**5,031**	**200,984**	204,018	4,717	208,735	(7,751)
Service and other revenues	**2,885**	**—**	**2,885**	2,709	—	2,709	176
Rentals from investment properties and other(2)	**198,838**	**5,031**	**203,869**	206,727	4,717	211,444	(7,575)
Recoverable CAM costs	**(26,388)**	**(807)**	**(27,195)**	(26,187)	(813)	(27,000)	(195)
Recoverable tax and insurance costs	**(49,356)**	**(653)**	**(50,009)**	(51,906)	(587)	(52,493)	2,484
Property management fees and costs	**(289)**	**(143)**	**(432)**	(848)	(134)	(982)	550
Non-recoverable operating costs	**(3,783)**	**(27)**	**(3,810)**	(1,247)	(253)	(1,500)	(2,310)
Other property operating costs	**—**	**(623)**	**(623)**	—	(115)	(115)	(508)
Property operating costs	**(79,816)**	**(2,253)**	**(82,069)**	(80,188)	(1,902)	(82,090)	21
Other expenses	**(2,885)**	**—**	**(2,885)**	(2,712)	—	(2,712)	(173)
Property operating costs and other(2)	**(82,701)**	**(2,253)**	**(84,954)**	(82,900)	(1,902)	(84,802)	(152)
Net rental income and other	**116,137**	**2,778**	**118,915**	123,827	2,815	126,642	(7,727)
Condominium sales revenue	**—**	**165**	**165**	—	—	—	165
Condominium cost of sales	**—**	**(99)**	**(99)**	—	—	—	(99)
Condominium marketing and selling costs – Transit City 1 & 2	**—**	**—**	**—**	—	(161)	(161)	161
Condominium marketing and selling costs – Others	**—**	**—**	**—**	—	(84)	(84)	84
Net profit on condominium sales	**—**	**66**	**66**	—	(245)	(245)	311
NOI(3)	**116,137**	**2,844**	**118,981**	123,827	2,570	126,397	(7,416)
Net rental income and other as a percentage of net base rent (%)	**95.7**	**91.3**	**95.6**	98.0	100.4	98.1	(2.5)
Net rental income and other as a percentage of rentals from investment properties (%)	**59.3**	**55.2**	**59.2**	60.7	54.5	60.6	(1.4)
Net rental income and other as a percentage of rentals from investment properties and other (%)	**58.4**	**55.2**	**58.3**	59.9	54.5	59.8	(1.5)
Recovery Ratio (including prior year adjustments) (%)	**94.8**	**104.4**	**95.0**	95.8	103.8	96.0	(1.0)
Recovery Ratio (excluding prior year adjustments) (%)	**95.1**	**104.8**	**95.3**	95.9	103.8	96.1	(0.8)

(1) This column contains non-GAAP measures because it includes figures that are recorded in equity accounted investments – that are not explicitly disclosed and/or presented in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021 and March 31, 2020. 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 March 31, 2021 decreased by $7.4 million or 5.9% as compared to the same period last year. This decrease was primarily attributed to the following:

- $2.1 million increase in bad debt and ECL;
- $3.3 million decrease in base rent;
- $0.8 million increase in net CAM and realty tax recovery shortfall;
- $0.7 million increase in tenant incentives amortization; and
- $0.5 million decrease in straight-line rent.

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.

(in thousands of dollars)	**Three Months Ended March 31, 2021**	Three Months Ended March 31, 2020	Variance ($)	Variance (%)
Net rental income	**116,137**	123,830	(7,693)	(6.2)
Service and other revenues	**2,885**	2,709	176	6.5
Other expenses	**(2,885)**	(2,712)	(173)	(6.4)
NOI[1]	**116,137**	123,827	(7,690)	(6.2)
NOI from equity accounted investments[1]	**2,844**	2,570	274	10.7
Total portfolio NOI before adjustments[1]	**118,981**	126,397	(7,416)	(5.9)
Adjustments:				
Royalties	**201**	220	(19)	(8.6)
Straight-line rent	**464**	(21)	485	N/R[2]
Lease termination and other adjustments	**(445)**	(685)	240	35.0
Condominium sales (profit) expenses	**(66)**	245	(311)	N/R[2]
Amortization of tenant incentives	**2,474**	1,796	678	37.8
Total portfolio NOI after adjustments[1]	**121,609**	127,952	(6,343)	(5.0)
NOI sourced from:				
Acquisitions	**(81)**	(27)	(54)	N/R[2]
Earnouts and Developments	**(797)**	(1,161)	364	31.4
Same Properties NOI[1]	**120,731**	126,764	(6,033)	(4.8)
Add back: bad debt expense/ECL[3]	**2,336**	1,032	1,304	N/R[2]
Same Properties NOI excluding ECL[1]	**123,067**	127,796	(4,729)	(3.7)

(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 March 31, 2021 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, 2020 to March 31, 2020 and from January 1, 2021 to March 31, 2021.

The Same Properties NOI for the three months ended March 31, 2021 decreased by $6.0 million or 4.8% as compared to the same period in 2020, which was primarily due to the following factors, all of which have been adversely impacted by the COVID-19 pandemic:

- $1.7 million increase in miscellaneous expenses, primarily due to higher bad debt/ECL, partially offset by lower management fees;
- $3.5 million decrease in net rental income primarily due to rent reductions and higher vacancies;
- $0.5 million decrease in recoverable costs, primarily due to higher vacancies; and
- $0.3 million decrease in percentage rent, short-term and miscellaneous rental revenue.

Excluding the bad debt expense and ECL of $2.3 million recorded in the three months ended March 31, 2021, Same Properties NOI would have been $123.1 million representing a decrease of $4.7 million or 3.7% as compared to the same period in 2020.

Due to the various uncertainties pertaining to the COVID-19 pandemic, management is 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)	**Rolling 12 Months Ended March 31, 2021**	Rolling 12 Months Ended March 31, 2020	Variance ($)
Net income and comprehensive income	**86,302**	358,434	(272,132)
Add (deduct) the following items:			
Interest expense	**155,761**	140,714	15,047
Interest income	**(15,565)**	(12,488)	(3,077)
Yield maintenance costs	**11,954**	16,988	(5,034)
Amortization of equipment and intangible assets	**4,125**	2,094	2,031
Amortization of tenant improvements	**8,033**	7,315	718
Fair value adjustment on revaluation of investment properties	**210,013**	35,740	174,273
Fair value adjustment on financial instruments	**31,436**	(49,186)	80,622
Gain on derivative – total return swap ("TRS")	**513**	—	513
Adjustment for supplemental contribution	**1,634**	3,305	(1,671)
(Gain) loss on sale of investment properties	**(451)**	114	(565)
Gain on sale of land to co-owners (Transactional FFO)	**2,332**	2,818	(486)
Acquisition-related costs	**166**	2,479	(2,313)
Adjusted EBITDA(1)	**496,253**	508,327	(12,074)

(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 unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021 and March 31, 2020, unless otherwise stated, do not include any assumptions, do not include any forward-looking information and are consistent with prior reporting years.

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.

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

(in thousands of dollars, except per Unit amounts)	**Three Months Ended March 31, 2021**	Three Months Ended March 31, 2020	Variance ($)	Variance (%)
Net income and comprehensive income	**60,559**	64,201	(3,642)	(5.7)
Add (deduct):				
Fair value adjustment on revaluation of investment properties(1)	**18,759**	63,382	(44,623)	(70.4)
Fair value adjustment on financial instruments(2)	**11,068**	(38,089)	49,157	N/R(6)
Gain on derivative – TRS	**513**	—	513	100.0
Gain on sale of investment properties	**(254)**	(3)	(251)	N/R(6)
Amortization of intangible assets	**333**	333	—	—
Amortization of tenant improvement allowance and other	**2,321**	1,634	687	42.0
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	**1,500**	1,401	99	7.1
Salaries and related costs attributed to leasing activities(3)	**1,503**	1,609	(106)	(6.6)
Acquisition-related costs	**—**	2,181	(2,181)	(100.0)
Adjustments relating to equity accounted investments:				
Rental revenue adjustment – tenant improvement amortization	**99**	94	5	5.3
Indirect interest with respect to the development portion(4)	**1,706**	1,648	58	3.5
Fair value adjustment on revaluation of investment properties	**(13,833)**	(2,825)	(11,008)	N/R(6)
Adjustment for supplemental contribution	**1**	398	(397)	(99.7)
FFO(5)	**84,275**	95,964	(11,689)	(12.2)
Transactional FFO – gain on sale of land to co-owners	**1,587**	—	1,587	—
FFO with Transactional FFO(5)	**85,862**	95,964	(10,102)	(10.5)

(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 unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021. The fair value adjustment on financial instruments experienced a significant increase as compared to the same period in 2020. For details please see discussion in "Results of Operations" above.
(3) Salaries and related costs attributed to leasing activities of $1.5 million were incurred in the three months ended March 31, 2021 (three months ended March 31, 2020 – $1.6 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.

For the three months ended March 31, 2021, FFO decreased by $11.7 million or 12.2% to $84.3 million. This decrease was primarily attributed to:

- $7.4 million decrease in NOI (see further details in the "Net Operating Income" subsection);
- $3.0 million net increase in interest expense, which was primarily due to a higher debt level;
- $1.9 million increase in net general and administrative expense;
- $0.4 million decrease in interest income; and
- $0.4 million decrease in adjustment for supplemental contribution;

Partially offset by:

- $0.8 million increase in FFO add back for tenant incentives amortization and distributions on Units classified as liabilities;
- $0.5 million gain relating to TRS recognized during the three months ended March 31, 2021; and
- $0.1 million decrease in FFO add back for salaries and related costs attributed to leasing activities.

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Variance ($)	Variance (%)
Per Unit – basic/diluted[(1)]:				
FFO[(2)]	**$0.49/$0.49**	$0.56/$0.56	-$0.07/-$0.07	-12.5/-12.5
FFO with Transactional FFO[(2)]	**$0.50/$0.50**	$0.56/$0.56	-$0.06/-$0.06	-10.7/-10.7

(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 March 31, 2021, 1,179,038 vested deferred units are added back to the weighted average Units outstanding (three months ended March 31, 2020 – 948,973 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".

Weighted Average Number of Units

The weighted average number of Trust Units and exchangeable LP Units is used in calculating the Trust's net income and comprehensive income per Unit, net income and comprehensive income excluding fair value adjustments per Unit, and FFO per Unit. The corresponding diluted per Unit amounts are adjusted for the dilutive effect of the vested portion of deferred units granted under the Trust's deferred unit plan unless they are anti-dilutive. To calculate diluted FFO per Unit for the three months ended March 31, 2021 and March 31, 2020, vested deferred units are added back to the weighted average Units outstanding because they are dilutive.

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

	Three Months Ended March 31		
(number of Units)	**2021**	2020	Variance
Trust Units	**144,618,657**	144,319,318	299,339
Class B LP Units	**16,416,667**	16,416,667	—
Class D LP Units	**311,022**	311,022	—
Class F LP Units	**8,708**	7,490	1,218
Class B LP II Units	**756,525**	756,525	—
Class B LP III Units	**4,022,846**	3,822,756	200,090
Class B LP IV Units	**3,068,178**	3,067,593	585
Class B Oshawa South LP Units	**710,416**	710,416	—
Class D Oshawa South LP Units	**260,417**	260,417	—
Class B Oshawa Taunton LP Units	**374,223**	374,223	—
Class B Boxgrove LP Units	**170,000**	—	170,000
Class B Series ONR LP Units	**1,248,140**	1,248,140	—
Class B Series 1 ONR LP I Units	**132,881**	132,881	—
Class B Series 2 ONR LP I Units	**139,302**	139,302	—
Total Exchangeable LP Units	**27,619,325**	27,247,432	371,893
Total Units – Basic	**172,237,982**	171,566,750	671,232
Vested deferred units	**1,179,038**	948,973	230,065
Total Units and vested deferred units – Diluted	**173,417,020**	172,515,723	901,297

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.

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).

(in thousands of dollars)	**Three Months Ended March 31, 2021**	Three Months Ended March 31, 2020	Variance ($)	Variance (%)
Cash flows provided by operating activities	**79,485**	79,162	323	0.4
Adjustments to working capital items that are not indicative of sustainable cash available for distribution[(1)]	**1,486**	11,824	(10,338)	N/R[(2)]
Distributions on Units classified as liabilities and vested deferred units recorded as interest expense	**1,500**	1,401	99	7.1
Expenditures on direct leasing costs and tenant incentives	**1,061**	855	206	24.1
Expenditures on tenant incentives for properties under development	**272**	710	(438)	(61.7)
Actual sustaining capital expenditures	**(1,361)**	(603)	(758)	N/R[(2)]
Actual sustaining leasing commissions	**(604)**	(451)	(153)	33.9
Actual sustaining tenant improvements	**(457)**	(442)	(15)	3.4
Non-cash interest expense, net of other financing costs	**(1,593)**	(5,210)	3,617	(69.4)
Non-cash interest income	**722**	2,687	(1,965)	(73.1)
Gain on sale of land to co-owners	**1,587**	—	1,587	100.0
Gain on derivative – TRS	**513**	—	513	100.0
Distributions from equity accounted investments	**(608)**	(644)	36	(5.6)
Adjustments relating to equity accounted investments:				
Cash flows from operating activities including working capital adjustments	**1,551**	1,857	(306)	(16.5)
Notional interest capitalization[(3)]	**1,706**	1,648	58	3.5
Actual sustaining capital and leasing expenditures	**(74)**	(39)	(35)	89.7
Non-cash interest expense	**(33)**	35	(68)	N/R[(2)]
ACFO[(4)]	**85,153**	92,790	(7,637)	(8.2)
Distributions declared	**79,660**	79,918	(258)	(0.3)
Surplus of ACFO over distributions declared	**5,493**	12,872	(7,379)	(57.3)
Payout Ratio:				
ACFO[(4)]	**93.5 %**	86.1 %	7.4 %	

(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) N/R – Not representative.
(3) See the "Indirect interest with respect to the development portion" as presented in the "Funds from Operations" subsection above for more information.
(4) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures".

For the three months ended March 31, 2021, ACFO decreased by $7.6 million or 8.2% to $85.2 million compared to the same period in 2020, which was primarily due to the items previously identified (see "Results of Operations").

The Payout Ratio relating to ACFO for the three months ended March 31, 2021 increased by 7.4% to 93.5% as compared to the same period in 2020, which was primarily due to the items previously identified.

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 has indicated that barring any unexpected events, the Trust should not reduce its monthly cash distribution levels.

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.

Distributions and ACFO Highlights

	Three Months Ended March 31		
(in thousands of dollars)	**2021**	2020	Variance ($)
Cash flows provided by operating activities	**79,485**	79,162	323
Distributions declared	**79,660**	79,918	(258)
ACFO[(1)]	**85,153**	92,790	(7,637)
Surplus of ACFO over distributions declared	**5,493**	12,872	(7,379)
Shortfall of cash flows provided by operating activities over distributions declared	**(175)**	(756)	581

(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 three months ended March 31, 2021, the $0.2 million shortfall of cash flows provided by operating activities over distributions declared was primarily due to:

- higher operating costs for the first quarter of the year as a result of seasonal anomalies such as snow removal and utility expenses; and
- higher prepaid operating costs including, but not limited to, realty tax instalment payments.

The shortfall was funded by the Trust's cash and cash equivalents.

The following table illustrates: i) the annualized (shortfall) surplus of cash flows provided by operating activities over distributions declared, ii) ACFO and iii) ACFO related payout ratios, for the rolling 12 months ended March 31, 2021 and March 31, 2020:

	Rolling 12 Months Ended	
(in thousands of dollars)	**March 31, 2021**	March 31, 2020
Cash flows provided by operating activities	**296,305**	372,191
Distributions declared	**318,500**	313,852
(Shortfall) surplus of cash provided by operating activities over distributions declared	**(22,195)**	58,339
ACFO	**345,776**	347,967
ACFO with one-time adjustment	**357,729**	368,480
Payout Ratio to ACFO	**92.1 %**	90.2 %
Payout Ratio to ACFO with one-time adjustment	**89.0 %**	85.2 %

General and Administrative Expense

The following tables summarize general and administrative expense before allocation, general and administrative expense, net (as presented in the unaudited interim condensed consolidated statements of income and comprehensive income for the three months ended March 31, 2021) 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)]		Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Variance ($)
Salaries and benefits			**15,886**	13,291	2,595
Master planning services fee – by Penguin	19		**1,791**	1,750	41
Professional fees			**1,384**	1,379	5
Public company costs			**461**	698	(237)
Rent and occupancy			**292**	665	(373)
Amortization of intangible assets			**333**	333	—
Other costs including information technology, marketing, communications and other employee expenses			**3,020**	1,510	1,510
Total general and administrative expense before allocation		**(A)**	**23,167**	19,626	3,541
Less:					
Allocated to property operating costs			**(3,937)**	(3,970)	33
Capitalized to properties under development and other assets			**(9,186)**	(7,333)	(1,853)
Total amounts allocated and capitalized		**(B)**	**(13,123)**	(11,303)	(1,820)
Transition services charged to Penguin	19		**—**	(500)	500
Time billings, leasing, management fees, development fees and other fees	19		**(2,301)**	(1,999)	(302)
Shared service costs charged to Penguin	19		**(263)**	(210)	(53)
Total amounts charged		**(C)**	**(2,564)**	(2,709)	145
Total amounts allocated, capitalized and charged		**(D = B + C)**	**(15,687)**	(14,012)	(1,675)
General and administrative expense, net		**(E = A + D)**	**7,480**	5,614	1,866
Less:					
Salaries and related costs attributed to leasing activities[(2)]		**(F)**	**(1,503)**	(1,609)	106
General and administrative expense excluding internal leasing expense		**(G = E + F)**	**5,977**	4,005	1,972
General and administrative expense, net		**(E)**	**7,480**	5,614	1,866
Rental revenue from investment properties including rental revenue from equity accounted investments		**(H)**	**200,984**	208,735	(7,751)
As a percentage of rentals from investment properties (%)		**(I = E / H)**	**3.7**	2.7	1.0

(1) The Note reference relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021.
(2) Salaries and related costs attributed to leasing activities of $1.5 million were incurred in the three months ended March 31, 2021 (three months ended March 31, 2020 – $1.6 million) and were eligible to be added back to FFO based on the definition of FFO in the REALpac White Paper published in February 2019, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between Canadian publicly traded real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

Total general and administrative expense before allocation

For the three months ended March 31, 2021, total general and administrative expense before allocation was $23.2 million, representing an increase of $3.5 million or 18.0% as compared to the three months ended March 31, 2020. This increase can be attributed primarily to:

- $1.1 million increase in EIP accruals;
- $1.0 million increase in DUP and LTIP accruals;
- $0.9 million net increase in other costs which primarily represents costs previously capitalized for projects that have now been aborted; and
- $0.5 million net increase in salaries and benefits principally due to additional personnel and annual merit increases.

Total amounts allocated, capitalized and charged

For the three months ended March 31, 2021, total amounts allocated, capitalized and charged to Penguin and others was $15.7 million, representing an increase of $1.7 million or 12.0% as compared to the three months ended March 31, 2020. This increase can be attributed primarily to:

- $1.9 million net increase in the amounts capitalized to properties under development and other assets; and
- $0.3 million net increase in time billings, leasing, management fees, development fees and other fees;

Partially offset by:

- $0.5 million decrease in transition services charged to Penguin.

Section V — Leasing Activities and Lease Expiries

Leasing Activities

Occupancy

Notwithstanding the various government-enacted shutdowns that persisted throughout the three months ended March 31, 2021, as a result of the COVID-19 pandemic, the Trust maintained an occupancy level of 97.3% inclusive of committed deals for future occupancy (97.0% without such future occupancy). The Trust's resilient tenant base has continued to adapt to online and curbside pick-up platforms and no tenant bankruptcies or CCAA filings were announced in the quarter. The Trust continues to assist those tenants most in need by providing flexibility while strengthening tenant relationships. Tenant rent collection continues to be a focus, assisted by the federal government extending commercial rental assistance through the Canada Emergency Rent Subsidy program.

Occupancy

	March 31, 2021	March 31, 2020	Variance
Total Leasable Area (in sq. ft.)	**34,036,704**	34,174,010	(137,306)
In-place Occupancy Rate (%)	**97.0**	97.8	(0.8)
Committed Occupancy Rate (%)	**97.3**	98.0	(0.7)

New Leasing Activity

During the three months ended March 31, 2021, the Trust has 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 Walmart, 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 first quarter, the Trust executed approximately 156,867 square feet of new leasing focused primarily on back-filling vacant units.

The following table presents a continuity of the Trust's in-place occupancy level for the three months ended March 31, 2021:

(in square feet)	Vacant Area	Occupied Area	Leasable Area	In-place Occupancy Level (%)
Beginning balance – January 1, 2021	**1,016,894**	**33,039,170**	**34,056,064**	**97.0**
New vacancies	**206,577**	**(206,577)**	**—**	
New leases	**(156,867)**	**156,867**	**—**	
Subtotal	**1,066,604**	**32,989,460**	**34,056,064**	
Transferred from properties under development to income properties	**—**	**10,480**	**10,480**	
Transferred from income properties to properties under development	**(28,557)**	**—**	**(28,557)**	
Other including unit area remeasurements	**62**	**(1,345)**	**(1,283)**	
Ending balance – March 31, 2021	**1,038,109**	**32,998,595**	**34,036,704**	**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 three months ended March 31, 2021:

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.)
Oakville (South Oakville Centre), ON	SAVIS	156,714	1,786	**158,500**
Cornwall, ON	Mr. Puffs	224,892	1,324	**226,216**
Winnipeg (SW), MB	Sephora	503,641	4,954	**508,595**
Aurora North, ON[(1)]	LOL Kids Indoor Playground	510,083	2,416	**512,499**
		1,395,330	10,480	**1,405,810**

(1) This transfer relates to an Earnout transaction. See also Note 3(b)(ii) in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021.

Transferred from income properties to properties under development

The following table presents a reconciliation of properties transferred from income properties to properties under development, which are expected to be redeveloped, for the three months ended March 31, 2021:

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.)
Oakville (South Oakville Centre), ON	Flippance & Carr	159,749	1,249	**158,500**
Laval (W), QC	Surplus RD	586,175	25,786	**560,389**
Toronto (Crossroads), ON	Tip Top Nails, Jenny Craig	108,406	1,522	**106,884**
		854,330	28,557	**825,773**

Renewal Activity

For the three months ended March 31, 2021, the Trust achieved a tenant renewal rate of 64.8% (March 31, 2020 – 56.1%) for tenants with expiring leases.

Renewal Summary

	March 31, 2021	March 31, 2020	Variance
Expiring (in sq. ft.)	**4,135,697**	4,096,297	39,400
Total renewed and near completion (in sq. ft.)	**2,677,773**	2,297,411	380,362
Retention rate (including near completion) (%)	**64.8**	56.1	8.7
Renewed rental rate (in dollars per sq. ft.) – including Anchors	**13.06**	14.33	(1.27)
Renewed rental rate (in dollars per sq. ft.) – excluding Anchors	**18.92**	18.98	(0.06)
Renewed rent change (including Anchors, %)	**0.2**	3.2	(3.0)
Renewed rent change (excluding Anchors, %)	**(0.7)**	3.8	(4.5)

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	106	22,827	72.5	75.4	96.8
Primary	32	6,537	16.7	14.1	96.4
Secondary	30	4,673	10.8	10.5	98.5
Total	**168**	**34,037**	**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 March 31, 2021

Category	Total (%)	Greater-VECTOM (%)	Primary (%)	Secondary (%)
General merchandise including stores with grocery & pharmacy	28.5	24.1	35.4	47.8
Apparel	15.5	16.2	14.6	12.7
Home improvement & housewares	9.4	10.1	8.3	6.7
Restaurant	9.1	10.0	6.9	6.1
Standalone grocery & liquor	8.9	9.2	8.1	7.9
Leisure (sporting goods, toys)	6.6	6.6	7.6	4.6
Pharmacy & personal services	5.8	6.7	3.9	2.6
Specialty (fitness, electronics, pet)	5.7	5.6	6.6	5.1
Financial services	4.4	4.8	4.0	2.8
Other	6.1	6.7	4.6	3.7
Total	100.0	100.0	100.0	100.0

Top 25 Tenants

The 25 largest tenants (by annualized gross rental revenue) accounted for 62.9% of portfolio revenue for the three months ended March 31, 2021 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	201.9	25.4	14,069,863	41.3
2	Canadian Tire, Mark's and FGL Sports	72	36.9	4.6	1,394,632	4.1
3	Winners, HomeSense, Marshalls	56	34.6	4.4	1,390,902	4.1
4	Loblaws, Shoppers Drug Mart	24	22.2	2.8	899,056	2.6
5	Sobeys	17	17.3	2.2	733,421	2.2
6	Lowes, RONA	8	15.8	2.0	898,146	2.6
7	Dollarama	53	13.9	1.8	501,776	1.5
8	LCBO	36	12.8	1.6	342,226	1.0
9	Best Buy	19	12.4	1.6	451,226	1.3
10	Michaels	24	12.0	1.5	467,059	1.4
11	Recipe Unlimited	55	11.7	1.5	277,262	0.8
12	Staples	21	11.1	1.4	449,599	1.3
13	Bonnie Togs	44	10.0	1.3	216,262	0.6
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	8.0	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	GoodLife Fitness Clubs	11	7.3	0.9	249,432	0.7
20	The Brick	9	6.9	0.9	258,244	0.8
21	Dollar Tree, Dollar Giant	27	6.8	0.9	225,365	0.7
22	Metro	9	6.7	0.8	315,438	0.9
23	Sleep Country	38	6.6	0.8	177,517	0.5
24	Ricki's, Cleo, Urban Barn & Warehouse One	37	5.6	0.7	176,154	0.5
25	Bank of Nova Scotia	22	5.6	0.7	115,225	0.3
		853	498.6	62.9	24,843,919	72.8

(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.

Lease Expiries

The following table presents total retail and office lease expiries for the portfolio as at March 31, 2021:

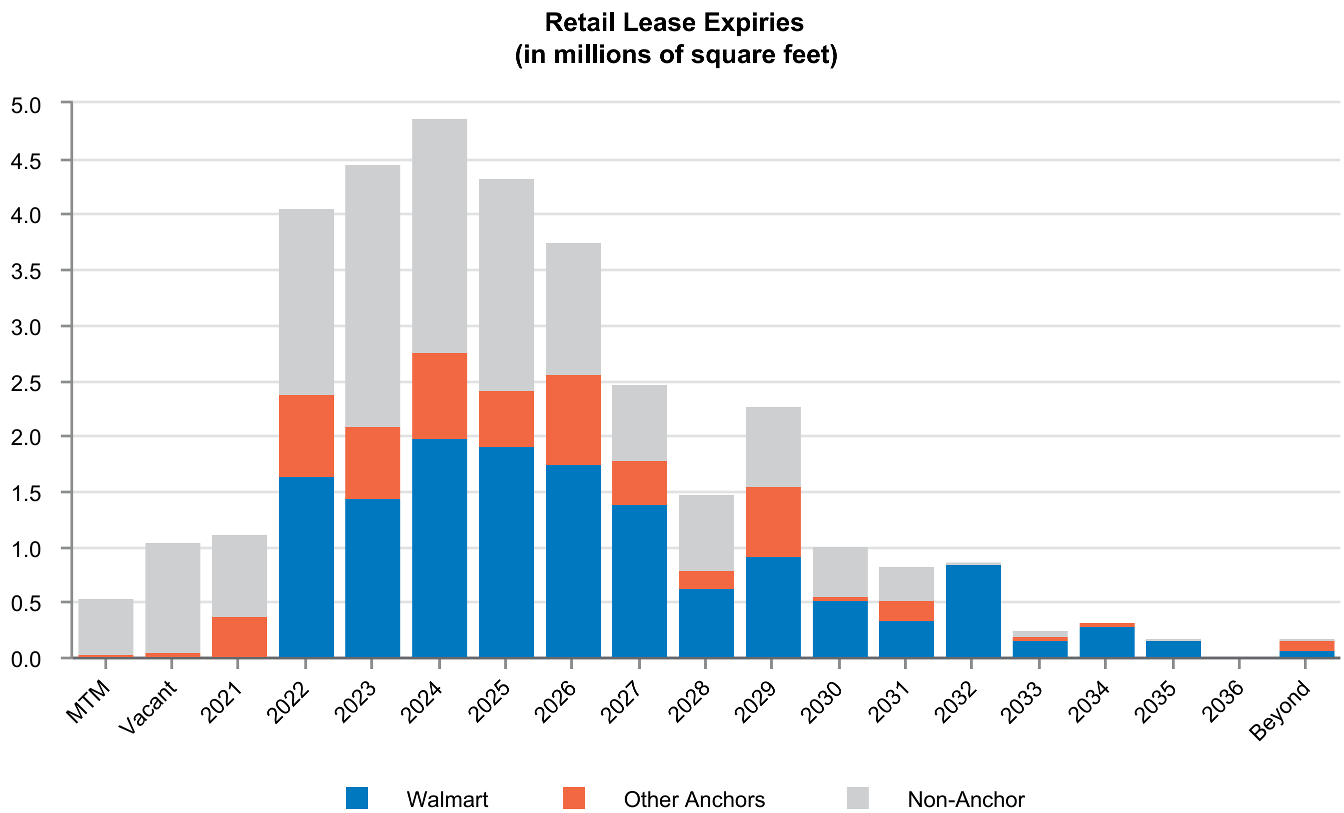
Year of Expiry	Total Area (sq. ft.)	Percentage of Total Area (%)	Annualized Base Rent ($000s)	Average Base Rent psf[1] ($)
Month-to-month and holdovers	536,912	1.6	11,243	20.94
2021	1,121,286	4.3	20,692	14.23
2022	4,063,021	11.9	57,543	14.16
2023	4,419,156	13.0	74,460	16.85
2024	4,866,398	14.3	75,923	15.60
2025	4,333,493	12.7	58,668	13.54
2026	3,740,204	10.0	49,405	14.50
2027	2,449,659	7.2	34,328	14.01
2028	1,451,295	4.3	27,015	18.61
2029	2,267,782	6.7	37,996	16.75
2030	994,566	2.9	19,484	19.59
2031	739,353	2.2	12,283	16.61
Beyond	1,764,112	5.2	25,422	14.41
Vacant	1,038,109	3.0	—	—
Total retail	**33,785,346**	**99.3**	**504,462**	**15.40**
Total office	251,358	0.7		
Total retail and office	**34,036,704**	**100.0**		

(1) The total average base rent per square foot excludes vacant space of 1,038,109 square feet.

The following table presents total retail and office lease expiries for the portfolio excluding Anchor tenants as at March 31, 2021:

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	495,623	1.5	3.4	10,706	21.60
2021	735,668	2.2	5.1	13,305	18.09
2022	1,688,924	5.0	11.7	35,045	20.75
2023	2,364,132	6.9	16.4	52,878	22.37
2024	2,097,360	6.2	14.6	47,075	22.44
2025	1,907,060	5.6	13.2	38,387	20.13
2026	1,182,505	3.5	8.2	25,781	21.80
2027	653,781	1.9	4.5	14,502	22.18
2028	684,529	2.0	4.8	17,100	24.98
2029	720,575	2.1	5.0	19,256	26.72
2030	431,369	1.3	3.0	10,827	25.10
2031	300,801	0.9	2.1	6,703	22.28
Beyond	113,982	0.3	0.8	2,755	24.17
Vacant	975,932	2.9	6.8	—	—
Total retail	**14,352,241**	**42.3**	**99.6**	**294,320**	**22.00**
Total office	54,510	0.2	0.4		
Total retail and office	**14,406,751**	**42.5**	**100.0**		

(1) The total average base rent per square foot excludes vacant space of 975,932 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 34.0 million square feet of gross leasable retail and office area and 1.5 million square feet of future potential gross leasable retail area in 168 properties and the option to acquire a 50.0% interest in four investment properties and 25.0% interest in another investment property (0.5 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:

	Three Months Ended March 31, 2021			Year Ended December 31, 2020		
(in thousands of dollars)	**Income Properties**	**Properties Under Development**	**Total Investment Properties**	Income Properties	Properties Under Development	Total Investment Properties
Investment properties						
Balance – beginning of period	**8,267,430**	**582,960**	**8,850,390**	8,488,669	561,397	9,050,066
Additions (deductions):						
Acquisitions, Earnouts and related adjustments of investment properties	**(260)**	**13,402**	**13,142**	—	21,678	21,678
Earnout Fees on properties subject to development management agreements	**683**	**—**	**683**	291	—	291
Transfer to income properties from properties under development	**2,450**	**(2,450)**	**—**	39,748	(39,748)	—
Transfer from income properties to properties under development	**(2,400)**	**2,400**	**—**	(70,236)	70,236	—
Transfer from properties under development to equity accounted investments	**—**	**(6,850)**	**(6,850)**	—	(6,125)	(6,125)
Capital expenditures	**2,093**	**—**	**2,093**	8,445	—	8,445
Leasing costs	**—**	**—**	**—**	1,732	—	1,732
Development expenditures	**—**	**19,515**	**19,515**	—	50,728	50,728
Capitalized interest	**—**	**3,692**	**3,692**	—	17,689	17,689
Dispositions	**—**	**(7,739)**	**(7,739)**	—	(19,063)	(19,063)
Fair value adjustment on revaluation of investment properties	**(22,878)**	**4,119**	**(18,759)**	(201,219)	(73,832)	(275,051)
Balance – end of period	**8,247,118**	**609,049**	**8,856,167**	8,267,430	582,960	8,850,390

	Three Months Ended March 31, 2021			Year Ended December 31, 2020		
(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 period	**234,566**	**315,628**	**550,194**	186,204	230,231	416,435
Additions (deductions):						
Acquisitions	**—**	**—**	**—**	—	58,302	58,302
Transfer to income properties from properties under development	**22,926**	**(22,926)**	**—**	55,568	(55,568)	—
Transfer from income properties to properties under development	**—**	**—**	**—**	(16,600)	16,600	—
Transfer from the Trust	**—**	**4,505**	**4,505**	—	6,125	6,125
Capital expenditures	**44**	**—**	**44**	106	—	106
Development expenditures	**—**	**9,930**	**9,930**	—	58,656	58,656
Capitalized interest	**—**	**326**	**326**	—	1,164	1,164
Fair value adjustment on revaluation of investment properties	**13,833**	**—**	**13,833**	9,288	118	9,406
Balance – end of period	**271,369**	**307,463**	**578,832**	234,566	315,628	550,194
Total balance (including investment properties classified as equity accounted investments) – end of period	**8,518,487**	**916,512**	**9,434,999**	8,501,996	898,588	9,400,584

Valuation Methodology

From April 1, 2018 to March 31, 2021, the Trust has had approximately 58.6% (by value) or 50.6% (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, ECL and market rents and applying updated discount rates determined, in part, through consultation with various external appraisers and available market data. In addition, the fair value of properties under development reflects the impact of development agreements (see Note 4 in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021 for further discussion).

Fair values were primarily determined through the discounted cash flows approach, which is an estimate of the present value of future cash flows over a specified horizon. For the three months ended March 31, 2021, the Trust applied a change in the valuation method used to estimate the value of properties under development. 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 properties under development based on expectations of changes in rental rates, occupancy rates, lease renewal rates, downtime on lease expiries, among others, as a result of the impact of COVID-19. This change in valuation method for properties under development also aligns with the valuation method used to determine fair value for income properties.

For the three months ended March 31, 2021, investment properties (including properties under development) as recorded in the Trust's unaudited interim condensed consolidated financial statements, with a total carrying value of $1,855.3 million (December 31, 2020 – $1,426.2 million) were valued by external national appraisers, and investment properties with a total carrying value of $7,000.9 million (December 31, 2020 – $7,424.2 million) were valued internally by the Trust. Based on these valuations, the weighted average discount rate on the Trust's income properties portfolio as at March 31, 2021 was 6.46% (December 31, 2020 – 6.46%).

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

			March 31, 2021			
			Terminal Capitalization Rate		Discount Rate	
Class	**Valuation Method**	**Carrying Value**	**Weighted Average (%)**	**Range (%)**	**Weighted Average (%)**	**Range (%)**
Income properties	Discounted cash flow	**8,247,118**	**5.94**	**4.25 – 7.79**	**6.46**	**4.65 – 8.54**

Class	**Valuation Method**	**Carrying Value**	**Weighted Average Discount Rate (%)**
Properties under development	Land, development and construction costs recorded at market value	**441,749**	**N/A**
	Discounted cash flow	**167,300**	**6.63**
		609,049	
Balance – end of period		**8,856,167**	

			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	Land, development and construction costs recorded at market value	416,964	N/A
	Direct income capitalization	165,996	6.22
		582,960	
Balance – end of period		8,850,390	

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 net fair value adjustment (loss) on revaluation of investment properties of $18.8 million, of which $22.9 million fair value adjustment (loss) related to income properties is offset by $4.1 million fair value adjustment (gain) related to properties under development (excluding investment properties recorded in equity accounted investments) for the three months ended March 31, 2021, which was primarily attributed to changes in leasing assumptions in the retail portfolio for ECL, renewal probabilities of existing tenants, and potential vacancies. It is important to note that the Trust has not factored into its IFRS values any value that accrues from future development of mixed-use space on the Trust's properties and that it expects substantial future value increments to be derived from its proposed mixed-use development initiatives. See further discussion on the impact of COVID-19 on the Trust's operations in the Results of Operations section above.

Acquisitions of Investment Properties

In February 2021, the Trust acquired a parcel of land totalling 7.6 acres in Aurora, Ontario to develop a residential property, for a purchase price of $12.2 million, paid in cash and adjusted for costs of acquisition and other working capital amounts.

See also Note 3, "Acquisitions and Earnouts", in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021.

In addition, see "Equity Accounted Investments" below for acquisitions/property contributions completed during the three months ended March 31, 2021 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:

	Three Months Ended March 31, 2021			Year Ended December 31, 2020		
(in thousands of dollars)	**Investment in Associates**	**Investment in Joint Ventures**	**Total**	Investment in Associates	Investment in Joint Ventures	Total
Investment – beginning of period	**354,992**	**108,212**	**463,204**	294,499	50,877	345,376
Operating Activities:						
Earnings (losses)	**7,931**	**7,387**	**15,318**	62,369	(397)	61,972
Distributions from operations[1]	**(53,324)**	**(108)**	**(53,432)**	(3,987)	(783)	(4,770)
Financing Activities:						
Fair value adjustment on loan	**982**	**—**	**982**	4,218	—	4,218
Loan repayment	**—**	**—**	**—**	(3,987)	—	(3,987)
Investing Activities:						
Cash contribution (distributions)	**(498)**	**883**	**385**	4,061	(7,121)	(3,060)
Property contribution	**—**	**6,850**	**6,850**	—	2,036	2,036
Acquisition and related costs[2]	**—**	**—**	**—**	(2,181)	63,600	61,419
Investment – end of period	**310,083**	**123,224**	**433,307**	354,992	108,212	463,204

(1) During the three months ended March 31, 2021, the distribution in the amount of $52.8 million was satisfied by a non-cash settlement of the PCVP loan payable, see also the "Debt" section.
(2) 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 investment in associates as reflected in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021:

		Ownership Interest (%)	
As at	Principal Intended Activity	**March 31, 2021**	December 31, 2020
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 19, "Related party transactions", in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021) to develop the Vaughan Metropolitan Centre ("SmartVMC"), which is expected to consist of approximately 11.0 million square feet of mixed-use space once fully developed, on 53 acres of development land in Vaughan, Ontario.

In 2017, the Trust entered into the VMC Residences Limited Partnership ("Residences LP") and VMC Residences III Limited Partnership ("Residences III LP") with Penguin and CentreCourt Developments, to develop three residential condominium towers and a related parking facility, located on the SmartVMC site.

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

In 2019, the Trust acquired, through PCVP, a 50% interest in a parcel of land ("700 Applewood") with approximately 15.5 acres in Vaughan, Ontario, proximate to SmartVMC available for development, 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. 700 Applewood was previously occupied by the Trust's head office, and is presently occupied by a new Walmart store, and future development of high-rise residential buildings is expected.

In connection with this acquisition, an interest-free loan receivable with a principal amount of $103.3 million and a maturity of December 2029 was extended to Penguin to finance its interest in PCVP's acquisition of 700 Applewood. In March 2020, the Trust assumed this loan receivable from Penguin (see also Note 5(b), footnote 4 in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021), along with an offsetting non-interest bearing note payable of an equal amount (see Note 9(b)(iii), footnote 2 in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021).

Note that the limited partnerships involved in 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".

Investment in joint ventures

The following table summarizes the Trust's ownership interest in each joint venture investment grouped by their principal intended activities as reflected in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021:

As at		**March 31, 2021**		December 31, 2020	
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**	8	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 LPs), Hopedale RR (Propco and Opco LPs), Baymac RR Propco LP, Oakville Garden Drive RR PropCo LP and Markham Main Street RR PropCo LP	*Revera*	**5**	**50.0**	6	50.0
Joint Ventures: Ottawa SW (PropCo and OpCo LPs)	*Selection Group*	**1**	**50.0**	1	50.0
Residential apartments					
Joint Venture: Laval C Apartments LP	*Jadco*	**1**	**50.0**	1	50.0
Joint Venture: Balliol/Pailton LP	*Greenwin*	**1**	**75.0**	1	75.0
Joint Venture: Mascouche North Apartments LP	*Cogir*	**1**	**80.0**	—	—
Total		**19**		19	

Acquisitions completed during the three months ended March 31, 2021

In February 2021, pursuant to the 50:50 joint venture previously formed with SmartStop known as Kingspoint Self Storage LP, the Trust contributed development land and SmartStop contributed cash into the joint venture, for development of a self-storage facility which is located in Brampton, Ontario, totalling 1.5 acres.

In March 2021, the Trust formed a joint venture with Cogir, and pursuant to the joint venture agreement, the Trust contributed its interest in a parcel of land totalling 2.7 acres located in Mascouche, Quebec into the joint venture while Cogir contributed cash. The purpose of this joint venture is to develop and operate a rental apartment complex.

See also Note 4, "Investment properties", in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021.

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)	**March 31, 2021**	December 31, 2020	Variance ($)
Amounts receivable and other			
Tenant receivables	**53,466**	57,563	(4,097)
Unbilled other tenant receivables	**13,186**	8,287	4,899
Receivables from related party – excluding equity accounted investments	**2,723**	1,311	1,412
Receivables from related party – equity accounted investments	**915**	—	915
Other non-tenant receivables	**1,265**	2,898	(1,633)
Other	**7,211**	8,327	(1,116)
	78,766	78,386	380
Allowance for ECL	**(20,758)**	(19,742)	(1,016)
Amounts receivable and other, net of ECL	**58,008**	58,644	(636)
Deferred financing costs	**1,250**	1,173	77
Prepaid expenses and deposits	**13,375**	7,269	6,106
	72,633	67,086	5,547

As at March 31, 2021, total amounts receivable and other, deferred financing costs, and prepaid expenses and deposits increased by $5.5 million as compared to December 31, 2020. This increase was primarily attributed to the following:

- $6.1 million increase in prepaid realty taxes and others;
- $2.3 million increase in receivables from related party; and
- $0.8 million increase in tenant receivables;

Partially offset by:

- $1.0 million net additional ECL provided during the quarter; and
- $2.7 million decrease in other non-tenant receivables and other.

Tenant receivables

Approximately 60% of the Trust's tenant base are businesses offering "essential" services and over 93% of the Trust's tenant billings for the three months ended March 31, 2021 have been collected. The Trust and its tenants are well-positioned for the reopening of the economy and the Trust continues to work with its tenants on rent collections and payment solutions.

The following table provides some additional details on the Trust's tenant billings, amounts received, abatements and deferral arrangements negotiated up to April 23, 2021, and the remaining balance outstanding subject to deferral arrangements under negotiation and before ECL provision:

(in thousands of dollars)	**Three Months Ended March 31, 2021**	**As a %**	Nine Months Ended December 31, 2020(1)	As a %
Total recurring tenant billings	**200,061**	100.0	601,251	100.0
Less: Amounts received directly from tenants to date	**187,677**	93.8	530,530	88.2
Balance outstanding	**12,384**	6.2	70,721	11.8
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
Rent abatements provided to tenants	**19**	—	5,184	0.9
Balance outstanding	**12,365**	6.2	39,443	6.6
Less: Deferral arrangements negotiated	**446**	0.2	7,213	1.2
Rents to be collected subject to rent deferral arrangements under negotiation and before ECL provision	**11,919**	6.0	32,230	5.4

(1) The Trust identifies the nine months ended December 31, 2020 as the beginning of the COVID-19 pandemic period.

The table below represents a summary of total tenant receivables and ECL balances as at March 31, 2021 and December 31, 2020:

(in thousands of dollars)	**March 31, 2021**	December 31, 2020
Tenant receivables	**53,466**	57,563
Unbilled other tenant receivables	**13,186**	8,287
Total tenant receivables	**66,652**	65,850
Less: Allowance for ECL	**20,758**	19,742
Balance outstanding subject to deferral arrangements	**45,894**	46,108

Mortgages, Loans and Notes Receivable, and Interest Income

The following table summarizes mortgages, loans and notes receivable:

(in thousands of dollars)	**March 31, 2021**	December 31, 2020	Variance ($)
Mortgages, loans and notes receivable			
Mortgages receivable (Mezzanine Financing)	**143,841**	144,205	(364)
Loans receivable[(1)]	**249,996**	241,683	8,313
Notes receivable	**2,924**	2,924	—
	396,761	388,812	7,949

(1) Includes $101.4 million due from Penguin (December 31, 2020 – $104.1 million), see "Loans Receivable" subsection.

Mortgages Receivable (Mezzanine Financing)

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 Period-End (%)**	**Potential Area Upon Exercising Purchase Option (sq. ft.)**
Aurora (South), ON[(5)(8)]	17,001	2,804	38,964	17,001	March 2022	August 2028	3.41	59,940
Innisfil, ON[(2)(7)]	22,392	9,468	39,740	22,392	May 2022	August 2028	4.15	—
Salmon Arm, BC[(2)(4)]	15,528	7,839	30,080	15,528	May 2022	August 2028	4.15	—
Pitt Meadows, BC[(6)(8)]	30,958	5,570	85,653	30,958	November 2023	August 2028	3.81	36,950
Vaughan (7 & 427), ON[(5)(8)]	19,073	4,707	36,100	19,073	December 2023	August 2028	3.53	76,000
Caledon (Mayfield), ON[(7)(8)]	10,457	1,827	26,689	10,457	April 2024	August 2028	3.67	101,865
Toronto (StudioCentre), ON[(2)(6)(8)]	28,432	3,526	53,857	28,432	June 2024	August 2028	3.58	227,831
	143,841	**35,741**	**311,083**	**143,841**			**3.76** [(1)]	**502,586**

(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 these mortgages 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 March 31, 2021, 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 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 which has been reduced to $311.1 million resulting from $1.7 million in payments received during the three months ended March 31, 2021.

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 date of each mortgage, at a variable rate based on the banker's acceptance rate plus 2.75% to 4.20%; and from the maturity date of each mortgage to the extended maturity date (August 31, 2028), at a variable rate based on the banker's acceptance rate plus 4.00% to 5.00%. Prior to December 9, 2020, interest on these mortgages accrued as follows: (i) at a variable rate based on the banker's acceptance rate plus 1.75% to 4.20% or at the Trust's cost of capital (as defined in the applicable mortgage agreement) plus 0.25%; or (ii) at fixed rates of 6.35% to 7.50% which was added to the outstanding principal up to a predetermined maximum accrual after which it was payable in cash on a monthly or quarterly basis. Additional interest of $107.8 million (December 31, 2020 – $109.2 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, $143.8 million (December 31, 2020 – $144.2 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 amounts that are guaranteed decrease on achievement of certain specified value-enhancing events. Management considers all mortgages receivable 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	54,921
2023	2	50,031
2024	2	38,889
	7	**143,841**

The following table illustrates the activity in mortgages receivable:

	Three Months Ended March 31	
(in thousands of dollars)	**2021**	2020
Balance – beginning of period	**144,205**	138,762
Interest accrued	**1,331**	1,870
Interest payments	**(1,695)**	—
Balance – end of period	**143,841**	140,632

Loans Receivable

The following table summarizes loans receivable:

(in thousands of dollars)		
Issued to	**March 31, 2021**	December 31, 2020
Penguin	**101,409**	104,143
Equity accounted investments	**142,429**	134,690
Unrelated parties	**6,158**	2,850
	249,996	241,683

See also Note 5(b) in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021 for more details about loans receivable, including committed facilities, maturity dates and interest rates.

The following table illustrates the activity in loans receivable:

	Three Months Ended March 31	
(in thousands of dollars)	**2021**	2020
Balance – beginning of period	**241,683**	131,119
Loans issued(1)	**3,308**	85,238
Advances	**6,791**	259
Interest accrued	**1,086**	816
Fair value adjustments(2)	**1,088**	—
Repayments	**(3,960)**	—
Balance – end of period	**249,996**	217,432

(1) During the three months ended March 31, 2021, a vendor take-back loan was issued to an unrelated party and in the amount of $3.3 million (March 31, 2020 – Includes loans issued to Penguin totalling $78.3 million).

(2) Represents the fair value adjustment of $1.1 million recorded during the three months ended March 31, 2021 (three months ended March 31, 2020 – $nil) in connection with the loan issued as part of the 700 Applewood purchase.

Notes Receivable

Notes receivable of $2.9 million (December 31, 2020 – $2.9 million) have been granted to Penguin (see also, "Related Party Transactions"). These secured demand notes bear interest at 9.00% per annum (December 31, 2020 – 9.00%).

Interest Income

The following table summarizes the components of interest income:

	Three Months Ended March 31		
(in thousands of dollars)	**2021**	2020	Variance ($)
Interest income			
Mortgage interest	**1,331**	1,870	(539)
Loan interest	**1,177**	1,140	37
Notes receivable interest	**65**	66	(1)
Bank interest	**1,029**	203	826
	3,602	3,279	323

For the three months ended March 31, 2021, interest income increased by $0.3 million as compared to the three months ended March 31, 2020. This increase was primarily attributed to:

- $0.8 million increase in bank interest as a result of cash deposits from the issuance of debentures in June and December of 2020;

Partially offset by:

- $0.5 million decrease in mortgage interest principally due to lower interest rates associated with the loan amendments made in December 2020 (as noted above in "Mortgages receivable amendments") and lower banker's acceptance rates.

Section VII — Financing and Capital Resources

Capital Resources and Liquidity

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

(in thousands of dollars)	**March 31, 2021**	December 31, 2020	Variance ($)
Cash and cash equivalents	**399,948**	794,594	(394,646)
Remaining operating facility(1)	**491,646**	491,373	273
	891,594	1,285,967	(394,373)
Operating facility – accordion feature	**250,000**	250,000	—
	1,141,594	1,535,967	(394,373)

(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 and issuances 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 March 31, 2021, the Trust's cash and cash equivalents decreased by $394.6 million as compared to December 31, 2020, which is primarily due to the following:

- $360.4 million representing repayment of debt, which is principally due to the $302.6 million repayment of unsecured debt, and $57.8 million repayment of secured debt;
- $83.1 million of distributions paid on Trust Units, non-controlling interests and Units classified as liabilities;
- $36.3 million representing net additions to investing activities including investment properties, equity accounted investments, Earnouts, and equipment;
- $2.8 million relating to advances of mortgages and loans receivable net of repayments; and
- $0.5 million relating to the payment of lease liabilities;

Partially offset by the following:

- $79.5 million of cash provided by operating activities;
- $4.5 million relating to the proceeds from issuance of unsecured debt; and
- $4.5 million of net proceeds from sale of investment properties.

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 March 31, 2021 is 50.2% (December 31, 2020 – 50.1%). Including the Trust's capital resources as at March 31, 2021, the Trust could invest an additional $1,550.9 million (December 31, 2020 – $1,571.5 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 $5.3 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 March 31, 2021.

The following table presents the estimated amount and timing of certain of the Trust's future obligations including development obligations as at March 31, 2021:

	Total	2021	2022	2023	2024	2025	Thereafter
Secured debt	**1,276,917**	121,879	261,417	179,064	150,451	397,813	166,293
Unsecured debt	**3,533,189**	325,398	1,918	200,000	420,000	590,000	1,995,873
Accounts payable	**227,530**	227,530	—	—	—	—	—
Other payable	**31,501**	10,761	—	10,608	—	8,130	2,002
Long term incentive plan	**902**	—	250	527	125	—	—
Interest rate swap agreements	**6,768**	—	—	—	5,675	1,093	—
	5,076,807	**685,568**	**263,585**	**390,199**	**576,251**	**997,036**	**2,164,168**
Mortgage receivable advances (repayments)(1)	**167,242**	19,634	27,069	(10,197)	(1,892)	(480)	133,108
Development obligations (commitments)(2)	**14,991**	14,991	—	—	—	—	—
Total	**5,259,040**	**720,193**	**290,654**	**380,002**	**574,359**	**996,556**	**2,297,276**

(1) Mortgages receivable of $143.8 million at March 31, 2021, and further forecasted commitments of $167.2 million, mature over a period extending to 2028 if the Trust does not exercise its option to acquire the investment properties. Refer to Note 5, "Mortgages, loans and notes receivable", in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021, for timing of principal repayments.

(2) The Trust is in the process of refining its estimates of development obligations for the years subsequent to 2021. 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 investments' future obligations including development obligations as at March 31, 2021:

(in thousands of dollars)	Total	2021	2022	2023	2024	2025	Thereafter
Secured and unsecured debt	**490,886**	70,649	221,365	37,406	6,220	6,478	148,768
Development obligations (commitments)(1)	**196,634**	48,682	53,608	51,118	43,226	—	—
Total	**687,520**	**119,331**	**274,973**	**88,524**	**49,446**	**6,478**	**148,768**

(1) The Trust is in the process of refining its estimates of development obligations for the years subsequent to 2021. 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 investments' future obligations including development obligations as at March 31, 2021:

(in thousands of dollars)	Total	2021	2022	2023	2024	2025	Thereafter
Secured and unsecured debt	**198,312**	34,987	83,616	10,353	2,596	2,701	64,059
Development obligations (commitments)(1)	**61,476**	22,619	21,891	16,966	—	—	—
Total Trust's share	**259,788**	**57,606**	**105,507**	**27,319**	**2,596**	**2,701**	**64,059**

(1) The Trust is in the process of refining its estimates of development obligations for the years subsequent to 2021. 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:

(in thousands of dollars)	March 31, 2021	December 31, 2020
Current assets	**621,285**	1,012,729
Less: Current liabilities	**(716,807)**	(1,096,762)
Working capital deficiency	**(95,522)**	(84,033)
Less: Current portion of debt	**(476,867)**	(854,261)
Net working capital surplus	**381,345**	770,228

As at March 31, 2021 the Trust experienced a working capital deficiency of $95.5 million (December 31, 2020 – $84.0 million). This deficiency includes mortgages, unsecured debentures and operating lines of credit of $476.9 million (December 31, 2020 – $854.3 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 $381.3 million as at March 31, 2021 (December 31, 2020 – $770.2 million surplus).

It is management's intention to repay $323.1 million in maturing Series T debentures and approximately $89.5 million of maturing secured debt in the remainder of 2021. The Trust has an unencumbered asset pool with an approximate fair value totalling $5.9 billion, which could generate gross financing proceeds on income properties of approximately $3.8 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 issuances of unsecured debentures, and equity, 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 "Completed and Future Earnouts and Developments 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 March 31		
(in thousands of dollars, except per Unit and other Unit amounts)	**2021**	2020	Variance
Adjusted salaries and related costs attributed to leasing	**1,503**	1,609	(106)
Actual sustaining leasing commissions	**604**	451	153
Actual sustaining tenant improvements	**457**	442	15
Total actual sustaining leasing and related costs	**2,564**	2,502	62
Actual sustaining capital expenditures (recoverable and non-recoverable)	**1,361**	603	758
Total actual sustaining leasing costs and capital expenditures	**3,925**	3,105	820
Weighted average number of Units outstanding – diluted	**173,417,020**	172,515,723	901,297
Per Unit – diluted ($)	**0.02**	0.02	0.00

For the three months ended March 31, 2021, the total sustaining leasing costs and capital expenditures were $3.9 million, as compared to $3.1 million in the same period in 2020, representing an increase of $0.8 million. This increase is due to the following:

- $0.7 million increase 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
- $0.1 million net increase in leasing and related costs.

Debt

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

As at	March 31, 2021			December 31, 2020		
(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	**1,276,917**	**3.7**	**3.62**	1,327,760	3.8	3.68
Unsecured debt	**3,371,551**	**5.5**	**3.22**	3,670,929	5.2	3.22
Unsecured loan from equity accounted investments	**161,638**	**N/A**	**—**	211,434	N/A	—
Revolving operating facility	**—**	**—**	**—**	—	—	—
Total debt before equity accounted investments	**4,810,106**	**N/A**	**—**	5,210,123	N/A	—
Less: unsecured loan from equity accounted investments[1]	**(84,302)**	**N/A**	**—**	(134,687)	N/A	—
Subtotal	**4,725,804**	**5.0**	**3.27**	5,075,436	4.9	3.29
Share of secured debt (equity accounted investments)	**137,124**	**10.6**	**3.29**	134,336	11.1	3.34
Share of unsecured debt (equity accounted investments)	**61,188**	**1.0**	**2.21**	51,588	1.1	2.19
Share of debt classified as equity accounted investments	**198,312**	**7.6**	**2.96**	185,924	8.3	3.02
Total debt including equity accounted investments	**4,924,116**	**5.1**	**3.26**	5,261,360	5.0	3.28

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

The following table summarizes the activity in debt including debt recorded in equity accounted investments, for the three months ended March 31, 2021:

(in thousands of dollars)	**Secured Debt**	**Unsecured Debt**	**Loan from Equity Accounted Investments**	**Equity Accounted Investments**	**Total**
Balance – January 1, 2021	1,327,760	3,670,929	76,747	185,924	5,261,360
Borrowings	6,154	—	1,089	12,993	20,236
Scheduled amortization	(11,386)	—	—	(568)	(11,954)
Repayments	(45,696)	(300,000)	(500)	—	(346,196)
Amortization of acquisition fair value adjustments	(137)	—	—	(38)	(175)
Financing costs incurred, net of additions	222	622	—	1	845
Balance – March 31, 2021	**1,276,917**	**3,371,551**	**77,336**	**198,312**	**4,924,116**

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	32,371	89,508	121,879	10	2.40
2022	41,111	220,306 (1)	261,417	19	3.35
2023	36,720	142,344	179,064	14	4.47
2024	31,755	118,696	150,451	12	3.63
2025	21,124	376,689	397,813	31	3.43
Thereafter	32,890	135,081	167,971	14	4.21
Total	**195,971**	**1,082,624**	**1,278,595**	**100**	**3.59**
Acquisition date fair value adjustment			1,403		
Unamortized financing costs			(3,081)		
			1,276,917		**3.62**

(1) Includes construction loan in the amount of $58.1 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)	**March 31, 2021**	December 31, 2020
Unsecured debentures (a)	**2,972,225**	3,271,625
Credit facilities (b)	**399,326**	399,304
	3,371,551	3,670,929
Other unsecured debt from equity accounted investments (c)	**161,638**	211,434
	3,533,189	3,882,363

a) *Unsecured debentures*

The following table summarizes unsecured debentures issued and outstanding:

(in thousands of dollars)

Series	Maturity Date	Annual Interest Rate (%)	March 31, 2021	December 31, 2020
Series I	May 30, 2023	3.985	**200,000**	200,000
Series M	July 22, 2022	3.730	**—**	150,000
Series N	February 6, 2025	3.556	**160,000**	160,000
Series O	August 28, 2024	2.987	**100,000**	100,000
Series P	August 28, 2026	3.444	**250,000**	250,000
Series Q	March 21, 2022	2.876	**—**	150,000
Series S	December 21, 2027	3.834	**250,000**	250,000
Series T	June 23, 2021	2.757	**323,120**	323,120
Series U	December 20, 2029	3.526	**450,000**	450,000
Series V	June 11, 2027	3.192	**300,000**	300,000
Series W	December 11, 2030	3.648	**300,000**	300,000
Series X	December 16, 2025	1.740	**350,000**	350,000
Series Y	December 18, 2028	2.307	**300,000**	300,000
		3.123 (1)	**2,983,120**	3,283,120
		Unamortized financing costs	**(10,895)**	(11,495)
			2,972,225	3,271,625

(1) Represents the weighted average annual interest rate and excludes deferred financing costs.

Unsecured debenture activities for the three months ended March 31, 2021

Redemptions

In January 2021, the Trust completed the redemption of its 3.730% Series M senior unsecured debentures and 2.876% Series Q senior unsecured debentures, in aggregate principal amounts of $150.0 million and $150.0 million, respectively, with yield maintenance costs and accrued interest payable. The yield maintenance costs of $11.1 million relating to the redemptions were recorded in the Trust's consolidated financial statements for the year ended December 31, 2020. The redemptions were funded by the proceeds from the issuance of 1.740% Series X and 2.307% Series Y senior unsecured debentures in December 2020.

Credit Rating of Unsecured Debentures

DBRS provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfil its obligations. An investment-grade rating must exceed "BB", with the highest rating being "AAA". The Trust's unsecured debentures are rated "BBB(high)" with a stable trend as at March 31, 2021.

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	March 31, 2021	December 31, 2020
Non-revolving:					
August 2018[1][2]	January 31, 2025	2.980	80,000	**80,000**	80,000
March 2019[1]	March 7, 2024	3.590	150,000	**150,000**	150,000
May 2019[1][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		**(674)**	(696)
				399,326	399,304

(1) The Trust entered into interest rate swap agreements to convert the variable interest rate of the banker's acceptance rate plus 1.20% into a weighted average fixed interest rate of 3.28% per annum. The weighted average term to maturity of the interest rate swaps is 3.24 years. Hedge accounting has not been applied to the interest rate swap agreements.

(2) 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%.

(3) The Trust has the option to extend the maturity date of this facility twice, each for a one-year period. In addition, the Trust has entered into an interest swap agreement associated with this facility, the maturity date of which is June 24, 2029.

(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 net of fair value adjustments totalling $161.6 million (December 31, 2020 – $211.4 million) 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:

(in thousands of dollars)	March 31, 2021	December 31, 2020
PCVP (5.00% discount rate)[1]	**80,106**	79,624
PCVP (5.75% discount rate)[2]	**77,336**	76,747
Laval C Apartment LP	**1,918**	1,321
Self-storage joint ventures	**1,625**	265
VMC Residences LP[3]	**653**	53,477
	161,638	211,434

(1) In connection with the 700 Applewood purchase, in December 2019, the loan has a principal amount outstanding of $103.3 million (December 31, 2020 – $103.8 million), is non-interest bearing, and is repayable at the end of 10 years. As at March 31, 2021, the loan balance of $80.1 million is net of a fair value adjustment totalling $23.2 million (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 $103.3 million, is non-interest bearing, and is repayable at the end of 10 years. As at March 31, 2021, the loan balance of $77.3 million is net of a fair value adjustment totalling $25.9 million (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) reflecting offsetting non-interest bearing loan receivable amount, in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021.

(3) In connection with the Transit City condominium closings during the period from September to December 2020, the Trust received $53.5 million that is non-interest bearing. During the three months ended March 31, 2021, $52.8 million of this amount was settled. See also the "Equity accounted investments" subsection.

Revolving Operating Facility

As at March 31, 2021, 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 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. The following table summarizes components of the Trust's revolving operating facility:

(in thousands of dollars)	**March 31, 2021**	December 31, 2020
Revolving operating facility	**500,000**	500,000
Letters of credit – outstanding	**(8,354)**	(8,627)
Remaining unused operating facility	**491,646**	491,373
Operating facility – accordion feature	**250,000**	250,000
	741,646	741,373

In addition to the letters of credit outstanding on the Trust's revolving operating facility (see above), the Trust also has $21.9 million of letters of credit outstanding with other financial institutions as at March 31, 2021 (December 31, 2020 – $20.6 million).

Unencumbered Assets

As at March 31, 2021, the Trust had $5.9 billion of unencumbered assets (December 31, 2020 – $5.8 billion), which reflects the Trust's share of the value of investment properties. Expressed as a percentage, the Trust earned approximately 68.6% of its NOI from unencumbered assets (December 31, 2020 – 59.4%). The percentage of NOI from unencumbered assets increased by 9.2% as compared to the previous quarter, which was primarily due to condominium sales recorded during the year ended December 31, 2020.

In connection with this pool of unencumbered assets, management estimates the total Forecasted Annualized NOI for 2021 to be $318.9 million (December 31, 2020 – $325.9 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 March 31		
(in thousands of dollars)		**2021**	2020	Variance
Interest at stated rates		**38,730**	37,143	1,587
Amortization of acquisition date fair value adjustments on assumed debt		**(137)**	(227)	90
Amortization of deferred financing costs		**1,037**	962	75
Distributions on vested deferred units and Units classified as liabilities		**1,500**	1,401	99
Total interest expense before interest capitalized	**(A)**	**41,130**	39,279	1,851
Less:				
Interest capitalized to properties under development		**(3,692)**	(4,533)	841
Interest capitalized to residential development inventory		**(237)**	(228)	(9)
Total interest capitalized	**(B)**	**(3,929)**	(4,761)	832
Total interest expense	**(C = A + B)**	**37,201**	34,518	2,683
Capitalized interest as a percentage of interest expense	**(D = B / A)**	**9.6 %**	12.1 %	(2.5)%

For the three months ended March 31, 2021, interest expense totalled $37.2 million, representing an increase of $2.7 million as compared to the same period in 2020, which was primarily due to the following:

- $1.8 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 a higher average interest-bearing debt balance during this quarter, principally resulting from the unsecured debenture issuance of $600.0 million in June 2020 and $650.0 million in December 2020 net of repayment and redemptions of unsecured debentures totalling $276.9 million in December 2020 and $300.0 million in January 2021 (see "Debt" for details);

- $0.8 million decrease in interest capitalized, principally due to a decrease in interest capitalized to properties under development; and
- $0.1 million increase in distributions on vested deferred units and Units classified as liabilities, principally due to the growth in the number of vested deferred units as compared to the same period in 2020.

Financial Covenants

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

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

The 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 three months ended March 31, 2021, the Trust was in compliance with all financial covenants.

Ratios	Threshold	**March 31, 2021**	December 31, 2020
Interest coverage(1)	≥ 1.65X	**3.2X**	3.2X
Interest coverage (net of capitalized interest expense)(2)	N/A	**3.6X**	3.7X
Fixed charge coverage(3)	≥ 1.5X	**2.4X**	2.5X
Debt to aggregate assets(3)(4)(5)	≤ 65%	**44.7 %**	44.6 %
Debt to Gross Book Value (excluding convertible debentures)(1)(4)(5)	≤ 60%	**50.2 %**	50.1 %
Debt to Gross Book Value (including convertible debentures)(1)(4)(5)	≤ 65%	**50.2 %**	50.1 %
Secured debt to aggregate assets(3)(5)	≤ 40%	**13.9 %**	14.5 %
Unsecured to Secured debt ratio(2)(5)	N/A	**69%/31%**	68%/32%
Unencumbered assets to unsecured debt(3)(5)	≥ 1.3X	**1.9X**	1.9X
Adjusted Debt to Adjusted EBITDA(2)(5)	N/A	**8.6X**	8.5X
Unitholders' equity (in thousands)(1)(3)	≥ $2,000,000	**$5,149,986**	$5,166,975

(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 March 31, 2021, cash-on-hand of $397.7 million (December 31, 2020 – $754.4 million) was excluded for the purposes of calculating the ratios.

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	March 31, 2021	December 31, 2020	Variance (#)
Trust Units	N/A	**144,618,657**	144,618,657	—
Smart Limited Partnership	Class B	**16,416,667**	16,416,667	—
Smart Limited Partnership II	Class B	**756,525**	756,525	—
Smart Limited Partnership III	Class B	**4,026,615**	4,006,661	19,954
Smart Limited Partnership IV	Class B	**3,093,910**	3,067,593	26,317
Smart Oshawa South Limited Partnership	Class B	**710,416**	710,416	—
Smart Oshawa Taunton Limited Partnership	Class B	**374,223**	374,223	—
Smart Boxgrove Limited Partnership	Class B	**170,000**	170,000	—
Total Units classified as equity		**170,167,013**	170,120,742	46,271
Smart Limited Partnership	Class D	**311,022**	311,022	—
Smart Limited Partnership	Class F	**8,708**	8,708	—
Smart Oshawa South Limited Partnership	Class D	**260,417**	260,417	—
ONR Limited Partnership	Class B	**1,248,140**	1,248,140	—
ONR Limited Partnership I	Class B	**272,183**	272,183	—
Total Units classified as liabilities		**2,100,470**	2,100,470	—
Total Units		**172,267,483**	172,221,212	46,271

As of May 12, 2021, the Trust has 170,178,411 Units outstanding which are classified as equity, and 2,100,470 Units outstanding which are classified as liabilities.

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

(in thousands of dollars)	**Three Months Ended March 31, 2021**	Three Months Ended March 31, 2020
Unitholders' Equity – beginning of period	**5,166,975**	5,367,752
Issuance of Trust Units	**—**	17,354
Unit issuance costs	**(18)**	(23)
Issuance of LP Units classified as equity	**1,161**	—
Net income and comprehensive income	**60,559**	64,201
Distributions	**(78,691)**	(78,949)
Unitholders' Equity – end of period	**5,149,986**	5,370,335

Distributions

The Trust's Board of Trustees is responsible for approving distributions. See also details in the "Determination of Distributions" subsection.

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

For the three months ended March 31, 2021, the Trust paid $79.7 million in cash distributions (for the three months ended March 31, 2020 – $62.5 million in cash distributions and the balance of $17.3 million by issuing 578,744 Trust Units under the DRIP).

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

	Three Months Ended March 31	
(in thousands of dollars)	**2021**	2020
Distributions declared on:		
Trust Units	**66,883**	67,318
LP Units	**11,808**	11,631
Distributions on Units classified as equity	**78,691**	78,949
Distributions on LP Units classified as liabilities	**969**	969
Total distributions declared	**79,660**	79,918
Distributions reinvested through DRIP	**—**	(17,331)
Total distributions declared, net of DRIP	**79,660**	62,587
DRIP as a percentage of total distributions declared	**—%**	21.7%

Normal Course Issuer Bid

The Trust renewed its normal course issuer bid ("NCIB") program on March 31, 2021. The NCIB program will terminate on March 30, 2022, 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 12,935,063 of its Trust Units representing approximately 10% of the public float as at March 19, 2021 by way of normal course purchases effected through the facilities of the TSX and/or alternative Canadian trading systems. The Trust will make purchases under the NCIB program in accordance with the requirements of the TSX and the price which the Trust will pay for any such Trust Units will be the market price of any such Trust Units at the time of acquisition, or such other price as may be permitted by the TSX. In connection with the NCIB program, the Trust entered into an automatic repurchase plan with its designated broker to allow for purchases of Trust Units during certain pre-determined black-out periods, subject to certain parameters as to price and number of Trust Units. Outside of these pre-determined black-out periods, Trust Units will be repurchased in accordance with management's discretion, subject to applicable law. For purposes of the TSX rules, a maximum of 158,197 Trust Units may be purchased by the Trust on any one day under the NCIB, except where purchases are made in accordance with the "block purchase exception" of the TSX rules. The average daily trading volume for the six months ended February 2021 was 632,790 Trust Units. All Trust Units purchased by the Trust will be cancelled. During the three months ended March 31, 2021, the Trust did not purchase for cancellation any Trust Units under this NCIB program.

The Trust's previous NCIB program commenced on March 31, 2020 and terminated on March 30, 2021. Under this NCIB program, the Trust was 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 through the facilities of the TSX and/or alternative Canadian trading systems. The Trust did not purchase any Trust Units under this NCIB program.

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 March 31, 2021, there were 8,241,544 additional Special Voting Units outstanding (December 31, 2020 – 8,241,544). These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust, nor are they convertible into any Trust securities. There is no value assigned to the Special Voting Units. A five-year extension of the Voting Top-Up Right was approved by Unitholders at the Trust's annual general and special meeting held on December 9, 2020. For further details, see the Trust's management information circular dated November 6, 2020, filed on the System for Electronic Document Analysis and Retrieval ("SEDAR").

As at March 31, 2021, Penguin owned 21.5% 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 March 31, 2021, 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 the Trust's employees/personnel who service this particular property,
e) for Penguin's 50% interest in a property in Toronto co-owned with Revera to develop a retirement home, Penguin will pay 50% of the development fees it earns to the Trust for the development services provided by the Trust, and
f) the Trust will continue to manage and develop all other Penguin properties.

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

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

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

Mezzanine Loan Amending Agreements between the Trust and its affiliates and Penguin
Effective November 5, 2020, all loan maturity dates have been extended to August 31, 2028, with a new rate structure for the extension period of each mortgage receivable (see also Note 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 (ranging from $26.00 to $34.00). 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 19, "Related party transactions, in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021). As at March 31, 2021, none of the Unit price thresholds had been achieved.

The following table summarizes the activity in the EIP:

	Three Months Ended March 31, 2021
Balance – beginning of period	—
Amortization costs(1)	**1,073**
Fair value adjustment(1)	**312**
Balance – end of period	**1,385**

(1) These amounts were capitalized to properties under development.

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

- Note 3(b) 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 8 referring to Amounts receivable and other
- Note 10 referring to Accounts payable and other payables
- Note 11 referring to Other financial liabilities
- Note 15 referring to Rentals from investment properties and other
- Note 16 referring to Property operating costs and other, and
- Note 17 relating to General and administrative expenses.

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

		Three Months Ended March 31	
(in thousands of dollars)	Note(1)	**2021**	2020
Related party transactions with Penguin			
Acquisitions and Earnouts:			
Earnouts		**2,138**	291
Revenues:			
Service and other revenues:			
Transition services fee revenue		**—**	500
Management fee and other services revenue pursuant to the Development and Services Agreement		**1,930**	1,674
Support services		**584**	210
	15	**2,514**	2,384
Interest income from mortgages and loans receivable	5	**1,534**	2,118
Rents and operating cost recoveries included in rentals from income properties (includes rental income from Penguin Pick-Up of $69 (three months ended March 31, 2020 – $14))	15	**261**	223
		4,309	4,725
Expenses and other payments:			
Master planning services:			
Capitalized to properties under development	17	**1,791**	1,750
Development fees and interest expense (capitalized to investment properties)		**102**	10
Rent and operating costs (included in general and administrative expense and property operating costs)		**769**	731
Marketing, time billings and other administrative costs (included in general and administrative expense and property operating costs)		**20**	12
Consulting service fees and others (included in general and administrative expenses)		**58**	—
Expenditures on tenant inducement		**—**	—
		2,740	2,503
Related party transactions with PCVP			
Revenues:			
Interest income from mortgages and loans receivable	5	**647**	635
Expenses and other payments:			
Rent and operating costs (included in general and administrative expense and property operating costs)	16, 17	**677**	651

(1) Relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021.

(in thousands of dollars)	Note[1]	**March 31, 2021**	December 31, 2020
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable[2]	8	**2,723**	1,310
Mortgages receivable (see below)	5(a)	**143,841**	144,205
Loans receivable	5(b)	**101,410**	104,143
Notes receivable	5(c)	**2,924**	2,924
Total receivables		**250,898**	252,582
Payables and other accruals:			
Accounts payable and accrued liabilities	10	**7,549**	6,406
Future land development obligations (see below)	10	**18,549**	18,410
Total payables and other accruals		**26,098**	24,816

(1) The Note reference relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021.
(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]	**March 31, 2021**	December 31, 2020
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable[2]	8	**915**	1
Loans receivable[3]	5(b)	**142,429**	134,690
Other unsecured debt[4]	9(b)(iii)	**161,638**	211,434

(1) The Note reference relates to the corresponding Note disclosure in the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021.
(2) Amounts receivable includes Penguin's portion, which represents $0.002 million (December 31, 2020 – $0.001 million) relating to Penguin's 50% investment in the PCVP and 25% investment in Residences LP.
(3) Loans receivable includes Penguin's portion, which represents $47.8 million (December 31, 2020 – $47.5 million) relating to Penguin's 50% investment in the PCVP.
(4) Other unsecured debt includes Penguin's portion, which represents $0.2 million (December 31, 2020 – $13.4 million) relating to Penguin's 25% investment in the Residences LP.

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

	Three Months Ended March 31	
(in thousands of dollars)	**2021**	2020
Legal fees incurred from a law firm in which a partner is a Trustee:		
Capitalized to investment properties	**78**	485
Included in general and administrative expense	**491**	70
	569	555

Section IX — Accounting Policies, Risk Management and Compliance

Significant Accounting Estimates and Policies

In preparing the Trust's unaudited interim condensed consolidated financial statements and accompanying notes, it is necessary for management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the period. The significant items requiring estimates are discussed in the Trust's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021, and the notes contained therein.

The Trust's MD&A for the year ended December 31, 2020 also contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the audited consolidated financial statements for the year ended December 31, 2020. Management determined that as at March 31, 2021, there is no change to the assessment of significant accounting policies most affected by estimates and judgments described in the Trust's MD&A for the year ended December 31, 2020, with the following additions:

Total return swap
The total return swap is a contractual agreement to exchange payments based on a specified notional amount and the underlying financial assets for a specific period. On February 2, 2021, the Trust entered into a total return swap agreement with a return based on a notional amount of 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.

The total return to the Trust includes the total return generated by the underlying notional Trust Units, plus any appreciation, if there is any, in the market value of the notional Trust Units, less the amount equal to any depreciation, if there is any, in the market value of the underlying notional Trust Units. The total return swap agreement requires the exchange of net contractual payments periodically without the exchange of the notional principal amounts on which the payments are based. Changes in market value are recorded in the net income and comprehensive income. The Trust has funded the total return swap agreement by a loan from the counterparty. The loan is measured at amortized cost.

The total return swap receivable reflects the market value of the swap agreement, and is determined by reference to the value of the underlying notional Trust Units at each reporting date. The gain (loss) will be realized when the total return swap agreement matures or is unwound.

The Trust's accounting policy for the initial recognition of its total return swap agreements is included under Note 2.11 of the Trust's consolidated financial statements for the year ended December 31, 2020.

Interest Rate Benchmark Reform
On January 1, 2021, the Trust adopted amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 as issued in August 2020. There was no impact to the Trust's unaudited interim condensed consolidated financial statements.

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 comprehensive list of risks and uncertainties pertinent to the Trust, please see the risk factors disclosed in the Trust's Annual Information Form for the year ended December 31, 2020 under the headings "Risk Factors" and the Trust's MD&A for the year ended December 31, 2020 under the heading "Risks and Uncertainties".

Income Taxes and the REIT Exception

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 *Income Tax Act* (Canada) (the "*Tax Act*"). For specified investment flow-through trusts (each a "SIFT"), 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*); 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 March 31, 2021.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

The Trust's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in Canadian Securities Administrators' National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.

No changes were made to the Trust's internal controls over financial reporting during the three months ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

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 ("SPNOI")	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.
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 may issue 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 annual meeting of Unitholders in December 2020, Unitholders approved an extension of the Voting Top-Up Right to December 31, 2025.

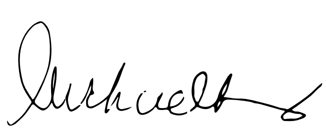
SMARTCENTRES REAL ESTATE INVESTMENT TRUST
UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands of Canadian dollars)

As at	Note	**March 31, 2021**	December 31, 2020
Assets			
Non-current assets			
Investment properties	4	**8,856,167**	8,850,390
Mortgages, loans and notes receivable	5	**274,181**	263,558
Equity accounted investments	6	**433,307**	463,204
Other assets	7	**90,040**	88,141
Intangible assets		**46,137**	46,470
		9,699,832	9,711,763
Current assets			
Residential development inventory		**26,124**	25,795
Current portion of mortgages, loans and notes receivable	5	**122,580**	125,254
Amounts receivable and other	8	**58,008**	58,644
Deferred financing costs	8	**1,250**	1,173
Prepaid expenses and deposits	8	**13,375**	7,269
Cash and cash equivalents		**399,948**	794,594
		621,285	1,012,729
Total assets		**10,321,117**	10,724,492
Liabilities			
Non-current liabilities			
Debt	9	**4,333,239**	4,355,862
Other payables	10	**19,091**	19,385
Other financial liabilities	11	**101,994**	86,728
		4,454,324	4,461,975
Current liabilities			
Current portion of debt	9	**476,867**	854,261
Accounts payable and current portion of other payables	10	**239,940**	241,281
		716,807	1,095,542
Total liabilities		**5,171,131**	5,557,517
Equity			
Trust Unit equity		**4,301,217**	4,317,357
Non-controlling interests		**848,769**	849,618
		5,149,986	5,166,975
Total liabilities and equity		**10,321,117**	10,724,492

Commitments and contingencies (Note 24)

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

Approved by the Board of Trustees.



Michael Young
Trustee

Garry Foster
Trustee

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

For the three months ended March 31,	Note	**2021**	2020
Net rental income and other			
Rentals from investment properties and other	15	**198,838**	206,727
Property operating costs and other	16	**(82,701)**	(82,900)
Net rental income and other		**116,137**	123,827
Other income and expenses			
General and administrative expense, net	17	**(7,480)**	(5,614)
Earnings from equity accounted investments	6	**15,318**	4,698
Fair value adjustment on revaluation of investment properties	22	**(18,759)**	(63,382)
Gain on sale of investment properties		**10**	3
Interest expense	9(d)	**(37,201)**	(34,518)
Interest income		**3,602**	3,279
Fair value adjustment on financial instruments	22	**(11,068)**	38,089
Acquisition-related costs		**—**	(2,181)
Net income and comprehensive income		**60,559**	64,201
Net income and comprehensive income attributable to:			
Trust Units		**50,761**	53,920
Non-controlling interests		**9,798**	10,281
		60,559	64,201

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

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

For the three months ended March 31,	Note	2021	2020
Cash provided by (used in)			
Operating activities			
Net income and comprehensive income		**60,559**	64,201
Add (deduct):			
Fair value adjustments	22	**29,827**	25,293
Gain on sale of investment properties		**(10)**	(3)
Earnings from equity accounted investments, net of distributions	6	**(14,710)**	(4,054)
Acquisition-related costs		**—**	2,181
Interest expense	9(d)	**37,201**	34,518
Other financing costs		**(261)**	(120)
Interest income		**(3,602)**	(3,279)
Amortization of other assets and intangible assets		**5,624**	2,274
Lease obligation interest		**140**	137
Deferred unit compensation expense, net of redemptions	11	**578**	(574)
LTIP amortization, net of payment	11	**(764)**	—
Cash interest paid	9(d)	**(35,344)**	(29,188)
Interest received		**2,880**	592
Expenditures on direct leasing costs and tenant incentives		**(1,061)**	(855)
Expenditures on tenant incentives for properties under development		**(272)**	(710)
Changes in other non-cash operating items	18	**(1,300)**	(11,251)
Cash flows provided by operating activities		**79,485**	79,162
Financing activities			
Repayment of unsecured debentures	9(b)	**(300,000)**	—
Proceeds from issuance of unsecured debt		**4,526**	460,000
Repayments of secured debt		**(57,823)**	(11,923)
Repayments of other unsecured debt		**(2,586)**	—
Distributions paid on Trust Units		**(66,884)**	(49,896)
Distributions paid on non-controlling interests and Units classified as liabilities		**(16,230)**	(12,601)
Payment of lease liability		**(468)**	(44)
Cash flows (used in) provided by financing activities		**(439,465)**	385,536
Investing activities			
Acquisitions and Earnouts of investment properties	3	**(12,930)**	(541)
Additions to investment properties		**(22,958)**	(20,908)
Additions to equity accounted investments		**(385)**	(51,842)
Additions to equipment	7	**(45)**	(105)
Advances of mortgages and loans receivable	5	**(6,791)**	(7,211)
Repayments of mortgages and loans receivable		**3,960**	—
Net proceeds from sale of investment properties		**4,483**	—
Cash flows used in investing activities		**(34,666)**	(80,607)
(Decrease) increase in cash and cash equivalents during the period		**(394,646)**	384,091
Cash and cash equivalents – beginning of period		**794,594**	55,374
Cash and cash equivalents – end of period		**399,948**	439,465

Supplemental cash flow information (see Note 18)

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

For the three months ended March 31, 2021 and March 31, 2020
(in thousands of Canadian dollars)

		Attributable to Unitholders			Attributable to LP Units Classified as Non-Controlling Interests				
	Note	Trust Units (Note 13)	Retained Earnings	Unit Equity	LP Units (Note 13)	Retained Earnings	LP Unit Equity	Other Non-Controlling Interest (Note 19)	Total Equity
Equity – January 1, 2021		**3,090,188**	**1,227,169**	**4,317,357**	**640,206**	**205,927**	**846,133**	**3,485**	**5,166,975**
Issuance of Units	13	**—**	**—**	**—**	**1,161**	**—**	**1,161**	**—**	**1,161**
Unit issuance costs		**(18)**	**—**	**(18)**	**—**	**—**	**—**	**—**	**(18)**
Net income and comprehensive income		**—**	**50,761**	**50,761**	**—**	**9,694**	**9,694**	**104**	**60,559**
Distributions	14	**—**	**(66,883)**	**(66,883)**	**—**	**(11,808)**	**(11,808)**	**—**	**(78,691)**
Equity – March 31, 2021		**3,090,170**	**1,211,047**	**4,301,217**	**641,367**	**203,813**	**845,180**	**3,589**	**5,149,986**
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	13	17,354	—	17,354	—	—	—	—	17,354
Unit issuance costs		(23)	—	(23)	—	—	—	—	(23)
Net income and comprehensive income		—	53,920	53,920	—	10,180	10,180	101	64,201
Distributions	14	—	(67,318)	(67,318)	—	(11,631)	(11,631)	—	(78,949)
Equity – March 31, 2020		3,090,152	1,406,459	4,496,611	633,358	237,090	870,448	3,276	5,370,335

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended March 31, 2021 and March 31, 2020
(in thousands of Canadian dollars, except Unit, square foot and per Unit amounts)

1. Organization
SmartCentres Real Estate Investment Trust and its subsidiaries (collectively, "the Trust"), is an unincorporated open-ended mutual fund trust governed by the laws of the Province of Alberta created under a declaration of trust, dated December 4, 2001, subsequently amended and last restated on December 9, 2020 ("the Declaration of Trust"). The Trust develops, leases, constructs, owns and manages shopping centres, office buildings, high-rise and low-rise condominiums and rental residences, seniors' housing, townhome units, and self-storage rental facilities in Canada, both directly and through its subsidiaries, Smart Limited Partnership, Smart Limited Partnership II, Smart Limited Partnership III, Smart Limited Partnership IV, Smart Oshawa South Limited Partnership, Smart Oshawa Taunton Limited Partnership, Smart Boxgrove Limited Partnership, ONR Limited Partnership 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 13(a). The address of the Trust's registered office is 3200 Highway 7, Vaughan, Ontario, L4K 5Z5. The Units of the Trust are listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "SRU.UN".

These unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Trustees on May 12, 2021. The Board of Trustees has the power to amend the unaudited interim condensed consolidated financial statements after issue.

As at March 31, 2021, the Penguin Group of Companies ("Penguin"), owned by Mitchell Goldhar, owned approximately 21.5% (December 31, 2020 – 21.4%) of the issued and outstanding Units of the Trust and Limited Partnerships (see also Note 19, "Related party transactions").

2. Summary of significant accounting policies
2.1 *Basis of presentation*
These unaudited interim condensed consolidated financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of unaudited interim condensed consolidated financial statements, International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). The unaudited interim condensed consolidated financial statements contain disclosures that are supplemental to the Trust's annual consolidated financial statements. They do not include all the information and disclosures required by IFRS applicable for annual consolidated financial statements and, therefore, they should be read in conjunction with the annual audited consolidated financial statements as at and for the years ended December 31, 2020 and 2019.

2.2 *Accounting policies*
The accounting policies followed in these unaudited interim condensed consolidated financial statements are consistent with the policies and method of their application used in the preparation of the audited consolidated financial statements as at and for the years ended December 31, 2020 and 2019, with the following additions:

Total return swap ("TRS")
The total return swap is a contractual agreement to exchange payments based on a specified notional amount and the underlying financial assets for a specific period. On February 2, 2021, the Trust entered into a total return swap agreement with a return based on a notional amount of 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.

The total return to the Trust includes the total return generated by the underlying notional Trust Units, plus any appreciation, if there is any, in the market value of the notional Trust Units, less the amount equal to any depreciation, if there is any, in the market value of the underlying notional Trust Units. The total return swap agreement requires the exchange of net contractual payments periodically without the exchange of the notional principal amounts on which the payments are based. Changes in market value are recorded in the net income and comprehensive income. The Trust has funded the total return swap agreement by a loan from the counterparty. The loan is measured at amortized cost.

The total return swap receivable reflects the market value of the swap agreement, and is determined by reference to the value of the underlying notional Trust Units at each reporting date. The gain (loss) will be realized when the total return swap agreement matures or is unwound.

The Trust's accounting policy for the initial recognition of its total return swap agreement is included under Note 2.11 of the Trust's consolidated financial statements for the year ended December 31, 2020.

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

	Classification under IFRS 9
Financial asset	
Total return swap agreement	FVTPL

Interest Rate Benchmark Reform
On January 1, 2021, the Trust has adopted amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 as issued in August 2020. There was no impact to the Trust's unaudited interim condensed consolidated financial statements on adoption.

Reclassification of comparative figures
The comparative figures relating to the long term incentive plan ("LTIP") liability, in the amount of $1,540, have been reclassified from other payables (see also Note 10, "Accounts and other payables") to other financial liabilities (see also Note 11, "Other financial liabilities") to conform with the current period presentation.

3. Acquisitions and Earnouts

Acquisitions and Earnouts completed during the three months ended March 31, 2021

a) In February 2021, the Trust acquired a parcel of land totalling 7.6 acres in Aurora, Ontario to develop a residential property, for a purchase price of $12,237, paid in cash and adjusted for costs of acquisition and other working capital amounts.

b) During the three months ended March 31, 2021, pursuant to development management agreements referred to in Note 4, "Investment properties" (see also Note 19, "Related party transactions"), the Trust completed the purchase of:

   i) An Earnout transaction on a parcel of land totalling 13.2 acres located in Niagara Falls, Ontario. The purchase price was $1,415, of which $466 was satisfied through the issuance of 19,954 Class B Series 6 Smart LP III Units (see also Note 11(b)) and the balance was paid in cash, adjusted for other working capital amounts. This parcel of land was subsequently disposed (see also, Note 4, "Investment properties").

   ii) An Earnout totalling 2,416 square feet of development space in Aurora, Ontario with a purchase price of $723, of which $695 was satisfied through the issuance of 26,317 Class B Series 1 LP IV Units (see also Note 11(b)) and the balance paid in cash, adjusted for other working capital amounts.

The following table summarizes the consideration for Acquisitions and Earnouts completed for the three months ended March 31, 2021:

	Note	**Acquisitions**	**Earnouts**	**Total**
Cash		**12,222**	**708**	**12,930**
LP Units issued	4(d)(ii)	**—**	**1,161**	**1,161**
Adjustments for other working capital amounts		**15**	**269**	**284**
		12,237	**2,138**	**14,375**

Acquisitions and Earnouts completed during the three months ended March 31, 2020

During the three months ended March 31, 2020, pursuant to development management agreements referred to in Note 4, "Investment Properties" (see also Note 19, "Related party transactions), the Trust completed the purchase of Earnouts totalling 1,936 square feet of development space with a purchase price of $291, of which $77 was satisfied through the issuance of 3,822 Class F Series 3 Smart LP Units (see also Note 11, "Other financial liabilities") and the balance paid in cash, adjusted for other working capital amounts.

The following table summarizes the consideration for Acquisitions and Earnouts completed for the three months ended March 31, 2020:

	Note	Total
Cash		541
LP Units issued	4(d)(ii)	77
Amounts previously funded and other adjustments		(327)
		291

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

See also Note 6, “Equity accounted investments”, for additional details on acquisitions/new property contributions reflected in equity accounted investments.

4. Investment properties

The following table summarizes the activities in investment properties:

		Three Months Ended March 31, 2021			Year Ended December 31, 2020		
	Note	**Income Properties**	**Properties Under Development**	**Total**	Income Properties	Properties Under Development	Total
Balance – beginning of period		**8,267,430**	**582,960**	**8,850,390**	8,488,669	561,397	9,050,066
Additions (deductions):							
Acquisitions, Earnouts and related adjustments of investment properties		**(260)**	**13,402**	**13,142**	—	21,678	21,678
Earnout Fees on properties subject to development management agreements	4(d)(ii)	**683**	**—**	**683**	291	—	291
Transfer to income properties from properties under development		**2,450**	**(2,450)**	**—**	39,748	(39,748)	—
Transfer from income properties to properties under development		**(2,400)**	**2,400**	**—**	(70,236)	70,236	—
Transfer from properties under development to equity accounted investments		**—**	**(6,850)**	**(6,850)**	—	(6,125)	(6,125)
Capital expenditures		**2,093**	**—**	**2,093**	8,445	—	8,445
Leasing costs		**—**	**—**	**—**	1,732	—	1,732
Development expenditures		**—**	**19,515**	**19,515**	—	50,728	50,728
Capitalized interest		**—**	**3,692**	**3,692**	—	17,689	17,689
Dispositions		**—**	**(7,739)**	**(7,739)**	—	(19,063)	(19,063)
Fair value adjustment on revaluation of investment properties	22	**(22,878)**	**4,119**	**(18,759)**	(201,219)	(73,832)	(275,051)
Balance – end of period		**8,247,118**	**609,049**	**8,856,167**	8,267,430	582,960	8,850,390

The historical costs of both income properties and properties under development as at March 31, 2021 totalled $6,574,001 and $819,165, respectively (December 31, 2020 – $6,570,845 and $793,666, respectively).

Secured debt with a carrying value of $1,276,917 (December 31, 2020 – $1,327,760) is secured by investment properties with a fair value of $2,945,267 (December 31, 2020 – $3,014,790).

Presented separately from investment properties is $77,723 (December 31, 2020 – $81,511) 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

The Trust applies the discounted cash flow valuation method to estimate the value of income properties, which include: freehold properties, properties with leasehold interests with purchase options, and properties with leasehold interests without purchase options. The Trust applies this valuation method as it believes that the discounted cash flow valuation method represents the Trust's estimate of fair values of income properties based on expectations of changes in rental rates, occupancy rates, lease renewal rates, leasing costs, expected credit losses and downtime on lease expiries, among others.

ii) Properties under development

For the three months ended March 31, 2021, the Trust applied a change in the valuation method used to estimate the value of properties under development. Properties under development are valued using two primary methods: (i) discounted cash flow 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 Trust changed its valuation method as it believes that the discounted cash flow valuation method represents the Trust's estimate of fair values of properties under development based on expectations of changes in rental rates, occupancy rates, lease renewal rates, downtime on lease expiries, among others, as a result of the impact of COVID-19. This change in valuation method for properties under development also aligns with the valuation method used to determine fair value for income properties.

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

March 31, 2021

			Terminal Capitalization Rate		Discount Rate	
Class	**Valuation Method**	**Carrying Value**	**Weighted Average (%)**	**Range (%)**	**Weighted Average (%)**	**Range (%)**
Income properties	Discounted cash flow	**8,247,118**	**5.94**	**4.25 – 7.79**	**6.46**	**4.65 – 8.54**

Class	**Valuation Method**	**Carrying Value**	**Weighted Average Discount Rate (%)**
Properties under development	Land, development and construction costs recorded at market value	**441,749**	**N/A**
	Discounted cash flow	**167,300**	**6.63**
		609,049	
Balance – end of period		**8,856,167**	

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	Land, development and construction costs recorded at market value	416,964	N/A
	Direct income capitalization	165,996	6.22
		582,960	
Balance – end of period		8,850,390	

The estimates of fair value are most sensitive to changes in the discount rates and forecasted future cash flows for each property. The sensitivity analysis in the table below indicates the approximate impact on the fair values of the Trust's investment property portfolio resulting from changes in discount rates and in assuming no changes in other assumptions.

Rate Sensitivity (%)	**(1.00)**	**(0.50)**	**(0.25)**	**+0.25**	**+0.50**	**+1.00**
Increase (decrease) in fair value of income properties due to:						
Changes in discount rates	1,779,000	804,600	384,300	(353,900)	(678,200)	(1,256,400)

Forecasted Future Cash Flows Sensitivity (%)	**(10.00)**	**(5.00)**	**(2.50)**	**+2.50**	**+5.00**	**+10.00**
Increase (decrease) in fair value of income properties due to:						
Changes in forecasted future cash flows	(837,800)	(419,300)	(210,100)	208,700	418,000	836,200

b) Dispositions

Disposition of investment properties during the three months ended March 31, 2021

In January 2021, the Trust sold a parcel of land totalling 13.2 acres located in Niagara Falls, Ontario, for gross proceeds of $4,725, of which $1,415 was paid in cash and the balance was granted as an interest-bearing loan to the purchaser. See also Note 3, “Acquisitions and Earnouts” and Note 5, “Mortgages, loans and notes receivable”.

In February 2021, the Trust contributed its interest in a parcel of land totalling 1.5 acres located in Brampton, Ontario for a value of $3,250 to a joint venture, Kingspoint Self Storage LP, for development of a self-storage facility (see also, Note 6(b)).

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

In March 2021, the Trust contributed its interest in a parcel of land totalling 2.7 acres located in Mascouche, Quebec for a value of $3,600 to a joint venture, Mascouche North Apartments Limited Partnership, for development of a rental apartment complex (see also, Note 6(b)).

Disposition of investment properties during the three months ended March 31, 2020

There were no dispositions of investment properties during the three months ended March 31, 2020.

c) Leasehold property interests

At March 31, 2021, 16 (December 31, 2020 – 16) investment properties with a fair value of $972,205 (December 31, 2020 – $978,410) are leasehold property interests accounted for as leases.

i) Leasehold property interests without bargain purchase options

The Trust prepaid its entire lease obligations for the 14 leasehold interests with Penguin noted above (see also Note 19, “Related party transactions”) in the amount of $889,931 (December 31, 2020 – $889,931), including prepaid land rent of $229,846 (December 31, 2020 – $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 19, “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, 2020 – $57,997). As the Trust expects to exercise the purchase option in 2038, the purchase option price has been included in accounts payable in the amount of $2,002 (December 31, 2020 – $1,957), net of imputed interest at 9.18% of $7,998 (December 31, 2020 – $8,043) (see also Note 10, “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 $932 (December 31, 2020 – $1,027), in the amount of $6,193 (December 31, 2020 – $6,211) (see also Note 10, “Accounts and other payables”).

d) Properties under development

The following table presents properties under development:

As at	**March 31, 2021**	December 31, 2020
Properties under development not subject to development management agreements (i)	**546,558**	521,149
Properties under development subject to development management agreements (ii)	**62,491**	61,811
	609,049	582,960

For the three months ended March 31, 2021, the Trust capitalized a total of $3,692 (three months ended March 31, 2020 – $4,533) of borrowing costs related to properties under development.

i) Properties under development not subject to development management agreements

During the three months ended March 31, 2021, the Trust completed the development and leasing of certain properties under development not subject to development management agreements, for which the value of land and development costs incurred has been reclassified from properties under development to income properties.

For the three months ended March 31, 2021, the Trust incurred land and development costs of $2,411 (three months ended March 31, 2020 – $8,636).

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 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 11, "Other financial liabilities".

The following table summarizes the Earnout options that were elected to exercise which resulted in proceeds (see also Note 11(b)):

		Three Months Ended March 31	
Unit Type	Class and Series	**2021**	2020
Smart Limited Partnership	Class F Series 3	**—**	77
Smart Limited Partnership III	Class B Series 6	**466**	—
Smart Limited Partnership IV	Class B Series 1	**695**	—
		1,161	77

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

	Three Months Ended March 31	
	2021	2020
Development costs incurred	**1,126**	—
Earnout Fees paid	**683**	291
	1,809	291

5. Mortgages, loans and notes receivable

The following table summarizes mortgages, loans and notes receivable:

As at	Note	March 31, 2021	December 31, 2020
Mortgages receivable (a)	19	**143,841**	144,205
Loans receivable (b)		**249,996**	241,683
Notes receivable (c)	19	**2,924**	2,924
		396,761	388,812
Current		**122,580**	125,254
Non-current		**274,181**	263,558
		396,761	388,812

a) Mortgages receivable of $143,841 (December 31, 2020 – $144,205) are provided pursuant to agreements with Penguin (see also Note 19, "Related party transactions"). These amounts are provided to fund costs associated with both the original acquisition and development of seven (December 31, 2020 – seven) properties across Ontario, Quebec and British Columbia. The Trust is committed to lend up to $311,083 (December 31, 2020 – $312,778) to assist with the further development of these properties.

The following table provides further details on the mortgages receivable (by maturity date) provided to Penguin:

Property	Committed	Maturity Date	Extended Maturity Date(3)	Annual Variable Interest Rate at Period-End (%)	Purchase Option of Property (%) (1)	March 31, 2021	December 31, 2020
Aurora (South), ON(5)	38,964	March 2022	August 2028	3.41	50.00	**17,001**	16,858
Innisfil, ON(2)(7)	39,740	May 2022	August 2028	4.15	—	**22,392**	22,164
Salmon Arm, BC(2)(4)	30,080	May 2022	August 2028	4.15	—	**15,528**	15,370
Pitt Meadows, BC(6)	85,653	November 2023	August 2028	3.81	50.00	**30,958**	30,669
Vaughan (7 & 427), ON(5)	36,100	December 2023	August 2028	3.53	50.00	**19,073**	18,908
Caledon (Mayfield), ON(7)	26,689	April 2024	August 2028	3.67	50.00	**10,457**	10,363
Toronto (StudioCentre), ON(2)(6)	53,857	June 2024	August 2028	3.58	25.00	**28,432**	29,873
	311,083			**3.76** (8)		**143,841**	144,205

(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 March 31, 2021, 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 which has been reduced to $311,083 resulting from $1,695 in payments received during the three months ended March 31, 2021.

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 date of each mortgage, at a variable rate based on the banker's acceptance rate plus 2.75% to 4.20%; and from the maturity date of each mortgage to the extended maturity date (August 31, 2028), at a variable rate based on the banker's acceptance rate plus 4.00% to 5.00%. Prior to December 9, 2020, interest on these mortgages accrued as follows: (i) at a variable rate based on the banker's acceptance rate plus 1.75% to

4.20% or at the Trust's cost of capital (as defined in the applicable mortgage agreement) plus 0.25%; or (ii) at fixed rates of 6.35% to 7.50%, which was added to the outstanding principal up to a predetermined maximum accrual, after which it was payable in cash on a monthly or quarterly basis. Additional interest of $107,840 (December 31, 2020 – $109,171) 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, $143,841 (December 31, 2020 – $144,205) 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 amounts that are guaranteed decrease on achievement of certain specified value-enhancing events. Management considers all mortgages receivable to be fully collectible.

The following table illustrates the activity in mortgages receivable:

	Three Months Ended March 31	
	2021	2020
Balance – beginning of period	**144,205**	138,762
Interest accrued	**1,331**	1,870
Interest payments	**(1,695)**	—
Balance – end of period	**143,841**	140,632

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

Issued to	**Committed**	**Maturity Date**	**Interest Rate (%)**	**Note**	**March 31, 2021**	December 31, 2020
Penguin(1)	N/A	January 2021	Interest-free	19	**—**	3,460
Penguin(2)	19,148	June 2021	Variable	19	**9,388**	9,349
Penguin(3)	26,227	June 2021	Variable	19	**14,686**	14,587
Penguin(4)	N/A	December 2029	Interest-free	19 ,9(b)(iii)	**77,335**	76,747
Total loans issued to Penguin					**101,409**	104,143
PCVP(5)	N/A	June 2021	2.76	19	**95,656**	95,008
Self-storage facilities(6)	65,500	July 2023	Variable		**46,773**	39,682
Total loans issued to equity accounted investments					**142,429**	134,690
Selection Group(7)	N/A	April 2021	Variable		**2,850**	2,850
Other(8)	N/A	January 2023	5.00		**3,308**	—
Greenwin(9)	11,694	September 2024	Variable		**—**	—
Greenwin(10)	1,280	January 2025	Variable		**—**	—
Total loans issued to unrelated parties					**6,158**	2,850
					249,996	241,683

(1) 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.

(2) 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.

(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 $103,264, is non-interest bearing, and is repayable at the end of 10 years. As at March 31, 2021, the loan balance of $77,336 is net of a cumulative fair value adjustment totalling $25,928. See also Note 9(b)(iii) reflecting the corresponding non-interest bearing 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 three months ended March 31, 2021.

(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 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. The maturity date of this loan is expected to be extended.

(8) In January 2021, the Trust entered into a loan agreement pursuant to the closing of the Niagara Falls parcel sale to a third party. The Trust agreed to take back a first charge of the purchase price. The loan agreement matures in January 2023 and bears interest at 5% per annum, calculated semi-annually.

(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 March 31, 2021, 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 March 31, 2021, the total remaining non-revolving term acquisition credit facility was $1,280. The loan agreement also includes a non-revolving put exercise credit facility in an amount equal to the put purchase price plus any associated closing costs at the time of exercise. The loan security includes a first charge on the development lands and is guaranteed by Greenwin. This loan matures in January 2025, and bears interest at the greater of: (i) 7.0% per annum, and (ii) the Trust's weighted average cost of capital plus 1.25% per annum. In August 2020, Greenwin repaid this loan in advance of the maturity date.

The following table illustrates the activity in loans receivable:

	Three Months Ended March 31	
	2021	2020
Balance – beginning of period	**241,683**	131,119
Loans issued[1]	**3,308**	85,238
Advances	**6,791**	259
Interest accrued	**1,086**	816
Fair value adjustments[2]	**1,088**	—
Repayments	**(3,960)**	—
Balance – end of period	**249,996**	217,432

(1) During the three months ended March 31, 2021, a vendor take-back loan was issued to an unrelated party totalling $3,308, as described in footnote 8 in the table above (March 31, 2020 – Includes loans issued to Penguin totalling $78,286).

(2) Represents the fair value adjustment of $1,088 recorded during the three months ended March 31, 2021 (three months ended March 31, 2020 – $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, 2020 – $2,924) have been granted to Penguin (see also Note 19, "Related party transactions"). As at March 31, 2021, these secured demand notes bear interest at the rate of 9.00% per annum (December 31, 2020 – 9.00%).

The estimated fair values of mortgages, loans and notes receivable are based on their respective current market rates, bearing similar terms and risks. This information is disclosed in Note 12, "Fair value of financial instruments".

6. Equity accounted investments

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

	Three months ended March 31, 2021			Year Ended December 31, 2020		
	Investment in Associates	**Investment in Joint Ventures**	**Total**	Investment in Associates	Investment in Joint Ventures	Total
Investment – beginning of period	**354,992**	**108,212**	**463,204**	294,499	50,877	345,376
Operating Activities:						
Earnings (losses)	**7,931**	**7,387**	**15,318**	62,369	(397)	61,972
Distributions from operations[1]	**(53,324)**	**(108)**	**(53,432)**	(3,987)	(783)	(4,770)
Financing Activities:						
Fair value adjustment on loan	**982**	**—**	**982**	4,218	—	4,218
Loan repayment	**—**	**—**	**—**	(3,987)	—	(3,987)
Investing Activities:						
Cash contribution (distributions)	**(498)**	**883**	**385**	4,061	(7,121)	(3,060)
Property contribution	**—**	**6,850**	**6,850**	—	2,036	2,036
Acquisition and related costs[2]	**—**	**—**	**—**	(2,181)	63,600	61,419
Investment – end of period	**310,083**	**123,224**	**433,307**	354,992	108,212	463,204

(1) During the three months ended March 31, 2021, the distribution in the amount of $52,824 was satisfied by a non-cash settlement of the PCVP loan payable (see Note 9(b)(iii)).
(2) 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 investment in associates as reflected in the Trust's unaudited interim condensed consolidated financial statements:

		Ownership Interests (%)	
As at	Principal Intended Activity	**March 31, 2021**	December 31, 2020
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 19, "Related party transactions") to develop the Vaughan Metropolitan Centre ("SmartVMC"), which is expected to consist of approximately 11.0 million square feet of mixed-use space once fully developed, on 53 acres of development land in Vaughan, Ontario.

In 2017, the Trust entered into the VMC Residences Limited Partnership ("Residences LP") and VMC Residences III Limited Partnership ("Residences III LP") with Penguin and CentreCourt Developments, to develop three residential condominium towers and a related parking facility, located on the SmartVMC site.

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

In 2019, the Trust acquired, through PCVP, a 50% interest in a parcel of land ("700 Applewood") with approximately 15.5 acres in Vaughan, Ontario, proximate to SmartVMC available for development, 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.

In connection with this acquisition, an interest-free loan receivable with a principal amount of $103,264 and a maturity of December 2029 was extended to Penguin to finance its interest in PCVP's acquisition of 700 Applewood. In March 2020, the Trust assumed this loan receivable from Penguin (see also Note 5(b), footnote 4), along with an offsetting non-interest bearing note payable of an equal amount (see Note 9(b)(iii), footnote 2).

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

i) Summary of balance sheets

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

As at	**March 31, 2021**			December 31, 2020		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Non-current assets	**944,857**	**2,270**	**947,127**	920,064	—	920,064
Current assets	**18,978**	**441,185**	**460,163**	20,019	632,691	652,710
Total assets	**963,835**	**443,455**	**1,407,290**	940,083	632,691	1,572,774
Non-current liabilities(1)	**188,056**	**36,471**	**224,527**	171,382	28,268	199,650
Current liabilities	**188,501**	**350,878**	**539,379**	197,187	360,690	557,877
Total liabilities	**376,557**	**387,349**	**763,906**	368,569	388,958	757,527
Net assets	**587,278**	**56,106**	**643,384**	571,514	243,733	815,247
Trust's share of net assets before adjustments	**293,639**	**10,893**	**304,532**	285,757	60,934	346,691
Trust's additional investment	**—**	**4,179**	**4,179**	—	6,862	6,862
Fair value adjustment on loan	**1,372**	**—**	**1,372**	1,439	—	1,439
Trust's share of net assets	**295,011**	**15,072**	**310,083**	287,196	67,796	354,992

(1) Balance as at March 31, 2021 includes loan payable to the Trust of $95,656 (December 31, 2020 – $95,008), see also Note 5(b).

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

As at	**March 31, 2021**		December 31, 2020	
	Commitments	**Trust's Share**	Commitments	Trust's Share
PCVP	**32,405**	**16,202**	25,070	12,535
Residences LP	**269**	**67**	9,199	2,300
Residences III LP	**3,697**	**924**	15,449	3,862
East Block Residences LP	**143,481**	**35,870**	86,554	21,638
	179,852	**53,063**	136,272	40,335

ii) Summary of earnings

The following tables summarize the earnings for investment in associates:

	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Revenue						
Rental revenue[(1)]	**6,937**	**—**	**6,937**	7,553	1,835	9,388
Condominium sales revenue	**—**	**675**	**675**	—	—	—
Operating expense						
Rental operating costs	**(2,926)**	**—**	**(2,926)**	(3,044)	—	(3,044)
Condominium cost of sales	**—**	**(394)**	**(394)**	—	—	—
Revenue net of operating expense	**4,011**	**281**	**4,292**	4,509	1,835	6,344
Fair value adjustment on revaluation of investment properties	**13,344**	**—**	**13,344**	5,378	—	5,378
Interest expense	**(1,666)**	**—**	**(1,666)**	(1,442)	—	(1,442)
Earnings	**15,689**	**281**	**15,970**	8,445	1,835	10,280
Trust's share of earnings (losses) before supplemental cost and additional profit sharing	**7,846**	**70**	**7,916**	4,224	458	4,682
Additional Trust's share of earnings[(2)]	**—**	**16**	**16**	—	—	—
Supplemental cost	**(1)**	**—**	**(1)**	(398)	—	(398)
Trust's share of earnings	**7,845**	**86**	**7,931**	3,826	458	4,284

(1) Includes office rental revenue from the Trust in the amount of $677 for the three months ended March 31, 2021 (three months ended March 31, 2020 – $651).
(2) Additional profit allocated to the Trust for Transit City 1 and 2 closings pursuant to the development agreement and limited partnership agreement.

In accordance with the Supplemental Development Fee Agreement, the Trust invoiced PCVP a net amount of $2 related to associated development fees for the three months ended March 31, 2021 (three months ended March 31, 2020 – $796).

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	**March 31, 2021**	December 31, 2020
Development facilities – beginning of period	**796,740**	768,302
Reduction	**—**	(36,072)
Repayments and adjustments	**—**	(204,390)
Letters of credit released	**(111)**	(1,100)
Additional development credit facilities obtained	**—**	270,000
Development facilities – end of period	**796,629**	796,740
Amount drawn on development credit facility	**(260,198)**	(227,327)
Letters of credit – outstanding	**(79,879)**	(79,816)
	456,552	489,597
Trust's share of remaining unused development credit facilities	**164,788**	177,884

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

As at			**March 31, 2021**		December 31, 2020	
	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**	270,000	135,000
Letters of credit facility	May 2021	0.75	**35,000**	**17,500**	35,000	17,500
			369,376	**184,688**	369,376	184,688
VMC Residences						
Development credit facility	December 2021	BA + 1.75	**14,512**	**3,628**	14,512	3,628
Development credit facility	February 2022	BA + 1.75	**132,577**	**33,144**	132,688	33,172
Development credit facility	September 2023	BA + 1.60	**280,164**	**70,041**	280,164	70,041
			427,253	**106,813**	427,364	106,841
			796,629	**291,501**	796,740	291,529

(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 each joint venture investment grouped by their principal intended activities as reflected in the Trust's unaudited interim condensed consolidated financial statements:

As at		**March 31, 2021**		December 31, 2020	
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**	8	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 LPs), Hopedale RR (Propco and Opco LPs), Baymac RR Propco LP, Oakville Garden Drive RR PropCo LP and Markham Main Street RR PropCo LP	*Revera*	**5**	**50.0**	6	50.0
Joint Ventures: Ottawa SW (PropCo and OpCo LPs)	*Selection Group*	**1**	**50.0**	1	50.0
Residential apartments					
Joint Venture: Laval C Apartments LP	*Jadco*	**1**	**50.0**	1	50.0
Joint Venture: Balliol/Pailton LP	*Greenwin*	**1**	**75.0**	1	75.0
Joint Venture: Mascouche North Apartments LP	*Cogir*	**1**	**80.0**	—	—
Total		**19**		19	

Acquisitions/new property contributions completed during the three months ended March 31, 2021

In February 2021, pursuant to the 50:50 joint venture previously formed with SmartStop known as Kingspoint Self Storage LP, the Trust contributed development land and SmartStop contributed cash into the joint venture, for development of a self-storage facility which is located in Brampton, Ontario, totalling 1.5 acres.

In March 2021, the Trust formed a joint venture with Cogir, and pursuant to the joint venture agreement, the Trust contributed its interest in a parcel of land totalling 2.7 acres located in Mascouche, Quebec into the joint venture while Cogir contributed cash. The purpose of this joint venture is to develop and operate a rental apartment complex.

See also Note 4, "Investment properties".

i) Summary of balance sheets

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

As at	**March 31, 2021**	December 31, 2020
Non-current assets	**404,319**	370,555
Current assets	**4,415**	4,028
Total assets	**408,734**	374,583
Non-current liabilities	**163,518**	139,155
Current liabilities	**11,544**	28,781
Total liabilities	**175,062**	167,936
Net assets	**233,672**	206,647
Trust's share of net assets	**123,224**	108,212

The joint ventures listed above have entered into various development construction contracts with existing commitments totalling $16,782, of which the Trust's share is $8,413 (December 31, 2020 – $21,498, of which the Trust's share is $10,777).

ii) Summary of earnings

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

	Three Months Ended March 31	
	2021	2020
Revenue	**4,143**	2,794
Operating expense	**(1,875)**	(959)
Revenue net of operating expense	**2,268**	1,835
Fair value adjustments on revaluation of investment properties	**14,166**	481
Interest expense	**(1,319)**	(584)
Loss on sale of investment properties	**—**	(215)
Earnings	**15,115**	1,517
Trust's share of earnings	**7,387**	414

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	**March 31, 2021**	December 31, 2020
Development facility – beginning of period	**95,417**	35,417
Additional development facility obtained(1)	**—**	60,000
Development facilities – end of period	**95,417**	95,417
Amount drawn on development facility – Laval C Apartments	**(35,417)**	(35,417)
Amount drawn on development facility – Self-storage	**(46,773)**	(39,682)
Letters of credit – outstanding	**(706)**	(706)
Remaining unused development facilities	**12,521**	19,612
Trust's share of remaining unused development facilities	**6,261**	9,806

(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 March 31, 2021 and December 31, 2020, the Trust's joint ventures had the following credit facilities:

As at			**March 31, 2021**		December 31, 2020	
	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**	60,000	30,000
			95,417	**47,709**	95,417	47,709

(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 March 31, 2021, the Trust has not drawn on this separate facility (December 31, 2020 - $nil).

7. Other assets

The following table presents the components of other assets:

As at	**March 31, 2021**	December 31, 2020
Straight-line rent receivables	**42,624**	44,786
Tenant incentives	**35,099**	36,725
	77,723	81,511
Equipment	**1,001**	1,273
Right-of-use assets	**4,899**	5,357
Total return swap receivable	**6,417**	—
	90,040	88,141

The following table summarizes the activity in other assets:

	December 31, 2020	**Additions (Disposals)**	**Write-offs**	**Amortization and other adjustments**	**March 31, 2021**
Straight-line rent receivables	44,786	**2,182**	**(1,810)**	**(2,534)**	**42,624**
Tenant incentives	36,725	**730**	**(468)**	**(1,888)**	**35,099**
	81,511	**2,912**	**(2,278)**	**(4,422)**	**77,723**
Equipment	1,273	**45**	**—**	**(317)**	**1,001**
Right-of-use assets	5,357	**—**	—	**(458)**	**4,899**
Total return swap receivable(1)	—	**6,417**	**—**	**—**	**6,417**
	88,141	**9,374**	**(2,278)**	**(5,197)**	**90,040**

(1) Includes a fair value adjustment of $513 for the three months ended March 31, 2021.

8. 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	**March 31, 2021**	December 31, 2020
Amounts receivable and other		
Tenant receivables	**53,466**	57,563
Unbilled other tenant receivables	**13,186**	8,287
Receivables from related party – excluding equity accounted investments	**2,723**	1,311
Receivables from related party – equity accounted investments	**915**	—
Other non-tenant receivables	**1,265**	2,898
Other	**7,211**	8,327
	78,766	78,386
Allowance for ECL	**(20,758)**	(19,742)
Amounts receivable and other, net of allowance for ECL	**58,008**	58,644
Deferred financing costs	**1,250**	1,173
Prepaid expenses and deposits	**13,375**	7,269
	72,633	67,086

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:

	Three Months Ended March 31	
	2021	2020
Balance – beginning of period	**19,742**	3,061
Allowance recognized as expense	**3,437**	400
Reversal of previous allowances	**(1,401)**	(199)
Net	**2,036**	201
Tenant receivables written off	**(1,020)**	(21)
Balance – end of period	**20,758**	3,241

9. Debt

The following table presents debt balances:

As at	**March 31, 2021**	December 31, 2020
Secured debt (a)	**1,276,917**	1,327,760
Unsecured debt (b)	**3,533,189**	3,882,363
Revolving operating facility (c)	**—**	—
	4,810,106	5,210,123
Current	**476,867**	854,261
Non-current	**4,333,239**	4,355,862
	4,810,106	5,210,123

a) *Secured debt*

Secured debt bears interest at a weighted average interest rate of 3.59% as at March 31, 2021 (December 31, 2020 – 3.67%). Total secured debt of $1,276,917 (December 31, 2020 – $1,327,760) includes $1,212,903 (December 31, 2020 – $1,269,900) at fixed interest rates, $58,110 (December 31, 2020 – $57,860) at a variable interest rate of the banker's acceptance rate plus 120 basis points, and $5,904 (December 31, 2020 – $nil) at a variable interest rate of CDOR plus 106 basis points. Except for the $5,904 variable rate secured debt noted above, 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.

During the three months ended March 31, 2021, secured debt of $5,904 was issued, which carries variable rate interest at a rate of CDOR plus 106 basis points and is secured by the Trust's security bank deposit. The Trust borrowed this non-cash secured debt from a highly rated Canadian financial institution concurrent with entering the TRS agreement. The interest on this secured debt includes floating amounts that are payable at each May, August, November and February commencing in May 2021 to the date the TRS agreement matures or is unwound. See also the asset associated with the TRS in Note 7, "Other assets", for further details.

b) *Unsecured debt*

The following table summarizes the components of unsecured debt:

As at	**March 31, 2021**	December 31, 2020
Unsecured debentures (i)	**2,972,225**	3,271,625
Credit facilities (ii)	**399,326**	399,304
Other unsecured debt (iii)	**161,638**	211,434
	3,533,189	3,882,363

i) Unsecured debentures

As at March 31, 2021, unsecured debentures totalled $2,972,225 (December 31, 2020 – $3,271,625). Unsecured debentures mature at various dates between 2021 and 2030, with interest rates ranging from 1.74% to 3.99%, and a weighted average interest rate of 3.12% as at March 31, 2021 (December 31, 2020 – 3.14%).

Unsecured debenture activities for the three months ended March 31, 2021

Redemptions

In January 2021, the Trust completed the redemption of its 3.730% Series M senior unsecured debentures and 2.876% Series Q senior unsecured debentures, in aggregate principal amounts of $150,000 and $150,000, respectively, with yield maintenance costs and accrued interest payable. The yield maintenance costs of $11,084 relating to the redemptions were recorded in the Trust's consolidated financial statements for the year ended December 31, 2020. The redemptions were funded by the proceeds from the issuance of 1.740% Series X and 2.307% Series Y senior unsecured debentures in December 2020.

Credit rating of unsecured debentures

Dominion Bond Rating Services ("DBRS") provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfil its obligations. An investment-grade rating must exceed "BB", with the highest rating being "AAA". The Trust's unsecured debentures are rated "BBB(high)" with a stable trend as at March 31, 2021.

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	March 31, 2021	December 31, 2020
Non-revolving:					
August 2018[(1)(2)]	January 31, 2025	2.980	80,000	**80,000**	80,000
March 2019[(1)]	March 7, 2024	3.590	150,000	**150,000**	150,000
May 2019[(1)(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	**(674)**	(696)
				399,326	399,304

(1) The Trust entered into interest rate swap agreements to convert the variable interest rate of the banker's acceptance rate plus 1.20% into a weighted average fixed interest rate of 3.28% per annum. The weighted average term to maturity of the interest rate swaps is 3.24 years. Hedge accounting has not been applied to the interest rate swap agreements.

(2) 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%.

(3) The Trust has the option to extend the maturity date of this facility twice, each for a one-year period. In addition, the Trust has entered into an interest swap agreement associated with this facility, the maturity date of which is June 24, 2029.

(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 $161,638 (December 31, 2020 – $211,434) 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	March 31, 2021	December 31, 2020
PCVP (5.00% discount rate)[(1)]	**80,106**	79,624
PCVP (5.75% discount rate)[(2)]	**77,336**	76,747
Laval C Apartment LP	**1,918**	1,321
Self-storage joint ventures	**1,625**	265
VMC Residences LP[(3)]	**653**	53,477
	161,638	211,434

(1) In connection with the 700 Applewood purchase, in December 2019, the loan has a principal amount outstanding of $103,264 (December 31, 2020 – $103,764), is non-interest bearing, and is repayable at the end of 10 years. As at March 31, 2021, the loan balance of $80,106 is net of a fair value adjustment totalling $23,158 (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 $103,264, is non-interest bearing, and is repayable at the end of 10 years. As at March 31, 2021, the loan balance of $77,336 is net of a fair value adjustment totalling $25,928 (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 $53,477 that is non-interest bearing. During the three months ended March 31, 2021, $52,824 of this amount was settled. See Note 6, "Equity accounted investments."

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 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	March 31, 2021	December 31, 2020
Revolving operating facility	**500,000**	500,000
Letters of credit – outstanding	**(8,354)**	(8,627)
Remaining operating facility	**491,646**	491,373

d) *Interest expense*

The following table summarizes interest expense:

	Three Months Ended March 31	
	2021	2020
Interest at stated rates	**38,730**	37,143
Amortization of acquisition date fair value adjustments on assumed debt	**(137)**	(227)
Amortization of deferred financing costs	**1,037**	962
	39,630	37,878
Less:		
Interest capitalized to properties under development	**(3,692)**	(4,533)
Interest capitalized to residential development inventory	**(237)**	(228)
	35,701	33,117
Distributions on vested deferred units and Units classified as liabilities	**1,500**	1,401
	37,201	34,518

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

	Three Months Ended March 31	
	2021	2020
Interest expense	**37,201**	34,518
Amortization of acquisition date fair value adjustments on assumed debt	**137**	227
Amortization of deferred financing costs	**(1,037)**	(962)
Distributions on vested deferred units and Units classified as liabilities	**(1,500)**	(1,401)
Change in accrued interest payable	**543**	(3,194)
Cash interest paid	**35,344**	29,188

e) *Liquidity*

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

	Total	**2021**	**2022**	**2023**	**2024**	**2025**	**Thereafter**
Secured debt	**1,276,917**	121,879	261,417	179,064	150,451	397,813	166,293
Unsecured debt	**3,533,189**	325,398	1,918	200,000	420,000	590,000	1,995,873
Accounts payable	**227,530**	227,530	—	—	—	—	—
Other payable	**31,501**	10,761	—	10,608	—	8,130	2,002
Long term incentive plan	**902**	—	250	527	125	—	—
Interest rate swap agreements	**6,768**	—	—	—	5,675	1,093	—
	5,076,807	**685,568**	**263,585**	**390,199**	**576,251**	**997,036**	**2,164,168**
Mortgage receivable advances (repayments)(1)	**167,242**	19,634	27,069	(10,197)	(1,892)	(480)	133,108
Development obligations (commitments)(2)	**14,991**	14,991	—	—	—	—	—
Total	**5,259,040**	**720,193**	**290,654**	**380,002**	**574,359**	**996,556**	**2,297,276**

(1) Mortgages receivable of $143,841 at March 31, 2021, and further forecasted commitments of $167,242, mature over a period extending to 2028 if the Trust does not exercise its option to acquire the investment properties. Refer to Note 5, "Mortgages, loans and notes receivable", for timing of principal repayments.

(2) The Trust is in the process of refining its estimates of development obligations for the years subsequent to 2021. 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.

10. 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	March 31, 2021	December 31, 2020
Accounts payable		**66,242**	70,938
Accounts payable and accrued liabilities with Penguin	19	**7,549**	6,406
Tenant prepaid rent, deposits, and other payables		**78,566**	87,519
Accrued interest payable		**28,524**	29,067
Distributions payable		**26,558**	30,011
Realty taxes payable		**20,091**	4,964
Current portion of other payables		**12,410**	12,376
		239,940	241,281

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

As at	Note	March 31, 2021	December 31, 2020
Future land development obligations with Penguin	10(a)	**18,549**	18,410
Lease liability – investment properties[1]		**8,195**	8,168
Lease liability – other		**4,757**	5,183
Total other payables		**31,501**	31,761
Less: current portion of other payables		**(12,410)**	(12,376)
Total non-current portion of other payables		**19,091**	19,385

(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 19, "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 three months ended March 31, 2021, imputed interest of $212 (three months ended March 31, 2020 – $282) was capitalized to properties under development.

11. Other financial liabilities

The following table summarizes the components of other financial liabilities:

As at	March 31, 2021	December 31, 2020
Units classified as liabilities (a)	**56,398**	48,479
Deferred unit plan (c)	**36,541**	28,051
Long term incentive plan (d)	**902**	1,540
Equity incentive plan (e)	**1,385**	—
Interest rate swap agreements	**6,768**	8,658
	101,994	86,728

a) *Units classified as liabilities*

The following table represents the number and carrying value of Units classified as liabilities that are issued and outstanding. The fair value measurement of the Units classified as liabilities is described in Note 12, "Fair value of financial instruments".

	Number of Units Issued and Outstanding (#)	Carrying Value ($)
Balance – January 1, 2021	**2,100,470**	**48,479**
Change in carrying value	**N/A**	**7,919**
Balance – March 31, 2021	**2,100,470**	**56,398**
Balance – January 1, 2020	2,096,648	65,436
Options exercised	3,822	77
Change in carrying value	N/A	(25,940)
Balance – March 31, 2020	2,100,470	39,573

b) *Earnout options*

As part of the consideration paid for certain investment property acquisitions, the Trust has granted options in connection with the development management agreements (see also Note 4(d)).

The following table summarizes the number of Earnout options exercised and proceeds received during the three months ended March 31, 2021:

Options	Strike Price	Options Exercised (#)	Amounts from Options Exercised ($)
Options to acquire Class B Smart LP III Units[(1)]	Market price	18,123	466
Options to acquire Class B Smart LP IV Units[(2)]	Market price	24,516	695
		42,639	**1,161**

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

c) *Deferred unit plan*

The following table summarizes outstanding deferred units:

	Outstanding	Vested	Non-vested
Balance – January 1, 2021	**1,305,275**	**1,068,243**	**237,032**
Granted			
Trustees	**68,193**	**68,193**	**—**
Eligible associates	**99,128**	**49,564**	**49,564**
Reinvested units from distributions	**26,982**	**22,273**	**4,709**
Vested	**—**	**37,872**	**(37,872)**
Redeemed for cash	**(7,602)**	**(7,602)**	**—**
Forfeited	**(212)**	—	**(212)**
Balance – March 31, 2021	**1,491,764**	**1,238,543**	**253,221**
Balance – January 1, 2020	1,025,582	868,183	157,399
Granted			
Trustees	55,193	55,193	—
Eligible associates	79,986	38,562	41,424
Reinvested units from distributions	19,624	14,861	4,763
Vested	—	25,863	(25,863)
Redeemed for cash	(21,950)	(21,950)	—
Balance – March 31, 2020	1,158,435	980,712	177,723

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

	Three Months Ended March 31	
	2021	2020
Carrying value – beginning of period	**28,051**	30,247
Deferred units granted for trustee fees	**797**	864
Deferred units granted for bonuses	**1,158**	1,206
Reinvested distributions on vested deferred units	**531**	431
Compensation expense – reinvested distributions and amortization	**774**	778
Redeemed for cash	**(196)**	(652)
Fair value adjustment – vested and unvested deferred units	**5,426**	(12,809)
Carrying value – end of period	**36,541**	20,065

d) Long term incentive plan liability ("LTIP")

The following table summarizes the activity in the LTIP:

	Three Months Ended March 31	
	2021	2020
Balance – beginning of period	**1,540**	645
Amortization	**239**	—
Fair value adjustment	**126**	—
LTIP vested and paid out	**(1,003)**	—
Balance – end of period	**902**	645

e) Equity incentive plan ("EIP")

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 19, "Related party transactions").

The following table summarizes the activity in the EIP:

	Three Months Ended March 31, 2021
Balance – beginning of period	**—**
Amortization costs(1)	**1,073**
Fair value adjustment(1)	**312**
Balance – end of period	**1,385**

(1) These amounts were capitalized to properties under development.

12. 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	**March 31, 2021**			December 31, 2020		
	FVTPL	**Amortized cost**	**Total**	FVTPL	Amortized cost	Total
Financial assets						
Mortgages, loans and notes receivable	**—**	**392,885**	**392,885**	—	376,788	376,788
Amounts receivable and other	**—**	**53,466**	**53,466**	—	57,563	57,563
Cash and cash equivalents	**—**	**399,948**	**399,948**	—	794,594	794,594
Total return swap receivable	**6,417**	**—**	**6,417**	—	—	—
Financial liabilities						
Accounts and other payables	**—**	**239,940**	**239,940**	—	241,281	241,281
Secured debt	**—**	**1,346,938**	**1,346,938**	—	1,413,571	1,413,571
Unsecured debt	**—**	**3,597,037**	**3,597,037**	—	4,044,737	4,044,737
Units classified as liabilities	**56,398**	**—**	**56,398**	48,479	—	48,479
Deferred unit plan	**36,541**	**—**	**36,541**	28,051	—	28,051
LTIP	**902**	**—**	**902**	1,540	—	1,540
EIP	**1,385**	**—**	**1,385**	—	—	—
Interest rate swap agreements(1)	**6,768**	**—**	**6,768**	8,658	—	8,658

(1) The fair value of interest rate swap agreements is determined using the discounted cash flow valuation technique on the expected cash flows of the derivatives. The future fixed cash payments and the expected variable cash receipts are discounted to the reporting date, and then netted to determine the fair value of each interest rate swap agreement. The expected variable cash receipts are based on expectations of future interest rates, which are derived from yield curves based on observable market data.

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	**March 31, 2021**			December 31, 2020		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Recurring measurements:						
Financial asset						
Fair value of total return swap agreements	**—**	**6,417**	**—**	—	—	—
Financial liabilities						
Units classified as liabilities	**—**	**56,398**	**—**	—	48,479	—
Deferred unit plan	**—**	**36,541**	**—**	—	28,051	—
LTIP	**—**	**902**	**—**	—	1,540	—
EIP	**—**	**1,385**	**—**	—	—	—
Fair value of interest rate swap agreements	**—**	**6,768**	**—**	—	8,658	—

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

13. Unit equity

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

		Number of Units Issued and Outstanding (#)			Carrying Value ($)		
	Note	Trust Units	Smart LP Units	Total Units	Trust Units	Smart LP Units	Total
Balance – January 1, 2021		**144,618,657**	**25,502,085**	**170,120,742**	**3,090,188**	**640,206**	**3,730,394**
Options exercised	4(d), 11(b)	**—**	**46,271**	**46,271**	**—**	**1,161**	**1,161**
Unit issuance costs		**—**	**—**	**—**	**(18)**	**—**	**(18)**
Balance – March 31, 2021		**144,618,657**	**25,548,356**	**170,167,013**	**3,090,170**	**641,367**	**3,731,537**
Balance – January 1, 2020		144,038,363	25,148,180	169,186,543	3,072,821	633,358	3,706,179
Distribution reinvestment plan	13(b), 14	578,744	—	578,744	17,354	—	17,354
Unit issuance costs		—	—	—	(23)	—	(23)
Balance – March 31, 2020		144,617,107	25,148,180	169,765,287	3,090,152	633,358	3,723,510

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

	Number of Units Issued and Outstanding (#)			Carrying Value ($)		
LP Class B Unit Type	**Balance – January 1, 2021**	**Options Exercised (Note 11(b))**	**Balance – March 31, 2021**	**Balance – January 1, 2021**	**Value From Options Exercised (Note 11(b))**	**Balance – March 31, 2021**
Smart Limited Partnership	**16,416,667**	**—**	**16,416,667**	**392,097**	**—**	**392,097**
Smart Limited Partnership II	**756,525**	**—**	**756,525**	**17,680**	**—**	**17,680**
Smart Limited Partnership III	**4,006,661**	**19,954**	**4,026,615**	**107,284**	**466**	**107,750**
Smart Limited Partnership IV	**3,067,593**	**26,317**	**3,093,910**	**88,162**	**695**	**88,857**
Smart Oshawa South Limited Partnership	**710,416**	**—**	**710,416**	**20,441**	**—**	**20,441**
Smart Oshawa Taunton Limited Partnership	**374,223**	**—**	**374,223**	**11,033**	**—**	**11,033**
Smart Boxgrove Limited Partnership	**170,000**	**—**	**170,000**	**3,509**	**—**	**3,509**
	25,502,085	**46,271**	**25,548,356**	**640,206**	**1,161**	**641,367**

	Number of Units Issued and Outstanding (#)			Carrying Value ($)		
LP Class B Unit Type	Balance – January 1, 2020	Options Exercised (Note 11(b))	Balance – March 31, 2020	Balance – January 1, 2020	Value From Options Exercised (Note 11(b))	Balance – March 31, 2020
Smart Limited Partnership	16,416,667	—	16,416,667	392,098	—	392,098
Smart Limited Partnership II	756,525	—	756,525	17,680	—	17,680
Smart Limited Partnership III	3,822,756	—	3,822,756	103,944	—	103,944
Smart Limited Partnership IV	3,067,593	—	3,067,593	88,162	—	88,162
Smart Oshawa South Limited Partnership	710,416	—	710,416	20,441	—	20,441
Smart Oshawa Taunton Limited Partnership	374,223	—	374,223	11,033	—	11,033
	25,148,180	—	25,148,180	633,358	—	633,358

a) Authorized Units

Trust Units (authorized – unlimited)

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

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

The Trust is authorized to issue an unlimited number of Special Voting Units that will be used to provide voting rights to holders of securities exchangeable, including all series of Class B Smart LP Units, Class D Smart LP Units, Class B Smart LP II Units, Class B Smart LP III Units, Class B Smart LP IV Units, Class B Smart Oshawa South LP Units, Class D Smart Oshawa South LP Units, Class B Smart Oshawa Taunton Units, Class D Oshawa Taunton Units, Class B Smart Boxgrove LP Units, Class B ONR LP 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 March 31, 2021, there were 27,640,118 (December 31, 2020 – 27,593,847) 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 19 "Related party transactions").

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 three months ended March 31, 2021, no Trust Units were issued for cash (Trust Units issued for cash for the three months ended March 31, 2020 – nil).

d) Normal Course Issuer Bid

The Trust renewed a normal course issuer bid ("NCIB") program on March 31, 2021 with acceptance by the TSX. The NCIB program will terminate on March 30, 2022, 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 12,935,063 (previously 6,500,835) of its Trust Units representing approximately 10% (previously 5%) of the public float as at March 21, 2021 (previously 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 three months ended March 31, 2021, the Trust did not purchase for cancellation any Trust Units under the NCIB.

14. 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:

	Three Months Ended March 31	
Unit Type Subject to Distributions	**2021**	2020
Trust Units	**66,883**	67,318
Limited Partnership Units	**11,808**	11,631
Distributions on Units classified as equity	**78,691**	78,949
Distributions on Units classified as liabilities	**969**	969
Total Unit distributions	**79,660**	79,918
Distributions paid through DRIP[1]	**—**	17,354

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

On April 22, 2021, the Trust declared a distribution for the month of April 2021 of $0.15417 per Unit, representing $1.85 per Unit on an annualized basis, to Unitholders of record on April 30, 2021.

15. Rentals from investment properties and other

The following table presents rentals from investment properties and other:

	Three Months Ended March 31	
	2021	2020
Gross base rent	**123,661**	127,964
Less: Amortization of tenant incentives	**(2,331)**	(1,622)
Net base rent	**121,330**	126,342
Property tax and insurance recoveries	**47,374**	48,609
Property operating cost recoveries	**24,408**	26,222
	71,782	74,831
Miscellaneous revenue	**2,841**	2,845
Rentals from investment properties	**195,953**	204,018
Service and other revenues[1]	**2,885**	2,709
Rentals from investment properties and other	**198,838**	206,727

(1) For the three months ended March 31, 2021, service and other revenues included $2,514 relating to the fees associated with the Development and Services Agreement with Penguin (three months ended March 31, 2020 – $2,384). See also Note 19, "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	**March 31, 2021**	March 31, 2020
2020[1]	**—**	375,914
2021[1]	**364,328**	469,979
2022	**451,145**	417,417
2023	**380,616**	341,048
2024	**308,537**	267,878
2025	**244,710**	210,554
Thereafter	**633,775**	568,048

(1) Amounts related to remainder of the year.

16. Property operating costs and other

The following table summarizes property operating costs and other:

	Three Months Ended March 31	
	2021	2020
Recoverable property operating costs[1]	**75,744**	78,093
Property management fees and costs	**289**	848
Bad debt expenses/ECL	**2,309**	178
Non-recoverable costs	**1,474**	1,069
Property operating costs	**79,816**	80,188
Other expenses[2]	**2,885**	2,712
Property operating costs and other	**82,701**	82,900

(1) Include recoverable property tax and insurance costs.
(2) Other expenses relate to service and other revenues as disclosed in Note 15, “Rentals from investment properties and other”.

17. General and administrative expense, net

The following table summarizes the general and administrative expense, net:

		Three Months Ended March 31	
	Note	**2021**	2020
Salaries and benefits		**15,886**	13,291
Master planning services fee – by Penguin	19	**1,791**	1,750
Professional fees		**1,384**	1,379
Public company costs		**461**	698
Rent and occupancy		**292**	665
Amortization of intangible assets		**333**	333
Other costs including information technology, marketing, communications, and other employee expenses		**3,020**	1,510
Total general and administrative expense before allocation		**23,167**	19,626
Less:			
Capitalized to properties under development and other assets		**(9,186)**	(7,333)
Allocated to property operating costs		**(3,937)**	(3,970)
Amounts charged to Penguin and others		**(2,564)**	(2,709)
Total amounts capitalized, allocated and charged		**(15,687)**	(14,012)
General and administrative expense, net		**7,480**	5,614

18. Supplemental cash flow information

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

		Three Months Ended March 31	
	Note	**2021**	2020
Amounts receivable and other	8	**636**	(9,167)
Deferred financing costs	8	**(77)**	86
Prepaid expenses and deposits	8	**(6,106)**	(11,872)
Accounts payable	10	**(3,553)**	1,708
Realty taxes payable	10	**15,127**	15,061
Tenant prepaid rent, deposits and other payables	10	**(8,953)**	(8,329)
Other working capital changes		**1,626**	1,262
		(1,300)	(11,251)

19. 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 March 31, 2021, which in total represent approximately 21.5% of the issued and outstanding Units (December 31, 2020 – 21.4%) of the Trust and Limited Partnerships:

		Units owned by Penguin	
Type	**Class**	**March 31, 2021**	December 31, 2020
Trust Units	N/A	**15,032,063**	15,032,063
Smart Limited Partnership	B	**13,576,798**	13,576,798
Smart Limited Partnership	F	**8,708**	8,708
Smart Limited Partnership III	B	**4,026,615**	4,006,661
Smart Limited Partnership IV	B	**2,858,950**	2,838,954
Smart Oshawa South Limited Partnership	B	**630,880**	630,880
Smart Oshawa Taunton Limited Partnership	B	**374,223**	374,223
Smart Boxgrove Limited Partnership	B	**170,000**	170,000
ONR Limited Partnership I	B	**272,183**	272,183
Units owned by Penguin		**36,950,420**	36,910,470
Distributions declared to Penguin (in thousands of dollars)		**17,082**	66,799

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 March 31, 2021, there were 8,241,544 additional Special Voting Units outstanding (December 31, 2020 – 8,241,544). These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust, nor are they convertible into any Trust securities. There is no value assigned to the Special Voting Units. A five-year extension of the Voting Top-Up Right was approved by Unitholders at the Trust's annual general and special meeting held on December 9, 2020. For further details, see the Trust's management information circular dated November 6, 2020, filed on the System for Electronic Document Analysis and Retrieval ("SEDAR").

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

Type	**Class**	**March 31, 2021**	December 31, 2020
Trust Units	N/A	**1,286,833**	1,286,833
Smart Limited Partnership	Class B	**5,038,835**	5,038,835
Smart Limited Partnership III	Class B	**1,861,636**	1,879,759
Smart Limited Partnership IV	Class B	**369,472**	387,859
Smart Oshawa South Limited Partnership	Class B	**16,082**	16,082
Smart Oshawa Taunton Limited Partnership	Class B	**132,711**	132,711
Smart Boxgrove Limited Partnership	Class B	**267,179**	267,179
ONR Limited Partnership I	Class B	**482,086**	482,086
		9,454,834	9,491,344

At March 31, 2021, Penguin's ownership would increase to 25.4% (December 31, 2020 – 25.4%) if Penguin were to exercise all remaining Earnout options.

Pursuant to its rights under the Declaration of Trust, at March 31, 2021, 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 the Trust's employees/personnel who service this particular property,
e) for Penguin's 50% interest in a property in Toronto co-owned with Revera to develop a retirement home, Penguin will pay 50% of the development fees it earns to the Trust for the development services provided by the Trust, and
f) the Trust will continue to manage and develop all other Penguin properties.

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

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

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

Mezzanine Loan Amending Agreements between the Trust and its affiliates and Penguin
Effective November 5, 2020, all loan maturity dates have been extended to August 31, 2028, with a new rate structure for the extension period of each mortgage receivable (see also Note 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.

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

- Note 3(b) 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 8 referring to Amounts receivable and other
- Note 10 referring to Accounts payable and other payables (including future land obligations)
- Note 11 referring to Other financial liabilities
- Note 15 referring to Rentals from investment properties and other
- Note 16 referring to Property operating costs and other, and
- Note 17 relating to General and administrative expenses.

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

		Three Months Ended March 31	
	Note	**2021**	2020
Related party transactions with Penguin			
Acquisitions and Earnouts:			
Earnouts		**2,138**	291
Revenues:			
Service and other revenues:			
Transition services fee revenue		**—**	500
Management fee and other services revenue pursuant to the Development and Services Agreement		**1,930**	1,674
Support services		**584**	210
	15	**2,514**	2,384
Interest income from mortgages and loans receivable	5	**1,534**	2,118
Rents and operating cost recoveries included in rentals from income properties (includes rental income from Penguin Pick-Up of $69 (three months ended March 31, 2020 – $14))	15	**261**	223
		4,309	4,725
Expenses and other payments:			
Master planning services:			
Capitalized to properties under development	17	**1,791**	1,750
Development fees and interest expense (capitalized to investment properties)		**102**	10
Rent and operating costs (included in general and administrative expense and property operating costs)		**769**	731
Marketing, time billings and other administrative costs (included in general and administrative expense and property operating costs)		**20**	12
Consulting service fees and others (included in general and administrative expenses)		**58**	—
Expenditures on tenant inducement		**—**	—
		2,740	2,503
Related party transactions with PCVP			
Revenues:			
Interest income from mortgages and loans receivable	5	**647**	635
Expenses and other payments:			
Rent and operating costs (included in general and administrative expense and property operating costs)	16, 17	**677**	651

As at	Note	March 31, 2021	December 31, 2020
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable[(1)]	8	**2,723**	1,310
Mortgages receivable (see below)	5(a)	**143,841**	144,205
Loans receivable	5(b)	**101,410**	104,143
Notes receivable	5(c)	**2,924**	2,924
Total receivables		**250,898**	252,582
Payables and other accruals:			
Accounts payable and accrued liabilities	10	**7,549**	6,406
Future land development obligations (see below)	10	**18,549**	18,410
Total payables and other accruals		**26,098**	24,816

(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	March 31, 2021	December 31, 2020
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable[(1)]	8	**915**	1
Loans receivable[(2)]	5(b)	**142,429**	134,690
Other unsecured debt[(3)]	9(b)(iii)	**161,638**	211,434

(1) Amounts receivable includes Penguin's portion, which represents $2 (December 31, 2020 – $1) relating to Penguin's 50% investment in the PCVP and 25% investment in Residences LP.
(2) Loans receivable includes Penguin's portion, which represents $47,828 (December 31, 2020 – $47,504) relating to Penguin's 50% investment in the PCVP.
(3) Other unsecured debt includes Penguin's portion, which represents $163 (December 31, 2020 – $13,369) relating to Penguin's 25% investment in the Residences LP.

Other related party transactions:

The following table summarizes other related party transactions:

	Three Months Ended March 31	
	2021	2020
Legal fees incurred from a law firm in which a partner is a Trustee:		
Capitalized to investment properties	**78**	485
Included in general and administrative expense	**491**	70
	569	555

20. Key management and Trustee compensation

The following table presents the compensation relating to key management:

	Three Months Ended March 31	
	2021	2020
Salaries and other short-term employee benefits	**852**	765
Deferred unit plan	**736**	516
Equity incentive plan	**1,385**	—
Long term incentive plan	**239**	—
	3,212	1,281

The following table presents the compensation relating to Trustees:

	Three Months Ended March 31	
	2021	2020
Trustee fees	**144**	264
Deferred unit plan	**144**	264
	288	528

21. Segmented information

As at March 31, 2021, the Trust has one reportable segment, which comprises the development, ownership, management and operation of investment properties located in Canada. In measuring performance, the Trust does not distinguish or group its operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes.

The Trust's major tenant is Walmart, accounting for 25.4% of the Trust's annualized rentals from investment properties for the three months ended March 31, 2021 (three months ended March 31, 2020 – 25.3%).

22. Fair value adjustments

The following table summarizes the fair value adjustments:

		Three Months Ended March 31	
	Note	**2021**	2020
Investment properties			
Income properties	4	**(22,878)**	(64,158)
Properties under development	4	**4,119**	776
Fair value adjustment on revaluation of investment properties		**(18,759)**	(63,382)
Financial instruments			
Total return swap receivable	7	**513**	—
Units classified as liabilities	11(a)	**(7,919)**	25,940
Earnout options	11(b)	**—**	40
Deferred unit plan – vested and unvested	11(c)	**(5,426)**	12,109
Long term incentive plan	11(d)	**(126)**	—
Interest rate swap agreements	11	**1,890**	—
Fair value adjustment on financial instruments		**(11,068)**	38,089
Total fair value adjustments		**(29,827)**	(25,293)

23. Risk management

Interest Rate Risk

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

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

Change in interest rate of:	**+1.00%**	**-1.00%**
Fair value gain (loss) on interest rate swap agreements	26,105	(26,105)

The Trust's exposure to interest rate risk is monitored by management on a regular basis (see also Note 9, "Debt").

24. Commitments and contingencies

The Trust has certain obligations and commitments pursuant to development management agreements to complete the purchase of Earnouts totalling approximately 186,000 square feet (December 31, 2020 – 154,000 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 March 31, 2021, the carrying value of these obligations and commitments included in properties under development was $62,491 (December 31, 2020 – $61,811). 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 $14,991 (December 31, 2020 – $23,103) and commitments relating to equity accounted investments that total $196,633 (December 31, 2020 – $157,769), of which the Trust's share is $61,477 (December 31, 2020 – $51,113) – 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 $311,083 (December 31, 2020 – $312,778) (see also Note 5, "Mortgages, loans and notes receivable"), of which $143,841 has been provided as at March 31, 2021 (December 31, 2020 – $144,205).

As at March 31, 2021, letters of credit totalling $30,273 (December 31, 2020 – $29,189) – including letters of credit drawn down under the revolving operating facility described in Note 9(c) – have been issued on behalf of the Trust by financial institutions as security for debt and for maintenance and development obligations to municipal authorities.

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

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

CORPORATE INFORMATION

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

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