2023 FIRST QUARTER REPORT

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended
March 31, 2023 and 2022

SMARTCENTRES®
REAL ESTATE INVESTMENT TRUST

SMARTLIVING

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COMMUNITIES.

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

As at	Note	**March 31, 2023**	December 31, 2022
Assets			
Non-current assets			
Investment properties	4	**10,264,253**	10,208,071
Equity accounted investments	5	**688,340**	680,999
Mortgages, loans and notes receivable	6	**233,514**	238,099
Other financial assets	7	**160,277**	171,807
Other assets	8	**84,517**	83,230
Intangible assets		**43,474**	43,807
		11,474,375	11,426,013
Current assets			
Assets held for sale	4	**—**	42,321
Residential development inventory		**41,701**	40,373
Current portion of mortgages, loans and notes receivable	6	**85,004**	86,593
Amounts receivable and other	9	**60,048**	57,124
Prepaid expenses, deposits and deferred financing costs	9	**25,365**	14,474
Cash and cash equivalents	19	**32,638**	35,255
		244,756	276,140
Total assets		**11,719,131**	11,702,153
Liabilities			
Non-current liabilities			
Debt	10	**4,423,460**	4,523,987
Other financial liabilities	11	**284,076**	277,400
Other payables	12	**17,479**	17,265
		4,725,015	4,818,652
Current liabilities			
Current portion of debt	10	**533,497**	459,278
Accounts payable and current portion of other payables	12	**262,229**	261,122
		795,726	720,400
Total liabilities		**5,520,741**	5,539,052
Equity			
Trust Unit equity		**5,150,838**	5,126,197
Non-controlling interests		**1,047,552**	1,036,904
		6,198,390	6,163,101
Total liabilities and equity		**11,719,131**	11,702,153

Commitments and contingencies (Note 25)

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

Approved by the Board of Trustees.

Michael Young
Trustee

Garry Foster
Trustee

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

For the three months ended March 31,	Note	**2023**	2022
Net rental income and other			
Rentals from investment properties and other	16	**210,594**	202,828
Property operating costs and other	17	**(85,773)**	(82,109)
Net rental income and other		**124,821**	120,719
Other income and expenses			
General and administrative expense, net	18	**(8,754)**	(6,867)
Earnings (loss) from equity accounted investments	5	**9,443**	(574)
Fair value adjustment on investment properties	23	**29,166**	271,345
Gain (loss) on sale of investment properties		**22**	(122)
Interest expense	10(d)	**(39,507)**	(35,333)
Interest income		**4,828**	2,960
Fair value adjustment on financial instruments	23	**(7,158)**	17,982
Net income and comprehensive income		**112,861**	370,110
Net income and comprehensive income attributable to:			
Trust Units		**91,530**	300,452
Non-controlling interests		**21,331**	69,658
		112,861	370,110

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	**2023**	2022
Cash provided by (used in)			
Operating activities			
Net income and comprehensive income		**112,861**	370,110
Items not affecting cash and other items	19	**7,070**	(254,097)
Cash interest paid	10(d)	**(23,912)**	(18,141)
Interest received		**2,336**	3,799
Distributions from equity accounted investments	5	**2,090**	426
Expenditures on direct leasing costs and tenant incentives		**(3,070)**	(2,439)
Expenditures on tenant incentives for properties under development		**(856)**	(1,680)
Changes in other non-cash operating items	19	**(14,588)**	4,841
Cash flows provided by operating activities		**81,931**	102,819
Financing activities			
Proceeds from secured debt		**1,600**	—
Proceeds from unsecured debt		**—**	340,000
Proceeds from revolving operating facilities		**30,000**	125,000
Repayments of secured debt		**(19,459)**	(180,465)
Repayments of revolving operating facility		**(22,000)**	(165,000)
Repayments of other unsecured debt		**(18,077)**	(500)
Distributions paid on Trust Units		**(66,889)**	(66,889)
Distributions paid on non-controlling interests and Units classified as liabilities		**(15,510)**	(15,767)
Payment of lease liability		**(1,883)**	(470)
Cash flows used in financing activities		**(112,218)**	35,909
Investing activities			
Acquisitions and Earnouts of investment properties	3	**(2,071)**	(102,323)
Additions to investment properties		**(26,664)**	(19,443)
Additions to equity accounted investments		**111**	(13,521)
Additions to equipment	8	**(107)**	(87)
Decrease in cash held as collateral		**—**	(97)
Advances of mortgages and loans receivable		**(2,471)**	(22,263)
Repayments of mortgages and loans receivable		**11,750**	3,979
Net proceeds from sale of investment properties		**47,122**	6,400
Cash flows used in investing activities		**27,670**	(147,355)
Decrease in cash and cash equivalents during the period		**(2,617)**	(8,627)
Cash and cash equivalents – beginning of period		**35,255**	62,235
Cash and cash equivalents – end of period		**32,638**	53,608
Supplemental cash flow information (see Note 19)			

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

For the three months ended March 31, 2023 and March 31, 2022
(in thousands of Canadian dollars)

		Attributable to Unitholders			Attributable to LP Units Classified as Non-Controlling Interests				
	Note	Trust Units (Note 14)	Retained Earnings	Unit Equity	LP Units (Note 14)	Retained Earnings	LP Unit Equity	Other Non-Controlling Interest (Note 20)	Total Equity
Equity – January 1, 2023		**3,090,118**	**2,036,079**	**5,126,197**	**643,223**	**390,121**	**1,033,344**	**3,560**	**6,163,101**
Issuance of Units	14	**—**	**—**	**—**	**1,182**	**—**	**1,182**	**—**	**1,182**
Net income and comprehensive income		**—**	**91,530**	**91,530**	**—**	**21,223**	**21,223**	**108**	**112,861**
Distributions	15	**—**	**(66,889)**	**(66,889)**	**—**	**(11,865)**	**(11,865)**	**—**	**(78,754)**
Equity – March 31, 2023		**3,090,118**	**2,060,720**	**5,150,838**	**644,405**	**399,479**	**1,043,884**	**3,668**	**6,198,390**
Equity – January 1, 2022		3,090,368	1,787,593	4,877,961	641,944	317,965	959,909	3,445	5,841,315
Issuance of Units	14	—	—	—	964	—	964	—	964
Unit issuance costs	14	(250)	—	(250)	—	—	—	—	(250)
Net income and comprehensive income		—	300,452	300,452	—	69,560	69,560	98	370,110
Distributions	15	—	(66,889)	(66,889)	—	(11,837)	(11,837)	(283)	(79,009)
Equity – March 31, 2022		3,090,118	2,021,156	5,111,274	642,908	375,688	1,018,596	3,260	6,133,130

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, 2023 and March 31, 2022
(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, self-storage rental facilities, and industrial facilities in Canada, both directly and through its subsidiaries, Smart Limited Partnership, Smart Limited Partnership II, Smart Limited Partnership III, Smart Limited Partnership IV, Smart Oshawa South Limited Partnership, Smart Oshawa Taunton Limited Partnership, Smart Boxgrove Limited Partnership, ONR Limited Partnership, ONR Limited Partnership I, and SmartVMC West Limited Partnership. The exchangeable securities of these subsidiaries, which are presented as non-controlling interests or as a liability, as appropriate, are economically equivalent to voting trust units ("Trust Units") as a result of voting, exchange and distribution rights as more fully described in Note 14(a). The address of the Trust's registered office is 3200 Highway 7, Vaughan, Ontario, L4K 5Z5. The Units of the Trust are listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "SRU.UN".

These unaudited interim condensed consolidated financial statements have been approved for issue by the Board of Trustees on May 10, 2023. The Board of Trustees has the power to amend the unaudited interim condensed consolidated financial statements after issue.

As at March 31, 2023, the Penguin Group of Companies ("Penguin"), owned by Mitchell Goldhar, owned approximately 20.9% (December 31, 2022 – 20.8%) of the issued and outstanding Units of the Trust and Limited Partnerships (see also Note 20, "Related party transactions").

2. Summary of significant accounting policies
2.1 Basis of presentation
These unaudited interim condensed consolidated financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of unaudited interim condensed consolidated financial statements, International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). The unaudited interim condensed consolidated financial statements contain disclosures that are supplemental to the Trust's annual consolidated financial statements. They do not include all the information and disclosures required by IFRS applicable for annual consolidated financial statements and, therefore, they should be read in conjunction with the annual audited consolidated financial statements as at and for the years ended December 31, 2022 and 2021.

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, 2022 and 2021, with the following additions:

Amendments to IAS 8, Definition of Accounting Estimates
On January 1, 2023, the Trust adopted the amendments to IAS 8, Definition of Accounting Estimates. The amendments clarify the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors. There was no material impact to the Trust's unaudited interim condensed consolidated financial statements on the adoption.

2.3 Reclassification of comparative figures
The comparative figures relating to "Earnings from other", in the amount of $305, have been grouped to "Rentals from investment properties and other" (see also Note 16, "Rentals from investment properties and other") to conform with the current period presentation.

3. Acquisitions and Earnouts

Earnouts completed during the three months ended March 31, 2023

During the three months ended March 31, 2023, pursuant to development management agreements referred to in Note 4, “Investment properties” (see also Note 20, “Related party transactions”), the Trust completed the purchase of Earnout transactions on 6,642 square feet of retail space and one parcel of land. The purchase price was $5,664, of which $1,182 was satisfied through the issuance of 42,972 Class B Series 6 Units (see also Note 11(b) and Note 14 “Unit equity”), and the balance was paid in cash, adjusted for other working capital amounts.

The following table summarizes the consideration for Earnouts completed for the three months ended March 31, 2023:

	Note	**Total**
Cash		**2,071**
LP Units issued	4(d)(ii)	**1,182**
Adjustments for other working capital amounts		**2,411**
		5,664

Acquisitions and Earnouts completed during the three months ended March 31, 2022

a. In January 2022, the Trust acquired, from its unrelated partner, a 50% interest in each of three co-owned properties located in Ottawa (Laurentian), Ontario, Edmonton Capilano, Alberta, and Lachenaie, Quebec, for a total purchase price of $100,000 and adjusted for costs of acquisition and other working capital amounts, which was paid in cash and funded with the Trust’s existing operating facilities. Upon completion of the acquisition, the Trust became the 100% owner of these properties.

b. In January 2022, the Trust acquired 25% interest in parcels of land from its unrelated partner located in Mirabel, Quebec, for a purchase price of $2,609, paid in cash and adjusted for costs of acquisition. Upon completion of the acquisition, the Trust’s interest in these parcels of land increased to 50%.

c. During the three months ended March 31, 2022, pursuant to development management agreements referred to in Note 4, “Investment properties” (see also Note 20, “Related party transactions”), the Trust completed the purchase of Earnout transactions on 2,447 square feet of retail space and two parcels of land. The purchase price was $620 for retail space and $6,743 for parcels of land, of which $964 was satisfied through the issuance of 18,655 Class B Series 1 Smart LP IV Units and 12,419 Class B Series 6 Smart LP III Units (see also Note 11(b) and Note 14 “Unit equity”), and the balance was paid in cash, adjusted for other working capital amounts.

The following table summarizes the consideration for Acquisitions and Earnouts completed for the three months ended March 31, 2022:

	Note	Acquisitions	Earnouts	Total
Cash		101,501	822	102,323
LP Units issued	4(d)(ii)	—	964	964
Adjustments for other working capital amounts		2,013	5,577	7,590
		103,514	7,363	110,877

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

4. Investment properties

The following table summarizes the activities in investment properties:

		Three Months Ended March 31, 2023			Year Ended December 31, 2022		
	Note	**Income Properties**	**Properties Under Development**	**Total**	Income Properties	Properties Under Development	Total
Balance – beginning of period		**8,496,893**	**1,753,499**	**10,250,392**	8,395,077	1,452,001	9,847,078
Additions (deductions):							
Acquisitions, Earnouts and related adjustments of investment properties		**—**	**2,435**	**2,435**	101,993	28,679	130,672
Earnout Fees on properties subject to development management agreements	4(d)(ii)	**753**	**—**	**753**	1,401	—	1,401
Transfer to income properties from properties under development		**9,166**	**(9,166)**	**—**	39,707	(39,707)	—
Transfer from income properties to properties under development		**(2,100)**	**2,100**	**—**	(7,887)	7,887	—
Transfer from properties under development to equity accounted investments		**—**	**—**	**—**	—	(25,000)	(25,000)
Capital expenditures		**3,391**	**—**	**3,391**	19,912	—	19,912
Deferred leasing costs		**382**	**—**	**382**	1,589	—	1,589
Development expenditures		**—**	**14,213**	**14,213**	—	79,373	79,373
Capitalized interest		**—**	**10,621**	**10,621**	—	35,036	35,036
Dispositions	4(b)	**—**	**(47,100)**	**(47,100)**	(777)	(40,726)	(41,503)
Fair value adjustment on investment properties	23	**30,734**	**(1,568)**	**29,166**	(54,122)	255,956	201,834
Balance – end of period		**8,539,219**	**1,725,034**	**10,264,253**	8,496,893	1,753,499	10,250,392
Investment properties		**8,539,219**	**1,725,034**	**10,264,253**	8,496,893	1,711,178	10,208,071
Investment properties classified as held for sale		**—**	**—**	**—**	—	42,321	42,321
		8,539,219	**1,725,034**	**10,264,253**	8,496,893	1,753,499	10,250,392

The historical costs of both income properties and properties under development as at March 31, 2023 totalled $6,776,943 and $1,331,008, respectively (December 31, 2022 – $6,765,293 and $1,338,313, respectively).

Secured debt with a carrying value of $954,153 (December 31, 2022 – $969,054) is secured by investment properties with a fair value of $2,606,572 (December 31, 2022 – $2,807,896).

Presented separately from investment properties is $80,343 (December 31, 2022 – $78,820) of net straight-line rents receivable and tenant incentives (these amounts are included in Note 8, "Other assets") arising from the recognition of rental revenues on a straight-line basis and amortization of tenant incentives over the respective lease terms. The fair value of investment properties has been reduced by these amounts.

a) Valuation methods underlying management's estimation of fair value

i) Income properties

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

ii) Properties under development

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

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

		March 31, 2023			
		Terminal Capitalization Rate		**Discount Rate**	
Valuation Method	**Carrying Value**	**Weighted Average (%)**	**Range (%)**	**Weighted Average (%)**	**Range (%)**
Income properties					
Discounted cash flow	**8,539,219**	**5.91**	**4.18 – 7.53**	**6.44**	**4.58 – 8.03**
Properties under development					
Land, development and construction costs recorded at market value	**1,602,083**	**N/A**	**N/A**	**N/A**	**N/A**
Discounted cash flow	**122,951**	**6.05**	**5.53 – 7.40**	**6.66**	**6.03 – 7.90**
	1,725,034				
Total	**10,264,253**				

		December 31, 2022			
		Terminal Capitalization Rate		Discount Rate	
Valuation Method	Carrying Value	Weighted Average (%)	Range (%)	Weighted Average (%)	Range (%)
Income properties					
Discounted cash flow	8,496,893	5.92	4.18 – 7.53	6.43	4.58 – 8.03
Properties under development					
Land, development and construction costs recorded at market value	1,627,880	N/A	N/A	N/A	N/A
Discounted cash flow	125,619	6.06	5.53 – 7.40	6.66	6.03 – 7.90
	1,753,499				
Total	10,250,392				

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.

Income properties						
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	1,840,900	831,900	396,900	(363,300)	(697,500)	(1,291,800)
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	(859,600)	(429,900)	(214,400)	214,800	430,300	859,600

Properties under development						
Rate Sensitivity (%)	**(1.00)**	**(0.50)**	**(0.25)**	**+0.25**	**+0.50**	**+1.00**
Increase (decrease) in fair value of properties under development due to:						
Changes in discount rates	28,800	13,100	6,200	(5,800)	(10,800)	(20,700)
Forecasted Future Cash Flows Sensitivity (%)	**(10.00)**	**(5.00)**	**(2.50)**	**+2.50**	**+5.00**	**+10.00**
Increase (decrease) in fair value of properties under development due to:						
Changes in forecasted future cash flows	(11,100)	(5,600)	(2,800)	2,500	5,400	11,100

b) Dispositions

Disposition of investment properties during the three months ended March 31, 2023

In January 2023, the Trust contributed its interest in a parcel of land totalling 1.41 acres located in Whitby, Ontario, to a joint venture, Whitby Self Storage LP, with the intention to develop and operate a self-storage facility (see also, Note 5(b)).

In February 2023, the Trust, together with its co-ownership partner, Penguin, sold a land parcel totalling 4.3 acres located in Vaughan, Ontario (VMC), for gross proceeds of $63,450, which was satisfied by cash. The Trust's share of such proceeds was $42,300 relating to the Trust's two-thirds share in this land parcel, which was previously presented as assets held for sale in the Trust's consolidated financial statements for the year ended December 31, 2022.

In February 2023, the Trust sold a parcel of land totalling 2.64 acres located in Chilliwack, British Columbia, for gross proceeds of $4,800, which was satisfied by cash.

Disposition of investment properties during the three months ended March 31, 2022

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

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

c) Leasehold property interests

At March 31, 2023, 16 (December 31, 2022 – 16) investment properties with a fair value of $969,841 (December 31, 2022 – $964,916) are leasehold property interests accounted for as leases.

i) Leasehold property interests without bargain purchase options

The Trust previously prepaid its entire lease obligations for the 14 leasehold interests with Penguin (see also Note 20, “Related party transactions”) in the amount of $889,931 (December 31, 2022 – $889,931), including prepaid land rent of $229,846 (December 31, 2022 – $229,846).

ii) Leasehold property interests with bargain purchase options

One leasehold interest commenced in 2003 under the terms of a 35-year lease with Penguin (see also Note 20, “Related party transactions”). The lease requires a $10,000 payment at the end of the lease term in 2038 to exercise a purchase option, which is considered to be a bargain purchase option. The Trust prepaid its entire lease obligation for this property of $57,997 (December 31, 2022 – $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 $2,404 (December 31, 2022 – $2,350), net of imputed interest at 9.18% of $7,596 (December 31, 2022 – $7,650) (see also Note 12, “Accounts and other payables”).

A second leasehold interest was acquired on February 11, 2015 and includes a land lease that expires on September 1, 2054. The land lease requires monthly payments ranging from $450 to $600 annually until September 1, 2054, and a $6,000 payment between September 1, 2023 and September 1, 2025 to exercise a purchase option that is considered to be a bargain purchase option. As the Trust expects to exercise the purchase option on September 1, 2023, the purchase option price and the monthly payments up to September 1, 2023 have been included in accounts payable in the amount of $6,041 (December 31, 2022 – $6,061), net of imputed interest at 6.25% of $259 (December 31, 2022 – $314) (see also Note 12, “Accounts and other payables”).

d) Properties under development

The following table presents properties under development:

As at	**March 31, 2023**	December 31, 2022
Properties under development not subject to development management agreements i)	**1,671,538**	1,698,652
Properties under development subject to development management agreements ii)	**53,496**	54,847
	1,725,034	1,753,499
Less: properties under development classified as held for sale	**—**	42,321
	1,725,034	1,711,178

For the three months ended March 31, 2023, the Trust capitalized a total of $10,621 (three months ended March 31, 2022 – $7,338) 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, 2023, 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, 2023, the Trust incurred land and development costs of $6,690 (three months ended March 31, 2022 – $23,396).

ii) Properties under development subject to development management agreements (Earnout agreements)

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

In certain events, the developer/vendor may sell a portion of undeveloped land to accommodate the construction plan that provides the best use of the property, reimbursing the Trust its costs related to such portion, and provides a profit based on a pre-negotiated formula. Pursuant to the development management agreements, the developers/vendors assume responsibility for managing the development of the land on behalf of the Trust and are granted the right for a period of up to 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 any additional development costs not previously incurred by the Trust, at a total price calculated by a formula using the net operating rents and predetermined negotiated capitalization rates, on the date rent becomes payable on the additional space ("Gross Cost"). The Earnout Fee is calculated as the Gross Cost less the associated land and development costs incurred by the Trust.

For certain of these properties under development, Penguin and others have been granted Earnout options that give them the right, at their option, to invest up to 40% of the Earnout Fee for one of the agreements and up to 30% to 40% of the Gross Cost for the remaining agreements in Trust Units, Class B, D and F Smart LP Units, Class B and D Smart LP III Units, Class B Smart LP IV Units, Class B and D Smart Oshawa South LP Units, Class B and D Smart Oshawa Taunton LP Units, Class B Smart Boxgrove LP Units and Class B ONR LP I Units at predetermined option strike prices subject to a maximum number of Units. On December 9, 2020, the Trust entered into an Omnibus Agreement with Mitchell Goldhar that provided a right to extend the terms of certain Earnout agreements for an additional two years. As a result, the Earnout agreements for Earnout options that were originally set to expire between 2020 to 2025 may be extended to 2022 to 2027. See also Note 11, "Other financial liabilities".

The following table summarizes the 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	**2023**	2022
Smart Limited Partnership III	Class B Series 6	**1,182**	392
Smart Limited Partnership IV	Class B Series 1	**—**	572
		1,182	964

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	
	2023	2022
Development costs incurred	**2,476**	6,735
Earnout Fees paid	**753**	612
	3,229	7,347

5. Equity accounted investments

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

	Three Months Ended March 31, 2023			Year Ended December 31, 2022		
	Investment in Associates	**Investment in Joint Ventures**	**Total**	Investment in Associates	Investment in Joint Ventures	Total
Investment – beginning of period	**458,772**	**222,227**	**680,999**	489,230	165,212	654,442
Operating Activities:						
Earnings (losses)	**8,741**	**702**	**9,443**	4,932	(733)	4,199
Distributions – VMC Residences condominium unit closings[(1)]	**(653)**	**—**	**(653)**	(24,322)	—	(24,322)
Distributions – operating activities	**(1,600)**	**(490)**	**(2,090)**	(4,550)	(234)	(4,784)
Financing Activities:						
Fair value adjustment on loan	**752**	**—**	**752**	3,690	—	3,690
Investing Activities:						
Cash contribution	**5,978**	**10,773**	**16,751**	23,154	32,982	56,136
Property contribution	**—**	**—**	**—**	—	25,000	25,000
Development distributions	**(16,862)**	**—**	**(16,862)**	(33,362)	—	(33,362)
Investment – end of period	**455,128**	**233,212**	**688,340**	458,772	222,227	680,999

(1) During the three months ended March 31, 2023, the distribution in the amount of $653 was satisfied by a non-cash settlement of the Residence III LP loan payable (for the year ended December 31, 2022 – the distribution in the amount of $24,322 was satisfied by a non-cash settlement of the Residence III LP loan payable) (see Note 10(b)(iv)).

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 Interest (%), As at	
Business Focus	**Partner(s)**	**Principal Intended Activity**	**March 31, 2023**	December 31, 2022
Mixed-use real estate development				
Penguin-Calloway Vaughan Partnership ("PCVP")	*Penguin[(1)]*	Own, develop and operate investment properties in the SmartVMC (Eastern 52.0 acres)	**50.0**	50.0
Residential condominium developments				
VMC Residences Limited Partnership ("Residences LP")	*Penguin[(1)], CentreCourt*	Own, develop and sell two residential condominium towers and 22 townhomes (Transit City 1 and 2) at SmartVMC	**25.0**	25.0
Residences III LP	*Penguin[(1)], CentreCourt*	Own, develop and sell a residential condominium tower (Transit City 3) at SmartVMC	**25.0**	25.0
East Block Residences LP	*Penguin[(1)], CentreCourt*	Own, develop and sell two residential condominium towers (Transit City 4 and 5) at SmartVMC	**25.0**	25.0
Residences (One) LP	*Penguin[(1)]*	Own, develop and sell residential condominium towers (ArtWalk)	**50.0**	50.0
Residences (Two) LP	*Penguin[(1)]*	Own, develop and sell residential condominium towers (Park Place)	**66.7**	66.7

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

In December 2019, the Trust acquired, as part of a 50:50 joint arrangement with Penguin, through PCVP, a 50% interest in a parcel of land ("700 Applewood") with approximately 15.5 acres in Vaughan, Ontario, proximate to SmartVMC to relocate Walmart from SmartVMC and for other future development, for a purchase price of $109,218 paid in cash, adjusted for other working capital amounts. In connection with this acquisition, an interest-free loan with a principal amount of $72,217 and a maturity of December 2029 was extended to Penguin to finance its interest in PCVP's acquisition of 700 Applewood. In March 2020, the Trust assumed this loan receivable from Penguin (see also Note 6(b), footnote 3), along with an offsetting non-interest-bearing note payable of an equal amount (see Note 10(b)(iv), footnote 2).

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

Disposition completed during the three months ended March 31, 2023

In February 2023, PCVP disposed a land parcel totalling 2.1 acres located in Vaughan, Ontario (VMC). This land parcel was previously classified as assets held for sale on PCVP's balance sheet as at December 31, 2022. The gross proceeds of this disposition were $32,100 and satisfied by cash.

i) Summary of balance sheets

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

As at		**March 31, 2023**			December 31, 2022	
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Non-current assets	**1,357,460**	**—**	**1,357,460**	1,333,107	—	1,333,107
Current assets(1)	**18,155**	**459,303**	**477,458**	47,854	471,995	519,849
Total assets	**1,375,615**	**459,303**	**1,834,918**	1,380,961	471,995	1,852,956
Non-current liabilities(2)	**439,126**	**—**	**439,126**	416,283	—	416,283
Current liabilities	**103,753**	**352,239**	**455,992**	113,075	385,011	498,086
Total liabilities	**542,879**	**352,239**	**895,118**	529,358	385,011	914,369
Net assets	**832,736**	**107,064**	**939,800**	851,603	86,984	938,587
Trust's share of net assets before adjustments	**416,369**	**37,487**	**453,856**	425,802	31,565	457,367
Fair value adjustment on loan	**961**	**311**	**1,272**	1,003	402	1,405
Trust's share of net assets	**417,330**	**37,798**	**455,128**	426,805	31,967	458,772

(1) Balance as at December 31, 2022 included investment properties classified as held for sale of $32,100, of which the Trust's share is $16,050. This investment properties classified as held for sale was subsequently disposed during the three months ended March 31, 2023.

(2) Balance as at March 31, 2023 includes loan payable to the Trust of $49,135 (December 31, 2022 – $48,532), see also Note 6(b).

The investment in associates listed above have entered into various development construction contracts with existing commitments totalling $44,646, of which the Trust's share is $16,762 (December 31, 2022 – $76,607, of which the Trust's share is $29,151).

ii) Summary of earnings

The following table summarizes the earnings for investment in associates:

		Three Months Ended March 31, 2023			Three Months Ended March 31, 2022	
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Revenue						
Rental revenue(1)	**8,800**	**—**	**8,800**	7,470	—	7,470
Residential sales revenue	**—**	**99,455**	**99,455**	—	20	20
Operating expense						
Rental operating costs	**(4,586)**	**—**	**(4,586)**	(3,209)	(53)	(3,262)
Residential cost of sales	**—**	**(80,427)**	**(80,427)**	—	7	7
Revenue net of operating expense	**4,214**	**19,028**	**23,242**	4,261	(26)	4,235
Fair value adjustment on investment properties	**9,783**	**—**	**9,783**	818	—	818
Interest (expense) income	**(2,271)**	**1,212**	**(1,059)**	(1,721)	12	(1,709)
Earnings	**11,726**	**20,240**	**31,966**	3,358	(14)	3,344
Trust's share of earnings before supplemental cost and additional profit sharing	**5,863**	**5,250**	**11,113**	1,679	(15)	1,664
Supplemental cost	**(2,372)**	**—**	**(2,372)**	(538)	—	(538)
Trust's share of earnings (losses)	**3,491**	**5,250**	**8,741**	1,141	(15)	1,126

(1) Includes office rental revenue from the Trust in the amount of $701 for the three months ended March 31, 2023 (three months ended March 31, 2022 – $604).

In accordance with the VMC Supplemental Development Fee Agreement, the Trust invoiced PCVP a net amount of $4,744 related to associated development fees for the three months ended March 31, 2023 (three months ended March 31, 2022 – $1,077).

iii) Summary of development credit facilities

The development financing relating to PCVP and VMC Residences comprise pre-development, construction and letters of credit facilities. With respect to the development credit facilities relating to PCVP, the obligations are joint and several to each of the PCVP limited partners; however, by virtue of an indemnity agreement between the PCVP limited partners, the obligations are effectively several. From time to time, the original facility amounts are reduced through repayments and through amended agreements with the financial institutions from which the facilities were obtained. As at March 31, 2023 and December 31, 2022, PCVP and VMC Residences had the following credit facilities available:

As at			**March 31, 2023**	December 31, 2022
(in thousands of dollars)	**Maturity in**	**Annual Interest Rate (%)(1)**	**Facility Amount**	Facility Amount
PCVP				
Development credit facility	February 2023	BA + 1.35	**—**	15,876
Construction credit facility	June 2027	BA + 1.20	**400,000**	400,000
Letters of credit facility(2)	May 2024	N/A	**60,000**	60,000
			460,000	475,876
VMC Residences				
Development credit facility	September 2023	BA + 1.60	**276,338**	279,264
			276,338	279,264
Development facilities – end of year			**736,338**	755,140
Amount drawn on development credit facilities			**(471,706)**	(515,287)
Letters of credit – outstanding			**(43,748)**	(63,083)
Remaining unused development credit facilities			**220,884**	176,770
Trust's share of remaining unused development credit facilities			**77,878**	67,634

(1) Annual interest rate is a function of Canadian Banker's Acceptance rate ("BA") plus a premium.
(2) Letter of credit fee rate is 0.75%.

b) Investment in joint ventures

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

As at		**March 31, 2023**		December 31, 2022	
Business Focus	Joint Venture Partner	**Number of Projects**	**Ownership Interest (%)**	Number of Projects	Ownership Interest (%)
Retail investment properties	*Fieldgate*	**1**	**30**	1	30
Self-storage facilities	*SmartStop*	**16**	**50**	13	50
Retirement residences	*Revera*	**3**	**50**	4	50
Retirement residences	*Groupe Sélection*	**1**	**–(1)**	1	–(1)
Residential apartments	*Jadco*	**1**	**50**	1	50
Residential apartments	*Greenwin*	**1**	**75**	1	75
Residential apartments	*Cogir*	**1**	**80**	1	80
Total		**24**		22	

(1) According to the limited partnership agreement entered into by the Trust and Groupe Sélection in April 2020, the ownership of this joint venture was 50:50. During the year ended December 31, 2022, the Trust contributed $24,412 to this partnership, of which $5,319 was characterized as special contributions. During the three months ended March 31, 2023, the Trust contributed $1,295 to this partnership, which was characterized as special contributions. These special contributions have resulted in a corresponding increase to the Trust's equity entitlements in respect of the partnership.

Acquisitions completed during the three months ended March 31, 2023

In January 2023, the Trust contributed its interest in a parcel of land totalling 1.41 acres located in Whitby, Ontario, to a joint venture, Whitby Self Storage LP, with the intention to develop and operate a self-storage facility.

In February 2023, pursuant to a 50:50 joint venture formed with SmartStop known as St-Regis Self Storage Limited Partnership, each partner contributed $3,000 to fund the purchase of a parcel of land located in Dorval, Quebec, totalling 2.2 acres, in which the Trust had a 50% interest, with the intention to develop and operate a self-storage facility.

See also Note 4, "Investment properties".

i) Summary of balance sheets

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

As at	**March 31, 2023**	December 31, 2022
Non-current assets	**768,882**	729,104
Current assets	**24,700**	13,864
Total assets	**793,582**	742,968
Non-current liabilities	**300,546**	285,955
Current liabilities	**51,939**	36,683
Total liabilities	**352,485**	322,638
Net assets	**441,097**	420,330
Trust's share of net assets	**233,212**	222,227

The joint ventures listed above have entered into various development construction contracts with existing commitments totalling $58,081, of which the Trust's share is $28,256 (December 31, 2022 – $124,349, of which the Trust's share is $61,010).

ii) Summary of earnings (losses)

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

	Three Months Ended March 31	
	2023	2022
Revenue	**7,028**	5,538
Operating expense	**(3,358)**	(2,942)
Revenue net of operating expense	**3,670**	2,596
Fair value adjustments on investment properties	**3,240**	183
Interest expense	**(3,478)**	(1,229)
Earnings	**3,432**	1,550
Trust's share of earnings before supplemental cost	**1,055**	425
Supplemental cost	**(353)**	(2,125)
Trust's share of earnings (losses)	**702**	(1,700)

In accordance with the Supplemental Development and Construction Fee Agreements, the Trust invoiced certain investments in joint ventures for a net amount of $705 related to associated supplemental development fees for the three months ended March 31, 2023 (three months ended March 31, 2022 – $4,250).

iii) Summary of credit facilities

Development financing includes a credit facility relating to Laval C Apartments comprising a pre-development and construction facility, and a construction facility relating to additional self-storage facilities. From time to time, the facilities amounts may be reduced through repayments and through amended agreements with the financial institutions from which the facilities were obtained. As at March 31, 2023 and December 31, 2022, the Trust's joint ventures had the following credit facilities:

As at			**March 31, 2023**	December 31, 2022
(in thousands of dollars)	**Maturity in**	**Annual Interest Rate (%)(1)**	**Facility Amount**	Facility Amount
Laval C Apartments LP				
Construction facility – Tower B(2)	November 2024	BA + 1.60	**48,822**	48,822
SmartStop				
Construction facility	May 2024	BA + 2.20	**136,900**	136,900
Markham Main Street				
Development facility	December 2023	BA + 1.75	**11,000**	11,000
Mascouche North Apartments LP				
Construction facility	August 2025	BA + 1.50	**55,000**	55,000
			251,722	251,722
Amount drawn on development credit facilities			**(205,754)**	(181,610)
Letters of credit – outstanding			**(1,648)**	(1,648)
Remaining unused development credit facilities			**44,320**	68,464
Trust's share of remaining unused development credit facilities			**25,019**	40,234

(1) Annual interest rate is a function of BA rates plus a premium.
(2) Management is renegotiating the facility.

6. Mortgages, loans and notes receivable

The following table summarizes mortgages, loans and notes receivable:

As at	Note	**March 31, 2023**	December 31, 2022
Mortgages receivable (a)	20	**39,641**	39,456
Loans receivable (b)		**275,953**	282,312
Notes receivable (c)	20	**2,924**	2,924
		318,518	324,692
Current		**85,004**	86,593
Non-current		**233,514**	238,099
		318,518	324,692

a) Mortgages receivable of $39,641 (December 31, 2022 – $39,456) are provided pursuant to agreements with Penguin (see also Note 20, “Related party transactions”). These amounts are provided to fund costs associated with both the original acquisition and development of seven properties (December 31, 2022 – seven properties). The Trust is committed to lend up to $190,232 (December 31, 2022 – $190,720) 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**(1)	**Annualized Variable Interest Rate at Year-End (%)**	**The Trust’s Purchase Option of Property (%)** (2)	**March 31, 2023**	December 31, 2022
Pitt Meadows, BC(4)	75,653	November 2023	August 2028	6.90	50	**23,998**	23,594
Toronto (StudioCentre), ON(3)(4)	38,736	August 2028	N/A	6.90	25	**15,643**	15,862
Caledon (Mayfield), ON(5)	15,498	April 2024	August 2028	7.00	50	**—**	—
Salmon Arm, BC(3)(5)	13,398	August 2028	N/A	6.50	—	**—**	—
Aurora (South), ON(5)	15,155	August 2028	N/A	6.75	50	**—**	—
Innisfil, ON(3)(5)	16,011	October 2023	N/A	7.00	—	**—**	—
Vaughan (7 & 427), ON(5)	15,781	December 2023	August 2028	6.75	50	**—**	—
	190,232			**6.90**		**39,641**	39,456

(1) The maturity dates for these mortgages are automatically extended to August 31, 2028 unless written notice is delivered from the borrower. During the extended maturity period, the mortgages receivable accrue interest at a variable rate based on the Canadian Banker's Acceptance rate plus 4.00% to 5.00%.
(2) 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, 2023, it is management’s expectation that the Trust will exercise these purchase options.
(3) 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.
(4) The weighted average interest rate on this mortgage is subject to an upper limit of 6.90%.
(5) Penguin fully repaid the outstanding balance of the mortgages in October 2022.

Mortgages receivable amendments

Interest on these mortgages accrues monthly as follows: from December 9, 2020 to the maturity date of each mortgage, at a variable rate based on the Canadian Banker’s Acceptance rate plus 2.75% to 4.20%; and from the maturity date of each mortgage to the extended maturity date (August 31, 2028), at a variable rate based on the Canadian Banker’s Acceptance rate plus 4.00% to 5.00%. Prior to December 9, 2020, interest on these mortgages accrued as follows: i) at a variable rate based on the Canadian Banker’s Acceptance rate plus 1.75% to 4.20% or at the Trust’s cost of capital (as defined in the applicable mortgage agreement) plus 0.25%; or ii) at fixed rates of 6.35% to 7.50%, which was added to the outstanding principal up to a predetermined maximum accrual, after which it was payable in cash on a monthly or quarterly basis. Additional interest of $96,993 (December 31, 2022 – $97,665) on the existing credit facilities may be accrued on certain of the mortgages receivable before cash interest must be paid.

The mortgage security includes a first or second charge on properties, assignments of rents and leases and general security agreements. In addition, the outstanding balance is guaranteed by Penguin. The loans are subject to individual loan guarantee agreements that provide additional guarantees for all interest and principal advanced on outstanding amounts. The amounts that are guaranteed decrease on achievement of certain specified value-enhancing events. Management considers all mortgages receivable to be fully collectible.

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

Issued to	Committed	Maturity Date	Interest Rate (%)	Note	March 31, 2023	December 31, 2022
Penguin(1)	12,493	December 2023	Variable	20	**7,502**	7,389
Penguin(2)	26,227	March 2024	6.21 %	20	**13,270**	13,266
Penguin(3)	N/A	December 2029	Interest-free	10(b)(iv), 20	**54,591**	62,986
Penguin(4)	18,450	August 2030	Variable	20	**16,948**	16,638
Total loans issued to Penguin					**92,311**	100,279
PCVP(5)	N/A	March 2024	6.21 %	20	**49,135**	48,532
Self-storage facilities(6)	120,700	May 2024	Variable		**119,410**	116,096
Total loans issued to equity accounted investments					**168,545**	164,628
Other(7)	N/A	January 2023	5.00 %		**—**	2,308
Greenwin(8)	11,694	September 2024	Variable		**—**	—
Greenwin(9)	1,280	January 2025	Variable		**—**	—
Other(10)	N/A	October 2023	4.00 %		**15,097**	15,097
Total loans issued to unrelated parties					**15,097**	17,405
					275,953	282,312

(1) This loan receivable was provided pursuant to a development management agreement with Penguin with a total loan facility of $12,493. Repayment of the pro rata share of the outstanding loan amount is due upon the completion of each Earnout event. The loan bears interest at 10 basis points plus the lower of: i) the Canadian prime rate plus 20 basis points, and ii) the Canadian Dealer Offered Rate plus 120 basis points.

(2) In March 2019, the Trust entered into a loan agreement with Penguin for a non-revolving principal advance facility of $13,227 and a non-revolving construction facility of $13,000, which combine for a total loan facility of $26,227, bearing interest accruing at a fixed rate of 6.21% and a variable rate based on Canadian Banker's Acceptance rate plus 150 basis points, respectively. The loan security includes a first or second charge on the property, assignments of rents and leases and general security agreements, and is guaranteed by Penguin.

(3) This loan receivable relates to the acquisition of a parcel of land in Vaughan, Ontario, through PCVP in December 2019 ("700 Applewood purchase"). In March 2020, the Trust assumed this loan receivable from Penguin in regards to PCVP. The loan has a principal amount outstanding of $72,217, is non-interest-bearing, and is repayable at the end of 10 years. As at March 31, 2023, the loan balance of $54,591 is net of a cumulative fair value adjustment totalling $17,626. See also Note 10(b)(iv) reflecting the corresponding non-interest-bearing loan payable amount.

(4) This loan receivable was provided in December 2021 in connection with the acquisition of a 50% interest in development lands in Toronto (Leaside), Ontario. The loan bears interest at: i) the Canadian Banker's Acceptance rate plus 220 basis points, up to 60% of the facility limit, and ii) the Canadian Banker's Acceptance rate plus 370 basis points, for the remainder.

(5) In April 2019, the Trust entered into a loan agreement with PCVP (in which the Trust has a 50% interest) for a total loan facility of $90,600, bearing interest accruing at 6.21% 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. The Trust reflects the activity from the PCVP as an equity accounted investment (see also Note 5, "Equity accounted investments") and 100% of the loan provided to the PCVP is recorded in the consolidated financial statements for the three months ended March 31, 2023.

(6) In July 2020, the Trust entered into a master credit loan agreement with its partner SmartStop to provide funding for the development of certain self-storage facilities. The master credit loan agreement matures in July 2023 and bears interest at a variable rate based on the Canadian Banker's Acceptance rate plus 245 basis points. In April 2021, this master credit loan agreement was amended which resulted in an increase to total committed amounts from $65,500 to $80,800, and the maturity was extended to May 2024. Also in April 2021, the Trust entered into a second master credit loan agreement with SmartStop to provide funding for the development of additional self-storage facilities. This second master credit loan agreement matures in May 2024 with a committed amount of $34,300. See further details in Note 5(b).

(7) In January 2021, the Trust entered into a loan agreement pursuant to the closing of the Niagara Falls parcel sale to a third party. The Trust agreed to take back a first charge as security for the loan, which bears interest at 5.0% per annum, calculated semi-annually. The loan was fully repaid in January 2023.

(8) In September 2019, the Trust entered into a loan agreement with Greenwin in connection with the acquisition of a 50% interest in development lands in Barrie, Ontario. As at March 31, 2023, the total remaining credit facility was $11,694. The loan security includes a first charge on the development lands and is guaranteed by Greenwin. This loan matures in September 2024, and bears interest at the greater of: i) 7.0% per annum, and ii) the Trust's weighted average cost of capital plus 1.25% per annum. In August 2020, Greenwin repaid this loan in advance of the maturity date.

(9) In January 2020, the Trust entered into a loan agreement with Greenwin, whereby the Trust assisted Greenwin to fund the acquisition of its 25% interest in development lands in Toronto, Ontario. As at March 31, 2023, the total remaining non-revolving term acquisition credit facility was $1,280. The loan agreement also includes a non-revolving put exercise credit facility in an amount equal to the put purchase price plus any associated closing costs at the time of exercise. The loan security includes a first charge on the development lands and is guaranteed by Greenwin. This loan matures in January 2025, and bears interest at the greater of: i) 7.0% per annum, and ii) the Trust's weighted average cost of capital plus 1.25% per annum. In August 2020, Greenwin repaid this loan in advance of the maturity date.

(10) In October 2021, the Trust entered into a loan agreement pursuant to the sale of the Innisfil, Ontario property to a third party. The Trust agreed to take back a first charge as security for the loan. The loan matures in October 2023 and bears interest at 4.00% per annum, calculated annually. Penguin has assigned its 50% interest in the vendor take-back loan to the Trust as security for the mortgage receivable.

Management considers all outstanding loans to be fully collectible.

c) Notes receivable of $2,924 (December 31, 2022 – $2,924) have been granted to Penguin (see also Note 20, "Related party transactions"). As at March 31, 2023, these secured demand notes bear interest at the rate of 9.00% per annum (December 31, 2022 – 9.00%).

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

7. Other financial assets

The following table summarizes the components of other financial assets:

As at	**March 31, 2023**	December 31, 2022
Total return swap receivable (a)	**136,448**	137,526
Interest rate swap agreements	**23,829**	34,281
	160,277	171,807

a) Total return swap receivable

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

	Three Months Ended March 31, 2023	Year Ended December 31, 2022
Balance – beginning of period	**137,526**	46,869
Additions	**—**	101,041
Distributions received	**(2,374)**	(5,466)
Fair value adjustments	**1,296**	(4,918)
Balance – end of period	**136,448**	137,526

8. Other assets

The following table summarizes the activity in other assets:

	December 31, 2022	**Additions**	**Write-offs**	**Amortization and other adjustments**	**March 31, 2023**
Straight-line rents receivable	44,061	**2,315**	**(35)**	**(2,279)**	**44,062**
Tenant incentives	34,759	**3,544**	**—**	**(2,022)**	**36,281**
	78,820	**5,859**	**(35)**	**(4,301)**	**80,343**
Equipment	2,335	**107**	**—**	**(121)**	**2,321**
Right-of-use assets	2,075	**245**	**—**	**(467)**	**1,853**
	83,230	**6,211**	**(35)**	**(4,889)**	**84,517**

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

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

As at	**March 31, 2023**	December 31, 2022
Amounts receivable and other		
Tenant receivables	**22,894**	26,735
Unbilled other tenant receivables	**14,873**	11,100
Receivables from related party – excluding equity accounted investments	**14,648**	11,899
Receivables from related party – equity accounted investments	**81**	616
Other non-tenant receivables	**2,666**	1,954
Other(1)	**13,364**	13,591
	68,526	65,895
Allowance for ECL	**(8,478)**	(8,771)
Amounts receivable and other, net of allowance for ECL	**60,048**	57,124
Prepaid expenses, deposits and deferred financing costs(2)	**25,365**	14,474
	85,413	71,598

(1) The amount includes a related party amount of $8,128 (December 31, 2022 – $6,835).
(2) Includes prepaid realty tax of $12,521 (December 31, 2022 – $1,468).

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	
	2023	2022
Balance – beginning of period	**8,771**	18,954
Net allowance	**(293)**	(2,741)
Balance – end of period	**8,478**	16,213

10. Debt

The following table presents debt balances:

As at	**March 31, 2023**	December 31, 2022
Secured debt (a)	**954,153**	969,054
Unsecured debt (b)	**3,913,972**	3,932,928
Revolving operating facilities (c)	**88,832**	81,283
	4,956,957	4,983,265
Current	**533,497**	459,278
Non-current	**4,423,460**	4,523,987
	4,956,957	4,983,265

a) *Secured debt*

Secured debt bears interest at a weighted average interest rate of 3.93% as at March 31, 2023 (December 31, 2022 – 3.91%). Total secured debt of $954,153 (December 31, 2022 – $969,054) includes $932,420 (December 31, 2022 – $948,921) at fixed interest rates, and $21,733 (December 31, 2022 – $20,133) at variable interest rates of the Canadian Banker's Acceptance rate plus 170 basis points. Secured debt matures at various dates between 2023 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.

b) *Unsecured debt*

The following table summarizes the components of unsecured debt:

As at	**March 31, 2023**	December 31, 2022
Unsecured debentures i)	**2,652,822**	2,652,327
Credit facilities ii)	**994,583**	996,238
TRS debt iii)	**143,232**	143,232
Other unsecured debt iv)	**123,335**	141,131
	3,913,972	3,932,928

i) *Unsecured debentures*

As at March 31, 2023, unsecured debentures totalled $2,652,822 (December 31, 2022 – $2,652,327). Unsecured debentures mature at various dates between 2023 and 2030, with interest rates ranging from 1.74% to 3.99%, and a weighted average interest rate of 3.17% as at March 31, 2023 (December 31, 2022 – 3.17%).

Unsecured debenture activities for the three months ended March 31, 2023 and March 31, 2022

There was no significant activity relating to unsecured debentures during the three months ended March 31, 2023 and March 31, 2022.

Credit rating of unsecured debentures

Dominion Bond Rating Services ("DBRS") provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfil its obligations. An investment-grade rating must exceed "BB", with the highest rating being "AAA". In December 2022, DBRS confirmed the Trust's BBB(high) rating and maintained the negative trend.

ii) Credit facilities

The following table summarizes the activity for unsecured credit facilities:

(Issued In)	**Initial Maturity Date**	**Annual Interest Rate (%)**	**Facility Amount**	**March 31, 2023**	December 31, 2022
Non-revolving:					
August 2018(1)	January 31, 2025	2.980	80,000	**80,000**	80,000
March 2019(1)	July 31, 2026	3.520	150,000	**150,000**	150,000
May 2019(1)	June 24, 2024	3.146	170,000	**170,000**	170,000
January 2022	January 19, 2027	BA + 1.20	300,000	**300,000**	300,000
December 2022(1)	December 1, 2025	4.370	100,000	**100,000**	100,000
December 2022(1)	December 1, 2025	4.625	100,000	**100,000**	100,000
December 2022	December 20, 2025	SOFR + 1.35	100,000	**98,202**	100,000
Revolving:					
May 2020	May 11, 2024	BA + 1.20	100,000	**—**	—
				998,202	1,000,000
	Less:				
	Unamortized financing costs			**(1,659)**	(1,802)
	Unamortized debt modification adjustments			**(1,960)**	(1,960)
				994,583	996,238

(1) The Trust entered into interest rate swap agreements to convert the variable interest rate of the Canadian Banker's Acceptance rate plus 1.20% into a weighted average fixed interest rate of 2.62% per annum. The weighted average term to maturity of the interest rate swaps is 2.39 years. Hedge accounting has not been applied to the interest rate swap agreements.

iii) TRS Debt

The Trust borrowed TRS debt concurrent with entering the TRS agreement in February 2021. As at March 31, 2023, TRS unsecured debt of $143,232 (December 31, 2022 – $143,232) carries variable rate interest at a rate of CDOR plus 106 basis points. The interest on this TRS debt includes floating amounts that are payable at each May, August, November and February commencing in May 2021 to the date the TRS agreement matures or is unwound.

See also Note 7, "Other financial assets", for further details.

iv) Other unsecured debt

Other unsecured debt net of fair value adjustments totalling $123,335 (December 31, 2022 – $141,131) 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, 2023**	December 31, 2022
PCVP (5.00% discount rate)(1)	**56,513**	64,992
PCVP (5.75% discount rate)(2)	**54,591**	62,986
Vaughan NW RR PropCo LP	**12,231**	12,500
VMC Residences(3)	**—**	653
	123,335	141,131

(1) In connection with the 700 Applewood purchase in December 2019, the loan has a principal amount outstanding of $72,217 (December 31, 2022 – $81,448), is non-interest-bearing, and is repayable at the end of 10 years. As at March 31, 2023, the loan balance of $56,513 is net of the unamortized fair value adjustment totalling $15,704 (December 31, 2022 – the loan balance of $64,992 is net of a fair value adjustment totalling $16,456).

(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 $72,217 (December 31, 2022 – $81,448), is non-interest-bearing, and is repayable at the end of 10 years. As at March 31, 2023, the loan balance of $54,591 is net of the unamortized fair value adjustment totalling $17,626 (December 31, 2022 – the loan balance of $62,986 is net of a fair value adjustment totalling $18,462). See also Note 6(b) reflecting offsetting loan receivable amount.

(3) In connection with the Transit City condominium closings, $653 was settled during the three months ended March 31, 2023 (year ended December 31, 2022 – $24,322 was settled). See Note 5, "Equity accounted investments."

c) Revolving operating facilities

As at March 31, 2023, the Trust had:

i) a $500,000 unsecured revolving operating facility bearing interest at a variable interest rate based on either bank prime rate plus 20 basis points or the Canadian Banker's Acceptance rate plus 120 basis points, which matures on March 15, 2028 (in addition, the Trust has an accordion feature of $250,000 whereby the Trust has an option to increase its facility amount with the lenders to sustain future operations as required); and

ii) a $150,000 revolving senior unsecured term facility under which the Trust has the ability to draw funds based on bank prime rates and Canadian Banker's Acceptance rate for Canadian dollar-denominated borrowings, and LIBOR rates or U.S. prime rates for U.S. dollar-denominated borrowings. Concurrently with the U.S. dollar draws, the Trust enters into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings.

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

	Annual Interest Rate (%)	Facility Amount	Amount Drawn	Outstanding Letters of Credit	Remaining Undrawn Facilities	
					March 31, 2023	December 31, 2022
Revolving facility maturing March 2028	BA + 1.20	500,000	**30,000**	**15,359**	**454,641**	477,626
Revolving facility maturing February 2024[1]	US$ LIBOR + 1.20	150,000	**58,832**	—	**91,168**	75,717
			88,832		**545,809**	553,343

(1) The Trust has drawn in US$43,459 which was translated to $58,832 as at March 31, 2023 (December 31, 2022 – drawn in US$54,873 which was translated to $74,283).

d) Interest expense

The following table summarizes interest expense:

	Three Months Ended March 31	
	2023	2022
Interest at stated rates	**45,191**	37,729
Amortization of acquisition date fair value adjustments on assumed debt	**(89)**	(125)
Amortization of deferred financing costs	**913**	1,022
Distributions on Units classified as liabilities and vested deferred units	**4,439**	4,290
	50,454	42,916
Capitalized to properties under development	**(10,621)**	(7,338)
Capitalized to residential development inventory	**(326)**	(245)
	39,507	35,333

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

	Three Months Ended March 31	
	2023	2022
Interest expense	**39,507**	35,333
Amortization of acquisition date fair value adjustments on assumed debt	**89**	125
Amortization of deferred financing costs	**(913)**	(1,022)
Distributions on Units classified as liabilities and vested deferred units, net of amounts capitalized to properties under development	**(2,003)**	(4,290)
Change in accrued interest payable	**(12,768)**	(12,005)
Cash interest paid	**23,912**	18,141

For the three months ended March 31, 2023, including cash interest paid of $23,912 (three months ended March 31, 2022 – $18,141) and interest capitalized to both properties under development and residential development inventory of $10,947 (three months ended March 31, 2022 – $7,583), total interest paid was $34,859 (three months ended March 31, 2022 – $25,724).

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	**2023**	**2024**	**2025**	**2026**	**2027**	**Thereafter**
Secured debt	**955,275**	224,933	151,031	411,340	98,121	5,473	64,377
Unsecured debt	**3,821,652**	212,231	276,784	888,203	400,000	850,000	1,194,434
Revolving operating facilities	**88,832**	30,000	58,832	—	—	—	—
Interest obligations(1)	**484,999**	99,752	101,037	85,128	67,290	51,211	80,581
Accounts payable	**260,746**	260,746	—	—	—	—	—
Other payable	**27,108**	7,664	311	9,133	—	—	10,000
	5,638,612	**835,326**	**587,995**	**1,393,804**	**565,411**	**906,684**	**1,349,392**
Mortgage receivable advances (repayments)(2)	**150,591**	768	1,130	(15,880)	1,034	378	163,161
Development obligations (commitments)	**16,516**	16,516	—	—	—	—	—
Total	**5,805,719**	**852,610**	**589,125**	**1,377,924**	**566,445**	**907,062**	**1,512,553**

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

(2) Mortgages receivable of $39,641 at March 31, 2023, and further forecasted commitments of $150,591, mature over a period extending to 2028 if the Trust does not exercise its option to acquire the investment properties. Refer to Note 6, "Mortgages, loans and notes receivable", for timing of principal repayments.

11. Other financial liabilities

The following table summarizes the components of other financial liabilities:

As at	**March 31, 2023**	December 31, 2022
Units classified as liabilities (a)	**209,838**	211,497
Deferred unit plan (c)	**52,950**	48,402
LTIP (d)	**—**	580
EIP (e)	**18,359**	16,204
Currency swap agreement(1)	**2,929**	717
	284,076	277,400

(1) The currency swap agreement has been recorded in the revolving operating facilities balance as reflected in Note 10(c) "Revolving operating facilities".

a) Units classified as liabilities

Total number of Units classified as liabilities

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

	Number of Units Issued and Outstanding (#)	**Carrying Value ($)**
Balance – January 1, 2023	**7,897,571**	**211,497**
Change in carrying value	**N/A**	**(1,659)**
Balance – March 31, 2023	**7,897,571**	**209,838**
Balance – January 1, 2022	7,897,571	254,223
Change in carrying value	N/A	5,054
Balance – March 31, 2022	7,897,571	259,277

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, 2023 and 2022:

		Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
Options	**Strike Price**	**Options Exercised (#)**	**Amounts from Options Exercised ($)**	Options Exercised (#)	Amounts from Options Exercised ($)
Options to acquire Class B Smart LP III Units[1]	Market price	**48,172**	**1,182**	18,057	392
Options to acquire Class B Smart LP IV Units[2]	Market price	**—**	**—**	21,785	572
		48,172	**1,182**	39,842	964

(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 the number of outstanding deferred units:

	Outstanding	**Vested**	**Unvested**
Balance – January 1, 2023	**1,888,509**	**1,580,848**	**307,661**
Granted			
Trustees	**50,523**	**50,523**	**—**
Eligible associates	**218,676**	**109,338**	**109,338**
Reinvested units from distributions	**34,834**	**29,626**	**5,208**
Vested	**—**	**58,956**	**(58,956)**
Redeemed for cash	**(7,801)**	**(7,801)**	**—**
Forfeited	**(366)**	**—**	**(366)**
Balance – March 31, 2023	**2,184,375**	**1,821,490**	**362,885**
Balance – January 1, 2022	1,667,421	1,397,141	270,280
Granted			
Trustees	44,970	44,970	—
Eligible associates	89,738	44,869	44,869
Reinvested units from distributions	26,208	22,132	4,076
Vested	—	44,636	(44,636)
Redeemed for cash	(35,724)	(35,724)	—
Forfeited	(1,899)	—	(1,899)
Balance – March 31, 2022	1,790,714	1,518,024	272,690

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

	Three Months Ended March 31	
	2023	2022
Carrying value – beginning of period	**48,402**	50,660
Deferred units granted for trustee fees	**677**	712
Deferred units granted for bonuses	**2,928**	1,413
Reinvested distributions on vested deferred units	**788**	677
Compensation expense – reinvested distributions and amortization	**826**	728
Redeemed for cash	**(217)**	(1,170)
Fair value adjustment – vested and unvested deferred units	**(454)**	1,245
Carrying value – end of period	**52,950**	54,265

d) *LTIP*

The following table summarizes the activities in the LTIP:

	Three Months Ended March 31	
	2023	2022
Balance – beginning of period	**580**	697
Amortization	**3**	72
Fair value adjustment	**—**	(47)
LTIP vested and paid out	**(583)**	—
Balance – end of period	**—**	722

e) *Equity Incentive Plan*

During the three months ended March 31, 2023 and 2022, the Trust granted performance units in connection with the EIP, subject to the achievement of Unit price thresholds. The performance period for the EIP is from the grant date to December 31 of the sixth anniversary. Distributions on performance units will accumulate on the performance units that have been granted. Performance units, including distributions on performance units, vest for the lesser of three years after they are earned or on the end of the applicable Performance Period. Upon vesting, performance units will be exchanged for Trust Units or paid out in cash at the option of the holders.

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

	Three Months Ended March 31	
Number of Units (#)	**2023**	2022
Balance – beginning of year(1) (2)	**1,370,540**	1,339,699
Granted	**19,000**	—
Reinvested units from distributions	**23,981**	19,758
Balance – end of period	**1,413,521**	1,359,457

(1) The beginning balance of 2023 and 2022 includes performance units that were granted to Mitchell Goldhar and eligible associates, as well as performance units that were reinvested from distributions, and certain performance units that were terminated.

(2) Under the EIP granted to Mitchell Goldhar in 2021 totalling 900,000 Units, the $26.00 Unit price threshold was achieved on April 5, 2021, and the $28.00 Unit price threshold was achieved on May 18, 2021, and under the EIP granted to Mitchell Goldhar and other eligible associates in 2021, the $30.00 Unit price threshold was achieved on September 22, 2021, and the $32.00 Unit price threshold was achieved on April 5, 2022. The performance units for these Unit price thresholds will vest on April 4, 2024, May 17, 2024, September 21, 2024 and April 4, 2025, respectively.

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

	Three Months Ended March 31	
Carrying Value ($)	**2023**	2022
Balance – beginning of year	**16,204**	10,377
Amortization costs	**2,040**	2,197
Fair value adjustment	**115**	1,478
Balance – end of period	**18,359**	14,052

12. Accounts and other payables

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

As at	Note	**March 31, 2023**	December 31, 2022
Accounts payable		**76,992**	83,088
Accounts payable and accrued liabilities with Penguin	20	**1,454**	3,504
Tenant prepaid rent, deposits, and other payables		**95,882**	108,364
Residential sales deposits		**11,690**	11,690
Accrued interest payable		**26,862**	14,094
Distributions payable		**26,575**	26,569
Realty taxes payable		**12,194**	2,946
Current portion of other payables		**10,580**	10,867
		262,229	261,122

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

As at	Note	**March 31, 2023**	December 31, 2022
Future land development obligations with Penguin		**17,751**	17,646
Lease liability – investment properties(1)	4(c)(ii)	**8,445**	8,411
Lease liability – other		**1,863**	2,075
Total other payables		**28,059**	28,132
Less: Current portion of other payables		**(10,580)**	(10,867)
Total non-current portion of other payables		**17,479**	17,265

(1) Leasehold properties with bargain purchase options are accounted for as leases.

Future land development obligations

The future land development obligations represent payments required to be made to Penguin (see also Note 20, "Related party transactions") for certain undeveloped lands acquired from 2006 to 2015, either on completion and rental of additional space on the undeveloped lands or, if no additional space is completed on the undeveloped lands, at the expiry of the development management agreement periods ending in 2022 to 2025, which may be extended up to 2027. The accrued future land development obligations are measured at their amortized values using imputed interest rates ranging from 4.50% to 5.50%. For the three months ended March 31, 2023, imputed interest of $109 (three months ended March 31, 2022 – $104) was capitalized to properties under development.

13. Fair value of financial instruments

The fair value of financial instruments is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's-length transaction based on the current market for assets and liabilities with the same risks, principal and remaining maturity. The following table summarizes the fair value of the Trust's financial instruments:

As at	**March 31, 2023**			December 31, 2022		
	FVTPL	**Amortized cost**	**Total**	FVTPL	Amortized cost	Total
Financial assets						
Mortgages, loans and notes receivable	**—**	**316,682**	**316,682**	—	322,697	322,697
Amounts receivable and other	**—**	**60,048**	**60,048**	—	57,124	57,124
Cash and cash equivalents	**—**	**32,638**	**32,638**	—	35,255	35,255
Total return swap receivable	**136,447**	**—**	**136,447**	137,526	—	137,526
Interest rate swap agreements	**23,829**	**—**	**23,829**	34,281	—	34,281
Financial liabilities						
Accounts and other payables	**—**	**262,229**	**262,229**	—	261,122	261,122
Secured debt	**—**	**933,090**	**933,090**	—	938,431	938,431
Unsecured debt	**—**	**3,637,965**	**3,637,965**	—	3,616,047	3,616,047
Revolving operating facilities	**—**	**88,832**	**88,832**	—	81,283	81,283
Units classified as liabilities	**209,838**	**—**	**209,838**	211,497	—	211,497
Deferred unit plan	**52,950**	**—**	**52,950**	48,402	—	48,402
LTIP	**—**	**—**	**—**	580	—	580
EIP	**18,359**	**—**	**18,359**	16,204	—	16,204
Currency swap agreements	**2,929**	**—**	**2,929**	717	—	717

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, 2023**			December 31, 2022		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Recurring measurements:						
Financial assets						
Fair value of total return swap agreements	**—**	**136,447**	**—**	—	137,526	—
Fair value of interest rate swap agreements	**—**	**23,829**	**—**	—	34,281	—
Financial liabilities						
Units classified as liabilities	**—**	**209,838**	**—**	—	211,497	—
Deferred unit plan	**—**	**52,950**	**—**	—	48,402	—
LTIP	**—**	**—**	**—**	—	580	—
EIP	**—**	**18,359**	**—**	—	16,204	—
Fair value of currency swap agreements	**—**	**2,929**	**—**	—	717	—

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

14. Unit equity

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

		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, 2023		**144,625,322**	**25,610,960**	**170,236,282**	**3,090,118**	**643,223**	**3,733,341**
Options exercised	4(d), 11(b)	**—**	**42,972**	**42,972**	**—**	**1,182**	**1,182**
Balance – March 31, 2023		**144,625,322**	**25,653,932**	**170,279,254**	**3,090,118**	**644,405**	**3,734,523**
Balance – January 1, 2022		144,625,322	25,568,688	170,194,010	3,090,368	641,944	3,732,312
Options exercised	4(d), 11(b)	—	31,074	31,074	—	964	964
Deferred units exchanged for Trust Units	11(c)	—	—	—	(250)	—	(250)
Balance – March 31, 2022		144,625,322	25,599,762	170,225,084	3,090,118	642,908	3,733,026

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, 2023**	**Options Exercised (Note 11(b))**	**Balance – March 31, 2023**	**Balance – January 1, 2023**	**Value From Options Exercised (Note 11(b))**	**Balance – March 31, 2023**
Smart Limited Partnership	**16,424,430**	**—**	**16,424,430**	**392,327**	**—**	**392,327**
Smart Limited Partnership II	**756,525**	**—**	**756,525**	**17,680**	**—**	**17,680**
Smart Limited Partnership III	**4,062,801**	**42,972**	**4,105,773**	**108,804**	**1,182**	**109,986**
Smart Limited Partnership IV	**3,112,565**	**—**	**3,112,565**	**89,429**	**—**	**89,429**
Smart Oshawa South Limited Partnership	**710,416**	**—**	**710,416**	**20,441**	**—**	**20,441**
Smart Oshawa Taunton Limited Partnership	**374,223**	**—**	**374,223**	**11,033**	**—**	**11,033**
Smart Boxgrove Limited Partnership	**170,000**	**—**	**170,000**	**3,509**	**—**	**3,509**
	25,610,960	**42,972**	**25,653,932**	**643,223**	**1,182**	**644,405**

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

a) Authorized Units

Trust Units (authorized – unlimited)

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

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

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

As at March 31, 2023, there were 33,542,795 (December 31, 2022 – 33,499,823) Special Voting Units outstanding, which are associated with those LP Units that have voting rights. There is no value assigned to the Special Voting Units. These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust; nor are they convertible into any Trust securities.

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

15. Unit distributions

Pursuant to the Declaration of Trust, the Trust endeavours to distribute annually such amount as is necessary to ensure the Trust will not be subject to tax on its net income under Part I of the *Tax Act*. The following table presents Unit distributions declared:

	Three Months Ended March 31	
Unit Type Subject to Distributions	**2023**	2022
Trust Units	**66,889**	66,889
Limited Partnership Units	**11,865**	11,837
Other non-controlling interest	**—**	283
Distributions on Units classified as equity	**78,754**	79,009
Distributions on Units classified as liabilities	**3,651**	3,613
Total Unit distributions	**82,405**	82,622

On April 18, 2023, the Trust declared a distribution for the month of April 2023 of $0.15417 per Unit, representing $1.85 per Unit on an annualized basis, to Unitholders of record on April 28, 2023.

16. Rentals from investment properties and other

The following table presents rentals from investment properties and other:

	Three Months Ended March 31	
	2023	2022
Gross base rent	**130,831**	126,959
Less: Amortization of tenant incentives	**(2,024)**	(1,685)
Net base rent	**128,807**	125,274
Property tax and insurance recoveries	**44,541**	45,062
Property operating cost recoveries	**29,535**	27,324
	74,076	72,386
Miscellaneous revenue	**3,141**	2,315
Rentals from investment properties	**206,024**	199,975
Service and other revenues[1]	**4,570**	2,853
Rentals from investment properties and other	**210,594**	202,828

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

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

As at	**March 31, 2023**	March 31, 2022
2022[1]	**—**	375,509
2023[1]	**381,356**	452,997
2024	**452,587**	379,328
2025	**381,155**	310,618
2026	**315,027**	246,889
2027	**250,538**	185,352
Thereafter	**546,951**	410,342

(1) Amounts related to remainder of the year.

17. Property operating costs and other

The following table summarizes property operating costs and other:

	Three Months Ended March 31	
	2023	2022
Recoverable property operating costs(1)	**77,438**	77,086
Property management fees and costs	**1,110**	1,058
Expected credit loss/(recovery)	**559**	(1,113)
Non-recoverable costs	**1,753**	2,504
Property operating costs	**80,860**	79,535
Residential inventory marketing costs	**650**	26
Other expenses relating to service and other revenues(2)	**4,263**	2,548
Other expenses	**4,913**	2,574
Property operating costs and other	**85,773**	82,109

(1) Includes recoverable property tax and insurance costs.
(2) Relate to service and other revenues as disclosed in Note 16, "Rentals from investment properties and other".

18. General and administrative expense, net

The following table summarizes general and administrative expense, net:

		Three Months Ended March 31	
	Note	**2023**	2022
Salaries and benefits		**19,944**	17,942
Services fee – to Penguin	20	**1,341**	1,823
Professional fees		**1,899**	1,240
Public company costs		**382**	506
Amortization of intangible assets		**333**	333
Other costs including office rent, information technology, marketing, communications, and other employee expenses		**4,176**	2,727
Subtotal		**28,075**	24,571
Less:			
Capitalized to properties under development and other assets		**(10,179)**	(10,600)
Allocated to property operating costs		**(4,897)**	(4,657)
Recoverable costs billed to Penguin and others		**(4,245)**	(2,447)
Total amounts capitalized, allocated and charged		**(19,321)**	(17,704)
General and administrative expense, net		**8,754**	6,867

19. Supplemental cash flow information

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

		Three Months Ended March 31	
	Note	**2023**	2022
Fair value adjustments	23	**(22,008)**	(289,327)
Gain on sale of investment properties		**(22)**	122
Earnings from equity accounted investments	5	**(9,443)**	574
Interest expense	10(d)	**39,507**	35,333
Other financing costs		**(377)**	(987)
Interest income		**(4,828)**	(2,960)
Amortization of other assets and intangible assets		**2,942**	2,566
Lease obligation interest		**578**	143
Deferred unit compensation expense, net of redemptions	11	**608**	(442)
LTIP and EIP amortization, net of payment	11	**113**	881
		7,070	(254,097)

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

		Three Months Ended March 31	
	Note	**2023**	2022
Amounts receivable and other	9	**(2,924)**	(330)
Prepaid expenses, deposits and deferred financing costs	9	**(10,891)**	(12,749)
Accounts payable	12	**(8,145)**	6,134
Realty taxes payable	12	**9,248**	14,171
Tenant prepaid rent, deposits and other payables, and residential sales deposits	12	**(12,482)**	3,386
Other working capital changes		**10,606**	(5,771)
		(14,588)	4,841

The following table presents the Trust’s non-cash investing and financing items:

		Three Months Ended March 31	
Non-cash investing and financing balances	Note	**2023**	2022
Total return swap receivable	7	**136,448**	47,801
Units issued on acquisition	3	**1,182**	964
Liabilities assumed on acquisition, net of other assets	3	**2,411**	7,590
Distributions payable at period end	12	**26,575**	26,567
Total return swap debt	10	**143,232**	42,191

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

As at	**March 31, 2023**	December 31, 2022
Cash	**32,638**	35,255
Cash and cash equivalents	**32,638**	35,255

20. Related party transactions

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

The following table presents Units owned by Penguin (the Trust's largest Unitholder) as at March 31, 2023, which in total represent approximately 20.9% of the issued and outstanding Units (December 31, 2022 – 20.8%) of the Trust:

		Units owned by Penguin	
Type	**Class**	**March 31, 2023**	December 31, 2022
Trust Units	N/A	**15,233,863**	15,076,163
Smart Limited Partnership	Class B	**13,584,561**	13,584,561
Smart Limited Partnership	Class F	**8,708**	8,708
Smart Limited Partnership III	Class B	**4,105,773**	4,062,801
Smart Limited Partnership IV	Class B	**2,873,132**	2,873,132
Smart Oshawa South Limited Partnership	Class B	**630,880**	630,880
Smart Oshawa Taunton Limited Partnership	Class B	**374,223**	374,223
Smart Boxgrove Limited Partnership	Class B	**170,000**	170,000
ONR Limited Partnership I	Class B	**272,183**	272,183
Units owned by Penguin		**37,253,323**	37,052,651

	Three Months Ended March 31, 2023	Year ended December 31, 2022
Distributions declared to Penguin (in thousands of dollars)	**17,178**	68,471

Pursuant to the Declaration of Trust, provided certain ownership thresholds are met, the Trust is required to issue or cancel such number of additional Special Voting Units to Penguin that will entitle Penguin to cast 25.0% of the aggregate votes eligible to be cast at a meeting of the Unitholders and Special Voting Unitholders ("Voting Top-Up Right"). As at March 31, 2023, there were 9,729,886 additional Special Voting Units outstanding (December 31, 2022 – 10,053,123). 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, 2023**	December 31, 2022
Trust Units	N/A	**1,286,833**	1,286,833
Smart Limited Partnership	Class B	**5,031,072**	5,031,072
Smart Limited Partnership III	Class B	**1,643,908**	1,692,080
Smart Limited Partnership IV	Class B	**353,135**	353,135
Smart Oshawa South Limited Partnership	Class B	**18,983**	18,983
Smart Oshawa Taunton Limited Partnership	Class B	**132,711**	132,711
Smart Boxgrove Limited Partnership	Class B	**267,179**	267,179
ONR Limited Partnership I	Class B	**429,599**	429,599
		9,163,420	9,211,592

At March 31, 2023, Penguin's ownership would increase to 24.7% (December 31, 2022 – 24.6%) if Penguin were to exercise all remaining Earnout options.

Pursuant to its rights under the Declaration of Trust, at March 31, 2023, Penguin has appointed two Trustees out of eight.

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

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

Supplement to Development Services Agreement between the Trust and its Affiliates and Penguin
The following represent the key elements of this agreement which is effective from July 1, 2020 until December 31, 2025:

a) Penguin shall be reimbursed for 50% of disposition fees otherwise payable pursuant to the Development Services Agreement related to Penguin's interest in properties sold by the Trust,
b) for future SmartVMC commercial phases and certain properties currently owned by Penguin (for which the Trust has historically assisted with development and planning requirements), all development fees are payable to Penguin and all other fees (management, leasing, etc.) are payable to the Trust,
c) when Penguin utilizes employees of the Trust to assist with its development projects, Penguin will pay for these services provided by employees of the Trust based on annual estimates of time billings related to these projects, charged at estimated total cost, including compensation,
d) for 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
e) the Trust will continue to manage and develop all other Penguin properties.

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

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

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

Mezzanine Loan Amending Agreements between the Trust and its Affiliates and Penguin
Effective November 5, 2020, all loan maturity dates have been extended to August 31, 2028, with a new rate structure for the extension period of each mortgage receivable (see also Note 6, "Mortgages, loans and notes receivable"). The Trust's purchase option periods have been extended and because these properties may now be subject to mixed-use development projects, the agreements provide that the parties establish a new framework for the purchase options for the Trust related to mixed-use development.

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

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

Equity Incentive Plan
In January 2021, the Trust granted 900,000 performance units to Mitchell Goldhar pursuant to the EIP adopted by Unitholders effective December 9, 2020, which are subject to the achievement of Unit price thresholds. The performance period for this award granted under the EIP is from January 1, 2021 to December 31, 2027. The vesting period for these performance units will commence on the date that the applicable performance measure is achieved, and will end on the earlier of the third anniversary of the date that the applicable performance period is achieved and the end of the performance period. Distributions on these performance units will accumulate from January 1, 2021. Provided the various performance measures are achieved, the performance units will be exchanged for Trust Units or paid out in cash. See also Note 11, "Other financial liabilities".

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

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

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

		Three Months Ended March 31	
	Note	**2023**	2022
Related party transactions with Penguin			
Acquisitions and Earnouts:			
Earnouts		**5,664**	7,363
Revenues:			
Service and other revenues:			
Management fee and other services revenue pursuant to the Development and Services Agreement		**3,628**	572
Supplement to the Development and Services Agreement fees – time billings		**—**	1,274
Support services		**298**	266
	16	**3,926**	2,112
Interest income from mortgages and loans receivable	6	**1,323**	1,653
Rents and operating cost recoveries included in rentals from income properties (includes rental income from Penguin Pick-Up of $190 (three months ended March 31, 2022 – $103))		**771**	112
		6,020	3,877
Expenses and other payments:			
Fees paid – capitalized to properties under development	18	**1,341**	1,823
EIP – capitalized to properties under development		**1,347**	1,388
Development fees and interest expense (capitalized to investment properties)		**41**	—
Opportunity fees capitalized to properties under development(1)		**278**	15
Marketing, time billings and other administrative costs (included in general and administrative expense and property operating costs)		**19**	—
Disposition fees (included in general and administrative expense)		**418**	48
		3,444	3,274
Related party transactions with PCVP			
Revenues:			
Interest income from mortgages and loans receivable	6	**603**	322
Expenses and other payments:			
Rent and operating costs (included in general and administrative expense and property operating costs)	17, 18	**701**	604

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

As at	Note	March 31, 2023	December 31, 2022
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable and other(1)	9	**22,776**	18,734
Mortgages receivable	6(a)	**39,641**	39,456
Loans receivable	6(b)	**92,311**	100,280
Notes receivable	6(c)	**2,924**	2,924
Total receivables		**157,652**	161,394
Payables and other accruals:			
Accounts payable and accrued liabilities	12	**1,454**	3,504
Future land development obligations	12	**17,751**	17,646
Total payables and other accruals		**19,205**	21,150

(1) Excludes amounts receivable presented below as part of balances with equity accounted investments. This amount includes amounts receivable of $14,648 and other of $8,128 (December 31, 2022 – amounts receivable of $11,899 and other of $6,835). Subsequent to the quarter ended March 31, 2023, payment of $10,727 was received.

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

As at	Note	March 31, 2023	December 31, 2022
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable(1)	9	**81**	616
Loans receivable(2)	6(b)	**168,545**	164,628
Other unsecured debt(3)	10(b)(iv)	**123,335**	141,131

(1) Amounts receivable do not consist of Penguin's portion as at March 31, 2023 (December 31, 2022 – included $29 relating to Penguin's 50% investment in the PCVP and 50% in Residences (One) LP).
(2) Loans receivable includes Penguin's portion, which represents $24,568 (December 31, 2022 – $24,266) relating to Penguin's 50% investment in the PCVP.
(3) Other unsecured debt does not consist of Penguin's portion as at March 31, 2023 (December 31, 2022 – included $163 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	
	2023	2022
Legal fees incurred from a law firm in which a partner is a Trustee:		
Capitalized to investment properties	**235**	583
Included in general and administrative expense	**472**	564
	707	1,147

21. Key management and Trustees' compensation

The following table presents the compensation relating to key management:

	Three Months Ended March 31	
	2023	2022
Salaries and other short-term employee benefits	**612**	693
Deferred unit plan	**604**	659
EIP	**2,075**	3,483
LTIP	**3**	25
	3,294	4,860

The following table presents the compensation relating to Trustees:

	Three Months Ended March 31	
	2023	2022
Trustees' fees	**192**	169
Deferred unit plan	**192**	169
	384	338

22. Segmented information

As at March 31, 2023, 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 24.3% of the Trust's annualized rentals from investment properties for the three months ended March 31, 2023 (three months ended March 31, 2022 – 25.4%).

23. Fair value adjustments

The following table summarizes the fair value adjustments:

		Three Months Ended March 31	
	Note	**2023**	2022
Investment properties			
Income properties	4	**30,734**	30,204
Properties under development	4	**(1,568)**	241,141
Fair value adjustment on investment properties		**29,166**	271,345
Financial instruments			
Total return swap receivable	7	**1,296**	1,605
Units classified as liabilities	11(a)	**1,659**	(5,054)
Deferred unit plan	11(c)	**454**	(1,245)
Long term incentive plan	11(d)	**—**	47
Equity incentive plan	11(e)	**(115)**	(1,478)
Interest rate swap agreements	7, 11	**(10,452)**	24,107
Fair value adjustment on financial instruments		**(7,158)**	17,982
Total fair value adjustments		**22,008**	289,327

24. Risk management

The Trust analyzes its interest rate exposure on a regular basis. The Trust monitors the historical movement of 10-year Government of Canada bonds and performs a sensitivity analysis to identify the possible impact on net income of an interest rate shift. The simulation is performed on a regular basis to ensure the maximum loss potential is within the limit acceptable to management. Management performs the simulation for secured debt, unsecured debt, revolving operating facilities, and mortgages and loans receivable:

Change in interest rate of:	-1.50%	-1.00%	-0.50%	+0.50%	+1.00%	+1.50%
Net income increase (decrease) from variable-rate debt	9,807	6,538	3,269	(3,269)	(6,538)	(9,807)
Net income increase (decrease) from variable-rate mortgages and loans receivable	(2,753)	(1,835)	(918)	918	1,835	2,753

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

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

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

Change in interest rate of:	-1.50%	-1.00%	-0.50%	+0.50%	+1.00%	+1.50%
Fair value gain (loss) on interest rate swap agreements	(44,106)	(28,491)	(13,100)	17,122	31,499	45,694

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

25. Commitments and contingencies

The Trust has certain obligations and commitments pursuant to development management agreements to complete the purchase of Earnouts totalling approximately 114,000 square feet (December 31, 2022 – 121,000 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, 2023, the carrying value of these obligations and commitments included in properties under development was $53,496 (December 31, 2022 – $54,847). 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 $16,516 (December 31, 2022 – $20,669) and commitments relating to equity accounted investments that total $102,727 (December 31, 2022 – $200,956), of which the Trust's share is $45,018 (December 31, 2022 – $90,161), see Note 5, "Equity accounted investments", that will be incurred in future periods.

The Trust entered into agreements with Penguin in which the Trust will lend funds in the form of mortgages receivable, as disclosed in Note 6(a). The maximum amount that may be provided under the agreements totals $190,232 (December 31, 2022 – $190,720) (see also Note 6, "Mortgages, loans and notes receivable"), of which $39,641 has been provided as at March 31, 2023 (December 31, 2022 – $39,456).

As at March 31, 2023, letters of credit totalling $49,261 (December 31, 2022 – $48,312) – including letters of credit drawn down under the revolving operating facilities described in Note 10(c) – have been issued on behalf of the Trust by financial institutions as security for debt and for maintenance and development obligations to municipal authorities.

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

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