2023 SECOND QUARTER REPORT

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

For the three and six months ended June 30, 2023

SMARTCENTRES®
REAL ESTATE INVESTMENT TRUST

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COMMUNITIES.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

Section I — About this Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") sets out SmartCentres Real Estate Investment Trust's ("SmartCentres" or the "Trust") business overview and strategic direction, and provides an analysis of the financial performance and financial condition as at June 30, 2023 and for the three and six months ended June 30, 2023, management's outlook and the risks facing the business.

This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the year ended December 31, 2022, and the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023, the notes contained therein, and the Trust's annual information form for the year ended December 31, 2022 ("AIF"). Such interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of condensed consolidated financial statements, and International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. The Canadian dollar is the functional and reporting currency for purposes of preparing the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023.

This MD&A is dated August 9, 2023, which is the date of the press release announcing the Trust's results for the three and six months ended June 30, 2023. Disclosure contained in this MD&A is current to that date, unless otherwise noted.

Presentation of Certain Terms Including Non-GAAP Measures

Readers are cautioned that certain terms used in this MD&A include non-GAAP measures and other terms. The following terms are non-GAAP measures used in this MD&A: Adjusted Debt, Adjusted Funds From Operations ("AFFO"), AFFO with adjustments, AFFO per Unit, AFFO with adjustments per Unit (defined below), Net Debt, Adjusted Debt to Adjusted EBITDA, Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization Expense ("Adjusted EBITDA"), Adjusted Interest Expense including Capitalized Interest, Debt Service Expense, Aggregate Assets, Gross Book Value, Debt to Aggregate Assets, Debt to Aggregate Assets excluding TRS debt and receivable, Debt to Gross Book Value, Fixed Charge Coverage Ratio, Fixed Rate to Variable Rate Debt Ratio, Forecasted Annualized NOI, Funds From Operations ("FFO"), FFO with adjustments, FFO per Unit, FFO with adjustments per Unit, Interest Coverage Ratio, Net Operating Income ("NOI"), Investment Properties – non-GAAP, Payout Ratio to AFFO, Payout Ratio to AFFO with adjustments, Proportionate Share Reconciliation, Recovery Ratio, Same Properties NOI ("SPNOI"), Total Proportionate Share, Transactional FFO, Unencumbered Assets, Unencumbered Assets to Unsecured Debt, and Unsecured to Secured Debt Ratio. These non-GAAP measures are defined in this MD&A and non-GAAP financial measures have been reconciled to the closest IFRS measure in the unaudited interim condensed consolidated financial statements of the Trust for the three and six months ended June 30, 2023 in "Non-GAAP Measures". Readers should refer to "Non-GAAP Measures" for definitions and reconciliations of the Trust's non-GAAP financial measures.

The following are other terms used in this MD&A: "COVID-19", Net Asset Value ("NAV"), and any related measure per Variable Voting Unit of the Trust (a "Trust Unit") and per unit of the Trust's subsidiary limited partnerships (an "LP Unit") (where management discloses the combination of Trust Units and LP Units, combined units are referred to as a "Unit" or "Units").

These non-GAAP measures and other terms are used by management to measure, compare and explain the operating results and financial performance of the Trust and do not have any standardized meaning prescribed under IFRS and, therefore, should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS where applicable. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures disclosed by other issuers. For further details of these terms, see "Other Measures of Performance", "Net Operating Income", "Debt", "Financial Covenants", and "Non-GAAP Measures".

Non-GAAP Measures

The following table details the Trust's non-GAAP measures. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable.

Measure	Definition and Intended Use	Reference to Reconciliation and/or Additional Information
Adjusted Debt and **Net Debt**	Adjusted Debt is defined as Debt, inclusive of the Trust's share of debt in equity accounted investments, net of loans receivable and cash-on-hand. Net Debt is defined as Debt, inclusive of the Trust's share of debt in equity accounted investments, net of cash-on-hand. Adjusted Debt and Net Debt are intended to be used by investors as measures of the level of indebtedness of the Trust and its ability to meet its obligations, as liquid assets are used to reduce outstanding liabilities. Management uses Adjusted Debt and Net Debt to calculate certain covenant ratios, and to assess the Trust's level of indebtedness.	Section VII — Financing and Capital Resources, "Debt", "Financial Covenants"
Adjusted Debt to Adjusted EBITDA	Adjusted Debt to Adjusted EBITDA is defined as Adjusted Debt divided by Adjusted EBITDA. The ratio is intended to be used by investors as a measure of the level of the Trust's debt versus the Trust's ability to service that debt. Management uses the ratio to assess the Trust's level of leverage and its capacity to borrow.	Section IV — Business Operations and Performance, "Results of Operations"
Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization Expense ("Adjusted EBITDA")	Adjusted EBITDA is defined as the Trust's net income and comprehensive income adjusted by income taxes, interest expense, amortization expense and depreciation expense, as well as adjustments for gains and losses on disposal of investment properties including transactional gains and losses on the sale of investment properties to a joint venture that are expected to be recurring, and the fair value changes associated with investment properties and financial instruments, and excludes extraordinary items such as, but not limited to, yield maintenance on redemption of unsecured debentures and Transactional FFO – gain (loss) on sale of land to co-owners. The measure is intended to be used by investors to help determine the Trust's ability to service its debt, finance capital expenditures and provide for distributions to its Unitholders. Management uses this measure to assess the Trust's profitability, as it removes the non-cash impact of the fair value changes and gains and losses on investment property dispositions.	Section IV — Business Operations and Performance, "Results of Operations"

Non-GAAP Measures (Continued)

Measure	Definition and Intended Use	Reference to Reconciliation and/or Additional Information
Adjusted Interest Expense including Capitalized Interest and **Debt Service Expense**	Adjusted Interest Expense including Capitalized Interest is defined as the Trust's total proportionate share of interest expense, less distributions on vested deferred units and Units classified as liabilities and interest income from mortgages and loans receivable, plus capitalized interest. Debt Service Expense is defined as the Trust's total proportionate share of interest expense, less distributions on vested deferred units and Units classified as liabilities and interest income from mortgages and loans receivable, plus capitalized interest and mortgage principal amortization payments. Adjusted Interest Expense including Capitalized Interest and Debt Service Expense are intended to be used by investors as measures of the interest expense on the Trust's debt. Management uses these to calculate certain covenant ratios, and to assess the Trust's ability to service its debt.	Section VII — Financing and Capital Resources, "Financial Covenants"
Adjusted Funds From Operations ("AFFO") and **AFFO with adjustments** and **AFFO per Unit** and **AFFO with adjustments per Unit**	AFFO is a non-GAAP financial measure of operating performance widely used by the real estate industry in Canada. AFFO is calculated as FFO less straight-line rent, normalized capital expenditures and leasing costs. The Trust calculates AFFO in accordance with the recommendations of REALpac's January 2022 guidance. AFFO with adjustments is calculated as AFFO less non-recurring items such as TRS gain (loss), FFO sourced from condominium and townhome closings, and gain (loss) on sale of land to co-owners. AFFO per Unit and AFFO with adjustments per Unit, are defined as AFFO and AFFO with adjustments divided by weighted average number of Units. Management considers AFFO, AFFO with adjustments, AFFO per Unit, and AFFO with adjustments per Unit as meaningful measures of recurring economic earnings and relevant in understanding the Trust's ability to service its debt, funding capital expenditures and determining an appropriate level of distributions. Management also considers these measures to be useful measures of operating performance as they further adjust FFO for capital expenditures that sustain income producing properties and eliminates the impact of straight-line rent.	Section IV — Business Operations and Performance, "Other Measures of Performance"
Aggregate Assets and **Gross Book Value**	Aggregate Assets is defined as the Trust's total proportionate share of assets, less cash-on-hand. Gross Book Value is defined as the total proportionate share of assets, less cash-on-hand and fair value adjustments on investment properties net of accumulated amortization. Aggregate Assets and Gross Book Value, are intended to be used by investors as measures of the total value of assets managed by the Trust. Management uses Aggregate Assets, and Gross Book Value, to calculate certain covenant ratios, and to assess the Trust's ability to continue to grow.	Section VII — Financing and Capital Resources, "Financial Covenants"

Non-GAAP Measures (Continued)

Measure	Definition and Intended Use	Reference to Reconciliation and/or Additional Information
Debt to Aggregate Assets and **Debt to Aggregate Assets (excluding TRS debt and receivable)**	Debt to Aggregate Assets is defined as Net Debt divided by Aggregate Assets. Debt to Aggregate Assets (excluding TRS debt and receivable) is defined as Net Debt (excluding TRS debt) divided by Aggregate Assets (excluding TRS receivable). The ratios are intended to be used by investors to assess the leverage of the Trust on a consolidated basis. Management uses the ratios to assess an acceptable level of leverage for the Trust.	Section VII — Financing and Capital Resources, "Financial Covenants"
Debt to Gross Book Value	Debt to Gross Book Value is defined as Net Debt divided by Gross Book Value. The ratio is intended to be used by investors to assess the leverage of the Trust on a consolidated basis, while using the Trust's cost basis for assets. Management uses this ratio to assess an acceptable level of leverage for the Trust.	Section VII — Financing and Capital Resources, "Financial Covenants"
Fixed Charge Coverage Ratio	Fixed Charge Coverage Ratio is defined as Adjusted EBITDA divided by Debt Service Expense. The ratio is intended to be used by investors to assess the Trust's ability to service its fixed charges. Management uses this ratio to manage the Trust's cash flows and fixed obligations.	Section VII — Financing and Capital Resources, "Financial Covenants"
Fixed Rate to Variable Rate Debt Ratio	Fixed Rate to Variable Rate Debt Ratio is defined as the percentage of Fixed Rate Debt out of total Debt compared with the percentage of Variable Rate Debt (excluding interest rate swap agreements with fixed interest rates) out of total Debt. The ratio is intended to be used by investors to assess the Trust's ability to service its debt against the fluctuation of interest rate.	Section VII — Financing and Capital Resources, "Financial Covenants"
Forecasted Annualized NOI	Forecasted Annualized NOI is defined as management's estimate of NOI for the next fiscal year, based on the current period's NOI. The measure is intended to be used by investors to project the next year's operating income of the Trust. Management uses this measure as a benchmark of the Trust's future profitability.	Section VII — Financing and Capital Resources, "Debt"

Non-GAAP Measures (Continued)

Measure	Definition and Intended Use	Reference to Reconciliation and/or Additional Information
Funds From Operations ("FFO") and **FFO with adjustments** and **FFO per Unit** and **FFO with adjustments per Unit**	FFO is a measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALpac, which published a White Paper describing the intended use of FFO last revised in January 2022. It is the Trust's view that IFRS net income does not necessarily provide a complete measure of the Trust's economic earnings. This is primarily because IFRS net income includes items such as fair value changes of investment property that are subject to market conditions and capitalization rate fluctuations and gains and losses on the disposal of investment properties, including associated transaction costs and taxes, which are not representative of a company's economic earnings. For these reasons, the Trust has adopted REALpac's definition of FFO, which was created by the real estate industry as a supplemental measure of economic earnings. FFO is defined as net income and comprehensive income attributable to Unitholders adjusted for items such as, but not limited to, unrealized changes in the fair value of investment properties and financial instruments and transaction gains and losses on the acquisition or disposal of investment properties. FFO with adjustments is defined as FFO less TRS gain (loss), FFO sourced from condominium and townhome closings, and gain (loss) on sale of land to co-owners. FFO per Unit and FFO with adjustments per Unit, are defined as FFO, and FFO with adjustments, divided by weighted average number of Units. These measures are intended to be used by investors to assess the operating performance of the Trust. Management uses these measures to assess profitability and performance of the Trust.	Section IV — Business Operations and Performance, "Other Measures of Performance"
Interest Coverage Ratio	Interest Coverage Ratio is defined as Adjusted EBITDA divided by Adjusted Interest Expense including Capitalized Interest. The ratio is intended to be used by investors to measure the Trust's ability to make interest payments on its existing debt. Management uses this ratio to measure an acceptable level of interest expense relative to available earnings.	Section VII — Financing and Capital Resources, "Financial Covenants"
Investment Properties – non-GAAP	Investment Properties – non-GAAP is defined as the Trust's total proportionate share of investment properties, inclusive of the Trust's share of investment properties in equity accounted investments. The measure is intended to be used by investors to measure the amount of the Trust's entire portfolio.	Section VI — Asset Profile, "Investment Properties"
Net Operating Income ("NOI")	NOI from continuing operations is defined as: i) rentals from investment properties and other less property operating costs and other, and ii) net profit from condominium sales. In the consolidated statements of income and comprehensive income, NOI is presented as "net rental income and other". The measure is intended to be used by investors to assess the Trust's profitability. Management uses NOI as a meaningful measure of economic performance and profitability from continuing operations, as it excludes changes in fair value of investment properties and financial instruments.	Section IV — Business Operations and Performance, "Results of Operations"

Non-GAAP Measures (Continued)

Measure	Definition and Intended Use	Reference to Reconciliation and/or Additional Information
Payout Ratio to AFFO and **Payout Ratio to AFFO with adjustments**	Payout Ratio to AFFO and Payout Ratio to AFFO with adjustments, are defined as distributions declared divided by AFFO, and AFFO with adjustments. It is the proportion of earnings paid out as dividends to Unitholders. The measures are intended to be used by investors to assess the distribution rate of the Trust. Management determines the Trust's Unit cash distribution rate by, among other considerations, its assessment of cash flow as determined using certain non-GAAP measures. As such, management believes the cash distributions are not an economic return of capital, but a distribution of sustainable cash flow from operations.	Section IV — Business Operations and Performance, "Other Measures of Performance"
Proportionate Share Reconciliation and **Total Proportionate Share**	References made to a "total proportionate share" or "the Trust's proportionate share of EAI" represent the Trust's proportionate interest in the financial position and operating activities of its entire portfolio, which reflect the difference in accounting treatment between joint ventures using proportionate consolidation and equity accounting. Proportionate Share Reconciliation represents the adjustment to account for the Trust's proportionate share of equity accounted investments. The presentation is intended to be used by investors to assess the Trust's financial position and performance on a consolidated basis because it represents how the Trust and its partners manage the net assets and operating performance for each of the Trust's co-owned properties. The Trust accounts for its investments in both associates and joint ventures using the equity method of accounting.	Section IV — Business Operations and Performance, "Results of Operations"
Recovery Ratio	The Recovery Ratio is defined as property operating cost recoveries divided by recoverable costs. The measure is intended to be used by investors and management to assess the Trust's ability to manage recoverable operating expenses for its investment properties.	Section IV — Business Operations and Performance, "Results of Operations"

Non-GAAP Measures (Continued)

Measure	Definition and Intended Use	Reference to Reconciliation and/or Additional Information
Same Properties NOI ("SPNOI")	To facilitate a more meaningful comparison of NOI between periods, SPNOI amounts are defined as the NOI attributable to those income properties that were owned by the Trust during the current period and the same period in the prior year. Any NOI from properties either acquired, Earnouts, developed or disposed of, outside of the periods mentioned above, are excluded from Same Properties NOI. Certain non-cash items including straight-line rent and amortization of tenant incentives are also excluded to present the SPNOI on a cash basis. Same Properties NOI is intended to be used by investors and management as profitability growth indicators on the Trust's existing investment property portfolio.	Section IV — Business Operations and Performance, "Results of Operations"
Transactional FFO	Transactional FFO represents the net financial/economic gain resulting from a partial sale of an investment property. Transactional FFO is calculated as the difference between the actual selling price and actual costs incurred for the subject investment property. Because the Trust intends to establish numerous joint ventures with partners in which it plans to co-develop mixed-use development initiatives, the Trust expects such gains to be recurring and therefore represent part of the Trust's overall distributable earnings. The measure is intended to be used by investors to assist in assessing the profitability of the Trust. Management uses this measure to calculate FFO with adjustments and Transactional FFO, a profitability measure.	Section IV — Business Operations and Performance, "Other Measures of Performance"
Unencumbered Assets	Unencumbered Assets is defined as the Trust's assets that are free and clear of any encumbrances. The measure is intended to be used by investors and management to assess the Trust's ability to secure additional financing. Management uses this measure to calculate Unencumbered Assets to Unsecured Debt Ratio.	Section VII — Financing and Capital Resources, "Debt"
Unencumbered Assets to Unsecured Debt Ratio	Unencumbered Assets to Unsecured Debt Ratio is defined as the Trust's unencumbered assets divided by the Trust's unsecured debt. The ratio is intended to be used by investors to assess the Trust's ability to use investment properties to satisfy unsecured debt obligations. This ratio is a significant financial covenant pursuant to the terms of the Trust's revolving operating facilities and other credit facilities.	Section VII — Financing and Capital Resources, "Financial Covenants"
Unsecured to Secured Debt Ratio	Unsecured to Secured Debt Ratio is defined as the Trust's unsecured debt (including on equity accounted investments) divided by the Trust's secured debt (including on equity accounted investments). The ratio is intended to be used by investors to assess the Trust's composition of debt. Management uses this ratio to determine the Trust's ability to borrow additional unsecured debt.	Section VII — Financing and Capital Resources, "Financial Covenants"

Forward-Looking Statements

Certain statements in this MD&A are "forward-looking statements", including forward-looking information within the meaning of applicable Canadian securities laws, that reflect management's expectations regarding the Trust's future growth, results of operations, performance, business prospects and opportunities, including those statements outlined under the headings, "Business Overview, Outlook and Strategic Direction", "Outlook", "Key Business Development, Financial and Operational Highlights for the Three Months Ended June 30, 2023", "Mixed-Use Development Initiatives", "Residential Development Inventory", "Properties Under Development", "Completed and Future Earnouts and Developments on Existing Properties", "Results of Operations", "Other Measures of Performance", "Leasing Activities and Lease Expiries", "Investment Properties", "Equity Accounted Investments", "Amounts Receivable and Other, Deferred Financing Costs, and Prepaid Expenses and Deposits", "Mortgages, Loans and Notes Receivable", "Capital Resources and Liquidity", "Maintenance Capital Requirements", "Debt" (which includes "Unencumbered Assets"), and "Risks and Uncertainties".

More specifically, certain statements contained in this MD&A, including the Trust's plans, expectations and intentions with respect to the collection of rent from tenants, the operation, maintenance and development of its properties and its expectations with respect to liquidity; the Trust's future growth potential and the identification of development opportunities; future occupancy levels; plans to extract additional sources of FFO and NAV; expected replacement income to be generated by backfilling existing vacant space over time; the Trust's maintenance capital requirements, estimated future development plans and joint venture projects, including the described type, scope, costs and other financial metrics related thereto; the Trust's expectations regarding future potential mixed-use development opportunities, the timing of construction and costs thereof and returns therefrom; the Trust's ability to pay future distributions to Unitholders and expectations regarding monthly cash distribution levels, view of term mortgage renewals, including rates and refinancing amounts, timing of future payments of obligations, intentions to obtain additional secured and unsecured financing and potential financing sources; the Trust's potential future pipeline and uncommitted pipeline; Forecasted Annualized NOI and Annual Run-Rate NOI; vacancy and leasing assumptions; and statements that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "plan", "potential", "propose", "schedule", "estimate", "intend", "project", "will", "may", "continue", "forecast", "outlook", "direction", "come" and similar expressions or negative variations thereof and statements relating to matters that are not historical facts, constitute "forward-looking statements". These forward-looking statements are presented for the purpose of assisting Unitholders to understand the Trust's operating environment, and may not be appropriate for other purposes. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

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

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

All amounts in the MD&A are expressed in millions of Canadian dollars, except where otherwise stated. Per Unit amounts are expressed on a diluted basis, except where otherwise stated. Additional information relating to the Trust, including the AIF, can be found on the System for Electronic Document Analysis and Retrieval+ ("SEDAR+") (www.sedarplus.ca).

Section II — Business Overview, Outlook and Strategic Direction

Creating Exceptional Places to Shop, Live and Work in Canada

The Trust's Beginnings

From the Trust's inception in 2001 to 2015, its growth was principally a result of the acquisition and Earnout of completed and fully leased open-format retail shopping centres, predominately with the Anchor or Shadow Anchor tenant (i.e., located within the shopping complex but not owned by the Trust) being Walmart. Even through the COVID-19 pandemic, the Trust's national open-format shopping centre portfolio continued to perform well. The in-place and committed occupancy rate of the Trust shopping centres was 98.2% at June 30, 2023.

Furthermore, the Trust and its retail tenants are adapting to the changing needs of today's customers who are incorporating online shopping with in-store visits, with tenants offering curbside pick-up services and similar e-commerce solutions.

The Trust Has Evolved into a Growth-Oriented Diversified REIT

In May of 2015, a major transformative event occurred: the Trust acquired the SmartCentres platform of development expertise and the "SmartCentres" brand from Penguin. This brand has historically represented a family and value-oriented shopping experience. More significantly, this acquisition resulted in the Trust acquiring a large team of experienced professionals working in the areas of land acquisition, planning, development, leasing, construction and other complementary services. The Trust now employs a team that, over the last 25 years, was responsible for the development, leasing and construction of more than 60 million square feet of real estate development. Today, this team is focused on the development of the Trust's large and growing mixed-use development initiatives as outlined below.

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

The Trust, together with Penguin, has designed and commenced the development of over 100 acres in its flagship Vaughan Metropolitan Centre in Vaughan, Ontario ("SmartVMC"). SmartVMC serves as a model for other city centre projects that are now in the Trust's development pipeline. SmartVMC is an approximate 105-acre master-planned community that, once completed, is expected to have over 20 million square feet of mixed-use space. The Trust has a 50% interest in the easterly approximately 52 acres and, in December 2021, the Trust acquired a two-thirds interest from unrelated parties in approximately 53 acres of development lands in the western part of SmartVMC. By virtue of this transaction, the Trust has become the largest landowner in SmartVMC, Vaughan's rapidly growing downtown.

SmartVMC aims to serve as an example of how to better serve urban residents with a thoughtfully designed and integrated living space amidst a major transportation hub. With the completion of two AAA class office buildings, a new YMCA and community centre, and the closings of the 1,763 condo and townhome units, these projects have already delivered significant FFO. Future phases are expected to continue to contribute to FFO, including the Transit City 4 & 5 residential towers which began closing in March 2023 with remaining units at Transit City 4 & 5 expected to close by the end of 2023. The Trust is now working on planning for similar city centre-style developments in Oakville, Scarborough, Pickering and Cambridge, all in Ontario, and Laval, Quebec, with more to come.

In addition, the Trust has commenced integrating self-storage and industrial into communities where such needs arise.

An Illustration of SmartCentres' Investment Strengths

The Trust has a formidable array of investment strengths for investors to consider. First and foremost, the Trust has evolved into a diversified Real Estate Investment Trust ("REIT") with recurring revenue from two major sources: i) core rental income from retail, office, apartments and self-storage, and ii) development income from condominium and townhome sales. The Trust's established national shopping centre portfolio continues to provide reliable and recurring core rental income from national well-known retailers such as Walmart, Canadian Tire, Home Depot, Costco and Loblaws. The Trust has continued to introduce new services to help ensure its open-format retail shopping centres remain vital and connected to shoppers. This includes implementing curbside pick-up services, re-purposing space for logistics, providing for expanding or contracting premises, electric vehicle charging stations and digital signage. Professional management of the Trust's investment property portfolio is an important strength that continues to enhance the quality of shopping, working and living at its properties.

As SmartCentres expands its major mixed-use real estate development, it has partnered with experienced industry experts in many real estate categories, including: rental apartments, condominiums, self-storage centres, seniors' housing, office buildings, and recently industrial and warehouse space. Year to date, the closing of Transit City 4 & 5 condominiums provided additional FFO[(1)] of approximately $14.4 million and additional net income of approximately $15.3 million. Creating entire city centres has become a major new growth avenue for SmartCentres. Workers around the world have discovered they can work productively and live away from the downtown core of major cities in suburban environments where they enjoy the convenience of nearby retail shopping centres, restaurants, recreational facilities, properly planned parkland and excellent transportation services.

Executing on a Strategic Growth Plan

The Trust's retail portfolio has been well managed through the pandemic and is continually being upgraded to meet the in-person and online shopping requirements of its tenants and their customers. Management believes the Trust continues to be well positioned to provide reliable recurring income. But more significant to the growth of the REIT is the size and growth of the Trust's mixed-use development initiatives. See details in the "Mixed-Use Development Initiatives" section.

Outlook

SmartCentres delivered solid results in Q2 2023 which included: a) an industry-leading in-place and committed occupancy rate of 98.2% in its retail shopping portfolio, which was primarily due to the Trust's portfolio of predominately Walmart-anchored shopping centres that has continued to create strong traffic to the Trust's properties; b) 452 condominium closings at Transit City 4 & 5 at the SmartVMC; c) the issuance of $300 million 5-year Series Z senior unsecured debentures at a fixed interest rate of 5.354%; d) occupancy at the Millway at the SmartVMC (which commenced at the end of Q1 2023 and we expect further suites to be rented out over the balance of the year); and e) significant progress on the pipeline of mixed-use development initiatives, with planning and zoning entitlements advancing.

The Trust expects the balance of 2023 to reflect continued stability through its retail portfolio and continued strength in occupancy across all of the Trust's shopping centres. The Trust expects to continue to fortify its balance sheet and limit new financing initiatives primarily to upcoming maturities and those required to advance the Trust's development initiatives, particularly those where construction is expected to commence this year.

Although the Canadian economy continues to experience heightened levels of inflation and rising interest rates, the Trust remains confident in its ability to manage through these challenges. While the Trust's retail portfolio continues to act as the anchor to cash flow, 83% of the Trust's debt is fixed, with a staggered ladder of manageable maturities and strong relationships with Canada's lending community that should assure strong levels of liquidity for the future. Several projects, all having financing in place will continue under construction over the course of 2023. New development initiatives will only commence when market conditions permit and when appropriate financing has been arranged.

Leasing

The Trust's 34.9 million square foot portfolio of predominately Walmart-anchored shopping centres continues to demonstrate strong occupancy levels. Leasing activity has been brisk and a substantial portion of the space vacated during the pandemic is either under contract or is expected to be re-leased in the near term. The Trust remains exceptionally well positioned to attract high-quality tenants with strong covenants as Canada's largest provider of retail space in Walmart-anchored open-format shopping centres. With the significant traffic drivers, new tenants are also being attracted to each site. As of June 30, 2023, the Trust had an in-place and committed occupancy rate of 98.2% at its shopping centres.

Mixed-Use Development on SmartVMC

Since the commencement of the Trust's SmartVMC development, a total of 2,409 condominium and townhome units have closed, including 1,763 condominium and townhome units in connection with the closing of Transit City 1, 2 & 3 prior to 2023 and 646 condominium units in connection with the closing of Transit City 4 & 5 during the first half of 2023. As a result, SmartVMC has become a community, with approximately 3,000 new residents in occupancy. In Q2 2023, 452 units of the sold out 1,026 units at Transit City 4 & 5 closed, representing $11.3 million of net profit or $10.6 million of FFO[(1)] for the three months ended June 30, 2023. The remaining units at Transit City 4 & 5 are expected to close by the end of 2023.

The Millway, the Trust's first purpose-built 458-unit residential rental building, commenced occupancy during February 2023. Upon completion, this project is expected to provide accommodation for over 2,000 additional residents at SmartVMC. These residents will all benefit from, among other things, the world-class YMCA, municipal library and community centre at SmartVMC which opened in Q2 2022. The Trust is also actively designing a future phase of office development at SmartVMC with expected construction to commence in late 2024/2025. In addition, the Trust is expecting to commence construction on two new residential towers across from the SmartVMC bus terminal. The first 35 storeys condominium portion of the new residential project has been entirely pre-sold.

SmartVMC represents the emergence of a new city, anchored by three forms of public transit infrastructure, including a TTC subway station linking the site directly to downtown Toronto, a mass urban bus hub, and an efficient arterial road system which is linked to two major highways. When fully complete, SmartVMC is expected to accommodate as many as 45,000 residents.

Mixed-Use Development on Other Initiatives

Self-storage Rental Facilities

With the recent opening of the Kingspoint self-storage facility, the Trust reached a milestone of approximately 1.0 million square feet of Gross Floor Area ("GFA") of self-storage rental facilities (at 100%). Excluding the two facilities that have been open for less than a year, the Trust's self-storage portfolio has an average occupancy rate of 93.0%.

Additional self-storage facilities have been approved by the Trust's Board of Trustees for development on its existing properties, including locations at Whitby, Markham and Stoney Creek, Ontario. In each case, existing lands have been or will be transferred to the Trust's partnership with SmartStop when municipal approvals are received.

In addition, together with SmartStop, the Trust has purchased three properties in Toronto, with one property on Jane Street, Gilbert Avenue and Eglinton Avenue East, one property in Burnaby, British Columbia, and one property on Boulevard St-Regis in Dorval, Quebec. Once zoning approvals are in place, it intends to build additional self-storage facilities on each of these properties.

Industrial Rental Buildings

As expected, construction on the 229,000 square feet of industrial space for the 16-acre Phase 1 development in Pickering, Ontario was completed in Q2 2023. Approximately 53% of the space was pre-leased to a single tenant who took possession in April 2023. The Trust completed the purchase of approximately 38 acres of industrial lands in Pickering adjacent to Hwy 407. Subsequent to the completion, the Trust expects yields from this initial phase of the project to be in the range of 6.0%–6.5%.

Retail Developments

The Trust, together with its partner, Penguin, has also commenced preliminary siteworks for a 215,000 square foot retail project on Laird Avenue in Toronto. This project is expected to feature a flagship 190,000 square foot Canadian Tire store, together with 25,000 square feet of additional retail space. Canadian Tire is expected to take possession in 2025.

Financing

Current economic pressures, following upon the COVID-19 pandemic, have resulted in unparalleled global supply chain constraints and an inflationary environment not experienced in almost 30 years. To combat inflation, the Bank of Canada and other central banks globally have been active in increasing overnight interest rates. Since January 1, 2022, the Bank of Canada has increased its overnight rate eight times for a total of 475 bps to 5.00%. As a result of this unparalleled period of interest rate hikes, short- and long-term borrowing costs have experienced significant increases over the past several months. Accordingly, as at June 30, 2023, the Trust's overall weighted average interest rate increased to 4.03% from 3.86% at December 31, 2022. Approximately 17% of the Trust's debt is at variable rates, with a significant portion of that being linked to development projects.

In May 2023, DBRS adjusted the Trust's credit rating to BBB and upgraded its outlook to stable. The Trust is continuing to work on various financing alternatives and debt repayment initiatives with the intent to maintain or improve its credit rating further.

The Trust has continued to focus on its long-term mixed-use development initiatives, of which 10 projects are under construction and 35 projects are expected to commence construction within the next two years. Each of these projects is subject to arranging appropriate financing, market conditions and completing zoning entitlements. As Canadians continue to return to a new level of "normalcy", the Trust will continue to follow its credo of "focus on change". Over the coming years, this continued evolution is expected to result in additional mixed-use development opportunities, which in turn are expected to contribute to substantive future growth in both FFO and NAV.

Key Business Development, Financial and Operational Highlights for the Three Months Ended June 30, 2023

Operational

- Shopping centre leasing activity strengthened from Q1 2023, with an industry-leading in-place and committed occupancy rate of 98.2% as at June 30, 2023 (December 31, 2022 – 98.0%).

- Executed new leases of 273,150 square feet during the quarter.

- Renewed 75.5% of the 5,157,636 square feet of space expiring in 2023.

Development

- Park Place condominium pre-development is underway on the 53 acre SmartVMC West lands strategically acquired in December 2021. Pre-sales for this development have commenced. The Trust's acquisition in December 2021 of a two-thirds interest in the SmartVMC West lands more than doubled the Trust's holdings in the 105-acre SmartVMC city centre development.

- Occupancy of Transit City 4 (45 storeys) and 5 (50 storeys) condo towers, representing a total of 1,026 residential units, has commenced. First occupancy and condo closings for Transit City 4 and Transit City 5 commenced in March and May 2023, respectively. In Q2 2023, 452 units were closed generating additional FFO(2) of $10.6 million. Occupancy of the balance of Transit City 4 and 5 will take place over the next two quarters.

- The 458-unit rental apartment project, The Millway, includes 45 rental units in the podium of Transit City 4 and 47 rental units in the podium of Transit City 5. First occupancy of these units took place in February (Transit City 4) and May 2023 (Transit City 5). The remaining 366 units, located in a 36-storey purpose-built tower, are nearing completion, and initial occupancy began in July.

- VMC ArtWalk condominium Phase 1 sold out 320 released units, with construction expected to begin in the second half of this year.

- Occupancy in the completed first phase of the two-phase, purpose-built residential rental project in Laval, Quebec, ended Q2 2023 with 99% of the 171 units leased. Pre-leasing has commenced on the next phase, reaching over 70% leases signed for the July 1, 2023 opening. Minor work to complete construction of Phase II will take place over the coming months.

- Initial occupancy in the two purpose-built residential rental towers (238 units) in Mascouche, Quebec began in July 2022, with the final floor opened in November 2022. More than 183 units have been leased and current lease-up activity is in line with initial expectations. A second phase is planned with construction expected to commence in early 2024.

- All of the eight operating self-storage facilities (Toronto (Leaside), Vaughan NW, Brampton (Bramport), Oshawa South, Dupont, Scarborough East, Aurora and Brampton (Kingspoint Plaza)) have been very well received by their local communities, with current combined occupancy levels ahead of expectations, at over 80%.

- Two self-storage facilities in Whitby and Markham are currently under construction. Additional self-storage facilities have been approved by the Board of Trustees and the Trust is in the process of obtaining municipal approvals in Stoney Creek and two locations in Toronto (Gilbert Ave. and Jane St.). The municipal approval process is also underway for three sites outside of Ontario. They are in New Westminster and Burnaby, British Columbia, and in Dorval, Quebec.

- Construction remains paused on the new retirement residence and seniors' apartment project, totalling 402 units, at the Trust's Laurentian Place shopping centre in Ottawa. Groupe Sélection (formerly Réseau Sélection), the partner on the project, is currently in proceedings pursuant to the *Companies' Creditors Arrangement Act* and, as a result, the Trust is now managing the site and contractors while reviewing alternative scenarios for the completion and operation of this project. Notwithstanding, the project valuation and development metrics remain intact with SmartCentres' ongoing support to substantial completion.

- By way of a Minister's Zoning Order, the Trust has permissions that would allow for the redevelopment of the 73-acre Cambridge retail property (which is subject to a leasehold interest with Penguin) including various forms of residential, retail, office, institutional and commercial uses providing for the creation of a vibrant urban community with the potential for over 12 million square feet of development.

- The Trust, together with its partner, Penguin, has also commenced preliminary siteworks for the 215,000 square foot retail project on Laird Drive in Toronto, that is expected to feature a flagship 190,000 square foot Canadian Tire store together with 25,000 square feet of additional retail space. Canadian Tire is expected to take possession in 2025.

Financial

- Same Properties NOI(1) increased by $4.2 million or 3.2% in Q2 2023 as compared to the same period in 2022, which was primarily due to an increase in rental revenue attributable to lease-up activity and step-up rents, and miscellaneous revenue.

- FFO per Unit(1) was $0.55 for the three months ended June 30, 2023 (compared to $0.49 for the three months ended June 30, 2022). The increase was mainly attributable to higher profits from condo closings at Transit City 4 & 5 and higher rental income, partially offset by higher interest costs. FFO with adjustments per Unit(1) was $0.54 for the three months ended June 30, 2023 (three months ended June 30, 2022 – $0.53).

- The Payout Ratio to AFFO(1) for the three months ended June 30, 2023 was 93.8%, as compared to 101.2% for the same period ended June 30, 2022. The Payout Ratio to AFFO(1) with adjustments for the three months ended June 30, 2023 was 95.2%, as compared to 93.4% for the three months ended June 30, 2022.

- Net rental income and other for the three months ended June 30, 2023 increased by $4.6 million or 3.7% as compared to the three months ended June 30, 2022, primarily due to lease-up activity, rent step-ups and percentage rents.

- Net income and comprehensive income per Unit(2) was $0.93 (three months ended June 30, 2022 – $0.90).

- The Payout Ratio to cash flows provided by operating activities for the three months ended June 30, 2023 was 134.4%, as compared to 187.4% for the three months ended June 30, 2022.

- Rentals from investment properties and other(2) was $207.0 million, as compared to $198.6 million for the same period in 2022, representing an increase of $8.4 million or 4.2%, primarily due to: i) increase in net base rent and net CAM recoveries principally due to higher rental rates and occupancy, and ii) increase in miscellaneous revenue mainly attributable to higher short-term rental, self-storage and apartment rentals.

- Net income and comprehensive income(2) was $167.9 million as compared to $162.0 million for the same period in 2022, representing an increase of $5.9 million. This increase was primarily attributed to: i) a $23.4 million increase in fair value adjustment on investment properties; and ii) a $17.1 million increase in NOI primarily due to an increase in net base rent as a result of improved occupancy; and partially offset by: i) a $27.0 million decrease in fair value adjustments on financial instruments; and ii) a $7.9 million increase in interest expense primarily due to higher interest rates.

- As at June 30, 2023, the Trust increased its unsecured/secured debt ratio(1)(3) to 80%/20% (December 31, 2022 – 74%/26%).

- The Trust continues to add to its unencumbered pool of high-quality assets. As at June 30, 2023, this unencumbered portfolio of investment properties was valued at $8.8 billion (June 30, 2022 – $8.4 billion).

- The Trust's fixed rate/variable rate debt ratio(1)(3) was 83%/17% as at June 30, 2023 (December 31, 2022 – 82%/18%).

(1) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures" and "Non-GAAP Measures".
(2) Represents a GAAP measure.
(3) Net of cash-on-hand of $43.3 million as at June 30, 2023 for the purposes of calculating the applicable ratios.

Selected Consolidated Operational, Mixed-Use Development and Financial Information

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

(in thousands of dollars, except per Unit and other non-financial data)	**June 30, 2023**	December 31, 2022	June 30, 2022
Portfolio Information (Number of properties)			
Retail properties	**155**	155	155
Office properties	**4**	4	4
Self-storage properties	**8**	6	6
Residential properties	**2**	2	2
Properties under development	**20**	19	19
Total number of properties with an ownership interest	**189**	186	186
Leasing and Operational Information(1)			
Gross leasable retail and office area (in thousands of sq. ft.)	**34,922**	34,750	34,661
In-place and committed occupancy rate (%)	**98.2**	98.0	97.6
Average lease term to maturity (in years)	**4.2**	4.2	4.4
Net annualized retail rental rate excluding Anchors (per occupied sq. ft.) ($)	**22.27**	22.20	22.26
Mixed-Use Development Information			
Trust's share of future development area (in thousands of sq. ft.)	**40,425**	41,200	40,200
Trust's share of estimated costs of future projects currently under construction, or for which construction is expected to commence within the next five years (in millions of dollars)	**10,900**	10,000	9,800
Total number of estimated future projects currently in development planning stage	**273**	274	282
Financial Information			
Total assets(2)	**11,833,262**	11,702,153	11,905,066
Investment properties(2)	**10,336,527**	10,250,392	10,285,753
Total unencumbered assets(3)	**8,844,821**	8,415,900	8,413,000
Debt(2)	**5,010,331**	4,983,265	5,128,604
Debt to Aggregate Assets (%)(3)(4)(5)	**43.2**	43.6	43.0
Adjusted Debt to Adjusted EBITDA(3)(4)(5)	**9.9X**	10.3X	10.0X
Weighted average interest rate (%)(3)(4)	**4.03**	3.86	3.30
Weighted average term of debt (in years)	**4.1**	4.0	4.4
Interest coverage ratio(3)(4)	**2.8X**	3.1X	3.3X

(1) Excluding residential and self-storage area.
(2) Represents a GAAP measure.
(3) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures" and "Non-GAAP Measures".
(4) Includes the Trust's proportionate share of equity accounted investments.
(5) As at June 30, 2023, cash-on-hand of $43.3 million was excluded for the purposes of calculating the applicable ratios (December 31, 2022 – $33.4 million, June 30, 2022 – $133.2 million).

Quarterly Comparison to Prior Year

The following table presents key financial, per Unit, and payout ratio information for the three months ended June 30, 2023 and June 30, 2022:

(in thousands of dollars, except per Unit information)	**June 30, 2023**	June 30, 2022	Variance
Financial Information			
Rentals from investment properties and other(1)	**206,950**	198,585	8,365
Net income and comprehensive income(1)	**167,902**	161,997	5,905
Cash flows provided by operating activities(1)	**61,322**	43,970	17,352
Net rental income and other(1)	**129,887**	125,253	4,634
NOI(2)	**147,105**	130,034	17,071
NOI from condominium and townhome closings and other adjustments(2)	**11,232**	791	10,441
SPNOI(2)	**135,402**	131,167	4,235
Change in net rental income and other(2)	**3.7 %**	4.9 %	(1.2)%
Change in SPNOI(2)	**3.2 %**	5.0 %	(1.8)%
FFO(2)(3)(4)(5)	**98,534**	88,464	10,070
FFO with adjustments(2)(3)(4)	**97,247**	95,207	2,040
AFFO(2)(3)(4)(5)	**87,848**	81,436	6,412
AFFO with adjustments(2)(3)(4)	**86,561**	88,179	(1,618)
Distributions declared	**82,410**	82,385	25
Units outstanding(6)	**178,181,722**	178,122,655	59,067
Weighted average – basic	**178,179,652**	178,122,655	56,997
Weighted average – diluted(7)	**180,045,789**	179,662,689	383,100
Per Unit Information (Basic/Diluted)			
Net income and comprehensive income(1)	**$0.94/$0.93**	$0.91/$0.90	$0.03/$0.03
FFO(2)(3)(4)(5)	**$0.55/$0.55**	$0.50/$0.49	$0.05/$0.06
FFO with adjustments(2)(3)(4)	**$0.55/$0.54**	$0.53/$0.53	$0.02/$0.01
AFFO(2)(3)(4)(5)	**$0.49/$0.49**	$0.46/$0.45	$0.03/$0.04
AFFO with adjustments(2)(3)(4)	**$0.49/$0.48**	$0.50/$0.49	($0.01)/($0.01)
Distributions declared	**$0.463**	$0.463	$—
Payout Ratio Information			
Payout Ratio to cash flows provided by operating activities	**134.4 %**	187.4 %	(53.0)%
Payout Ratio to AFFO(2)(3)(4)(5)	**93.8 %**	101.2 %	(7.4)%
Payout Ratio to AFFO with adjustments(2)(3)(4)	**95.2 %**	93.4 %	1.8 %

(1) Represents a GAAP measure.
(2) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures" and "Non-GAAP Measures".
(3) Includes the Trust's proportionate share of equity accounted investments.
(4) See "Other Measures of Performance" for a reconciliation of these measures to the nearest consolidated financial statement measure.
(5) The calculation of the Trust's FFO and AFFO and related payout ratios, including comparative amounts, are financial metrics that were determined based on the REALpac White Paper on FFO and AFFO issued in January 2022. Comparison with other reporting issuers may not be appropriate. The payout ratio to AFFO is calculated as declared distributions divided by AFFO.
(6) Total Units outstanding include Trust Units and LP Units, including Units classified as liabilities. LP Units classified as equity in the consolidated financial statements are presented as non-controlling interests.
(7) The diluted weighted average includes the vested portion of the deferred units issued pursuant to the deferred unit plan.

Year-to-Date Comparison to Prior Year

The following table presents key financial, per Unit, and Payout Ratio information for the six months ended June 30, 2023 and June 30, 2022:

(in thousands of dollars, except per Unit information)	**June 30, 2023**	June 30, 2022	Variance
Financial Information			
Rentals from investment properties and other(1)	**417,544**	401,413	16,131
Net income and comprehensive income(1)	**280,763**	532,107	(251,344)
Cash flows provided by operating activities(1)	**143,253**	146,789	(3,536)
Net rental income and other(1)	**254,708**	245,972	8,736
NOI(2)	**280,573**	253,902	26,671
NOI from condominium and townhome closings and other adjustments(2)	**15,310**	740	14,570
SPNOI(2)	**262,829**	253,354	9,475
Change in net rental income and other(2)	**3.6 %**	4.3 %	(0.7)%
Change in SPNOI(2)	**3.7 %**	3.5 %	0.2 %
FFO(2)(3)(4)(5)	**195,667**	180,699	14,968
FFO with adjustments(2)(3)(4)	**188,260**	185,861	2,399
AFFO(2)(3)(4)(5)	**176,449**	167,135	9,314
AFFO with adjustments(2)(3)(4)	**169,042**	172,297	(3,255)
Distributions declared	**164,815**	164,761	54
Units outstanding(6)	**178,181,722**	178,122,655	59,067
Weighted average – basic	**178,169,569**	178,115,751	53,818
Weighted average – diluted(7)	**179,968,836**	179,626,838	341,998
Per Unit Information (Basic/Diluted)			
Net income and comprehensive income(1)	**$1.58/$1.56**	$2.99/$2.96	($1.41)/($1.40)
FFO(2)(3)(4)(5)	**$1.10/$1.09**	$1.01/$1.01	$0.09/$0.08
FFO with adjustments(2)(3)(4)	**$1.06/$1.05**	$1.04/$1.03	$0.02/$0.02
AFFO(2)(3)(4)(5)	**$0.99/$0.98**	$0.94/$0.93	$0.05/$0.05
AFFO with adjustments(2)(3)(4)	**$0.95/$0.94**	$0.97/$0.96	($0.02)/($0.02)
Distributions declared	**$0.925**	$0.925	$—
Payout Ratio Information			
Payout Ratio to cash flows provided by operating activities	**115.1 %**	112.2 %	2.9 %
Payout Ratio to AFFO(2)(3)(4)(5)	**93.4 %**	98.7 %	(5.3)%
Payout Ratio to AFFO with adjustments(2)(3)(4)	**97.5 %**	95.8 %	1.7 %

(1) Represents a GAAP measure.
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(3) Includes the Trust's proportionate share of equity accounted investments.
(4) See "Other Measures of Performance" for a reconciliation of these measures to the nearest consolidated financial statement measure.
(5) The calculation of the Trust's FFO and AFFO and related payout ratios, including comparative amounts, are financial metrics that were determined based on the REALpac White Paper on FFO and AFFO issued in January 2022. Comparison with other reporting issuers may not be appropriate. The payout ratio to AFFO is calculated as declared distributions divided by AFFO.
(6) Total Units outstanding include Trust Units and LP Units, including Units classified as liabilities. LP Units classified as equity in the consolidated financial statements are presented as non-controlling interests.
(7) The diluted weighted average includes the vested portion of the deferred units issued pursuant to the deferred unit plan.

Quarterly Results and Trends
(in thousands of dollars, except percentage, square footage, Unit and per Unit amounts)

	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Results of operations								
Net income and comprehensive income	**167,902**	112,861	100,310	3,548	161,997	370,110	652,081	178,051
Per Unit								
Basic	**$0.94**	$0.63	$0.56	$0.02	$0.91	$2.08	$3.77	$1.03
Diluted(3)	**$0.93**	$0.63	$0.56	$0.02	$0.90	$2.06	$3.74	$1.03
Net base rent(1)(2)	**135,617**	134,007	133,201	132,303	131,543	129,354	128,571	128,487
Rentals from investment properties and other	**206,950**	210,594	206,223	196,962	198,585	202,828	192,850	195,171
NOI(1)(2)	**147,105**	133,468	133,632	130,986	130,034	123,868	129,679	133,333
Same properties NOI	**135,402**	129,004	133,489	130,829	131,890	123,671	128,376	126,923
Other measures of performance								
FFO(2)	**98,534**	97,133	102,471	88,403	88,464	92,235	97,452	97,887
Per Unit								
Basic(2)	**$0.55**	$0.55	$0.58	$0.50	$0.50	$0.52	$0.56	$0.57
Diluted(2)(3)	**$0.55**	$0.54	$0.57	$0.49	$0.49	$0.51	$0.56	$0.56
FFO with adjustments(2)	**97,247**	91,013	104,090	93,520	95,207	90,654	93,673	91,574
Per Unit								
Basic(2)	**$0.55**	$0.51	$0.58	$0.53	$0.53	$0.51	$0.54	$0.53
Diluted(2)(3)	**$0.54**	$0.51	$0.58	$0.52	$0.53	$0.50	$0.54	$0.53
Cash flows provided by operating activities	**61,322**	81,931	134,668	97,011	43,970	102,819	133,673	96,298
AFFO(2)	**87,848**	88,601	86,102	81,094	81,436	85,700	83,952	90,827
AFFO with adjustments(2)	**86,561**	82,481	87,723	86,210	88,179	84,119	80,432	92,140
Distributions declared	**82,410**	82,405	82,386	82,382	82,385	82,376	79,725	79,683
Payout ratio to AFFO with adjustments	**95.2 %**	99.9 %	93.9 %	95.6 %	93.4 %	97.9 %	99.1 %	86.5 %
Units outstanding(4)	**178,181,722**	178,176,825	178,133,853	178,126,285	178,122,655	178,122,655	178,091,581	172,287,950
Weighted average Units outstanding								
Basic	**178,179,652**	178,159,373	178,129,000	178,123,918	178,122,655	178,108,771	172,983,636	172,285,503
Diluted(3)	**180,045,789**	179,891,028	179,696,944	179,678,009	179,662,689	179,590,588	174,380,800	173,644,091
Total assets	**11,833,262**	11,719,131	11,702,153	11,862,633	11,905,066	11,721,953	11,293,248	10,191,592
Total unencumbered assets(2)	**8,844,821**	8,653,321	8,415,900	8,383,900	8,413,000	8,364,500	6,640,600	6,002,800
Debt	**5,010,331**	4,956,957	4,983,265	5,159,860	5,128,604	4,951,171	4,854,527	4,539,594
Total leasable area (sq. ft.)	**34,922,198**	34,777,002	34,750,379	34,685,033	34,660,693	34,663,687	34,118,613	34,225,087
In-place occupancy rate (%)	**97.8**	97.4	97.6	97.6	97.2	97.0	97.4	97.3
In-place and committed occupancy rate (%)	**98.2**	98.0	98.0	98.1	97.6	97.2	97.6	97.6

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

Results of Operations

Net income and comprehensive income, net base rent, rentals from investment properties, NOI, FFO, and related financial and operational metrics noted above are typically not materially impacted by seasonal factors. However, macroeconomic and market trends, as described under "Outlook" in this MD&A, acquisition, Earnout, development and disposition activities do have an impact on the demand for space, occupancy and collection levels and, consequently, impact net base rent, common area maintenance ("CAM") and realty tax recoveries, property valuations and ultimately operating performance. Overall, the Trust's income-producing property portfolio is quite stable. Quarterly fluctuations in revenue and operating results are mainly attributable to expected credit loss ("ECL") provisions, occupancy levels, Same Properties NOI growth, acquisitions, Earnouts, developments and dispositions.

Sequentially, net income and comprehensive income increased by $55.0 million in Q2 2023 from Q1 2023. This increase was mainly attributable to a higher fair value adjustment on financial instruments of $41.6 million, and higher NOI of $13.6 million as a result of higher occupancy rate and Transit City closing profits. Year-over-year, net income and comprehensive income increased by $5.9 million in Q2 2023 compared to Q2 2022, mainly resulting from improved NOI. See "Results of Operations" subsection under "Section IV – Business Operations and Performance" for further discussion.

Other Measures of Performance

FFO increased by $1.4 million in Q2 2023 from Q1 2023, mainly attributable to higher NOI of $13.6 million as a result of higher occupancy rate and Transit City 4 & 5 closing profits, partially offset by a higher loss on derivative of $9.3 million in Q2 2023, a $10.6 million change compared to a gain on derivative of $1.3 million in Q1 2023, as a result of fluctuation in the Trust's Unit price. Year-over-year, FFO increased by $10.1 million in Q2 2023 compared to Q2 2022, mainly resulting from Transit City closing profits. See "Other Measures of Performance" subsection under "Section IV – Business Operations and Performance" for further discussion.

Units Outstanding

The increase in Units outstanding as at June 30, 2023 as compared to March 31, 2023 and June 30, 2022 was mainly due to the options exercised in connection with Earnout transactions.

Total Assets and Debt

Total assets increased by $114.1 million as at June 30, 2023 from March 31, 2023, which was mainly due to: i) a $72.3 million net increase in investment properties mainly driven by development activities and fair value gains over the quarter, ii) a $20.8 million increase in equity accounted investments mainly due to the earnings from additional condo closing in Transit City and additional cash contribution during the quarter, and iii) an $18.6 million increase in prepaid expenses mainly relating to prepaid realty taxes. Total debt increased by $53.4 million as at June 30, 2023 from March 31, 2023 as a result of issuance of the Series Z senior unsecured debentures, partially offset by repayments of existing debt.

Total assets decreased by $71.8 million as at June 30, 2023 compared to June 30, 2022, mainly due to a $151.8 million decrease in mortgages receivable attributable to repayments, a $61.3 million decrease in other financial assets mainly due to release of cash held as collateral, partially offset by a $50.8 million increase in investment properties mainly driven by fair value adjustments of properties under development and a $58.7 million increase in equity accounted investments mainly due to residential closing profits. Total debt decreased by $118.3 million as at June 30, 2023 compared to June 30, 2022 mainly as a result of repayment of secured debt.

Leasing

At the end of Q2 2023, the Trust's in-place and committed occupancy rate strengthened to 98.2%, representing an increase of 20 and 60 basis points as compared to 98.0% and 97.6% at the end of Q1 2023 and Q2 2022, respectively, due to high demand for retail space. The strengthening in retail leasing is being experienced across all provinces with improved NOI expected throughout 2023. New retailers entering the market are drawn to SmartCentres' high traffic centres anchored by Walmart, grocery, pharmacy and other dominate retailers providing everyday needs of the community. In addition, the covenant quality of retailers continues to improve across the portfolio as tenants expand their omni-channel offerings, as reflected in the near zero bad debts to date.

Section III — Development Activities

Mixed-Use Development Initiatives

The following table summarizes the 273 identified mixed-use, recurring rental income and development income initiatives, which are included in the Trust's large development pipeline:

	Under construction		Construction expected to commence within next 2 years		Active (Construction expected to commence within next 3–5 years)		Future (Construction expected to commence after 5 years)		Total	
Description	**Q2 2023**	**Q1 2023**	**Q2 2023**	**Q1 2023**	**Q2 2023**	**Q1 2023**	**Q2 2023**	**Q1 2023**	**Q2 2023**	**Q1 2023**
Section A										
Number of projects in which the Trust has an ownership interest										
Residential Rental	**3**	3	**16**	16	**30**	30	**71**	71	**120**	120
Seniors' Housing	**1**	1	**1**	1	**6**	6	**12**	12	**20**	20
Self-storage	**2**	2	**6**	6	**10**	10	**12**	12	**30**	30
Office Buildings / Industrial	**1**	1	**1**	1	**1**	1	**5**	5	**8**	8
Hotels	**—**	—	**—**	—	**—**	—	**3**	3	**3**	3
Subtotal – Recurring rental income initiatives	**7**	7	**24**	24	**47**	47	**103**	103	**181**	181
Condominium developments	**2**	2	**10**	10	**28**	28	**45**	45	**85**	85
Townhome developments	**1**	1	**1**	1	**2**	2	**3**	3	**7**	7
Subtotal – Development income initiatives	**3**	3	**11**	11	**30**	30	**48**	48	**92**	92
Total	**10**	10	**35**	35	**77**	77	**151**	151	**273**	273
Section B										
Planning entitlements (#)(1)	**10**	10	**32**	31	**53**	52	**85**	84	**180**	177
Section C										
Project area (in thousands of sq. ft.) – at 100%(2)										
Recurring rental income initiatives	**1,600**	1,600	**4,150**	4,150	**7,550**	7,550	**17,250**	17,250	**30,550**	30,550
Development income initiatives	**1,200**	1,200	**3,600**	3,600	**8,500**	8,500	**11,600**	11,600	**24,900**	24,900
Total project area (in thousands of sq. ft.) – at 100%	**2,800**	2,800	**7,750**	7,750	**16,050**	16,050	**28,850**	28,850	**55,450**	55,450
Trust's share of project area (in thousands of sq. ft.)										
Recurring rental income initiatives	**900**	900	**3,000**	3,000	**4,800**	4,800	**12,075**	12,075	**20,775**	20,775
Development income initiatives	**400**	400	**3,150**	3,000	**5,800**	5,800	**10,300**	10,300	**19,650**	19,500
Total Trust's share of project area (in thousands of sq. ft.)	**1,300**	1,300	**6,150**	6,000	**10,600**	10,600	**22,375**	22,375	**40,425**	40,275
Section D										
Total estimated costs (in millions of dollars) – at 100% based on current planning budgets(2)	**1,200**	1,200	**4,800**	4,800	**9,950**	9,950	**–** (3)	– (3)	**15,950**	15,950
Trust's share of such estimated costs (in millions of dollars)	**550**	550	**3,750**	3,625	**6,600**	6,600	**–** (3)	– (3)	**10,900**	10,775

(1) Planning entitlements represent those projects whereby the official plan currently permits intended/proposed uses.

(2) Square footage and cost figures provided at 100% pertain to projects for which the Trust has an ownership interest in such projects, and do not include related-party projects to which the Trust does not have an ownership interest.

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

Status of Current Development Initiatives

This section contains forward-looking statements related to expected milestones and completion dates of various development initiatives. Completion, milestone or occupancy dates of each of the projects described below may be delayed or adversely impacted. Please refer to the "Forward-Looking Statements" section for more information.

The Trust's mixed-use development initiatives have resulted in the Trust participating in various construction development projects. This includes construction at: i) SmartVMC; ii) mid- and high-rise rental residential projects in Laval and Mascouche, Quebec; iii) seniors' apartments and retirement residences in the Greater Toronto Area and Ottawa, Ontario; iv) self-storage locations throughout Ontario; v) a townhome project in Vaughan, Ontario; and vi) an industrial project in Pickering, Ontario. In addition, the Trust is currently working on development initiatives for many other properties that will primarily consist of residential developments located in Ontario and Quebec.

The following table provides additional details on the Trust's 10 development initiatives that are currently under construction (in order of estimated initial occupancy/closing date):

Projects under construction (Location/Project Name)	Type	Trust's Share (%)	Actual / estimated initial occupancy / closing date	% of completion	GFA[2] (sq. ft.)	No. of units
Vaughan / Transit City 4	Condo	25	Q1 2023	94 %	—	498
Vaughan / Transit City 5			Q2 2023	94 %		528
Vaughan / The Millway	Apartment	50	Q1 2023	85 %	—	458
Pickering (Seaton Lands)	Industrial	100	Q2 2023	93 %	229,000	—
Laval Centre	Apartment	50	Q3 2023	83 %	—	211
Markham East / Boxgrove	Self-storage	50	Q1 2024	51 %	133,000	910
Whitby	Self-storage	50	Q1 2024	52 %	126,000	811
Vaughan NW	Townhouse	50	Q3/Q4 2024	15 %	—	174
Ottawa SW [1]	Retirement Residence	50	Q1/Q2 2025	24 %	—	402
Ottawa SW [1]	Seniors' Apartments					

	In millions of dollars
Total Capital Spend to Date at 100% [3]	**847.9**
Estimated Cost to Complete at 100%	**414.7**
Total Expected Capital Spend by Completion at 100% [3]	**1,262.6**
Total Capital Spend to Date at Trust's share [3]	**345.4**
Estimated Cost to Complete at Trust's share	**202.5**
Total Expected Capital Spend by Completion at Trust's share [3]	**547.9**

(1) Figure represents capital spend of both retirement residence and seniors' apartments projects.
(2) GFA represents Gross Floor Area.
(3) Total capital spend to date and total expected capital spend by completion include land value.

SmartVMC Development Initiatives

In December 2021, the Trust acquired a two-thirds interest in approximately 53 acres in SmartVMC valued at $513.0 million. Existing permissions on the property include multi-residential, condominium, seniors' housing, office, retail, schools, recreational, entertainment and other uses, although further entitlements or permissions may be required as specific developments are planned. The Trust now has an ownership interest in approximately 105.0 acres in the Vaughan Metropolitan Centre. When completed, SmartVMC is planned to consist of approximately 20.0 million square feet (11.5 million square feet at the Trust's share) of mixed-use development, anchored by public transit infrastructure spending by the various levels of government of over $3.0 billion, including the VMC subway station. SmartVMC currently includes:

i) the 360,000 square foot KPMG tower, with 100% of the office space leased;
ii) the 225,000 square foot PwC-YMCA office and community-use complex, with fully occupied office space and community-use space, including a new world-class YMCA facility and municipal library, both of which opened in 2022;
iii) the new 140,000 square foot Walmart store which opened in 2020;
iv) 1.6 million square feet of condo units closed in prior years (Transit City 1, 2 & 3);
v) near 1 million square feet of condo units closing in 2023 (Transit City 4 & 5), and
vi) in summary, the details of high rise residential reflected below.

The Trust is actively pursuing additional initiatives at SmartVMC, which include:

i) the development of more than 4.0 million square feet (4,600 units) of residential density on the land at SmartVMC previously occupied by a Walmart store, with zoning and site plan applications submitted in 2020 for approval of Phase 1 of 550,000 square feet. Zoning was approved by the City of Vaughan in September 2021. Pre-sale of the first phase condo, ArtWalk, was launched in November 2021 and all of the 320 released units have been pre-sold;

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

iii) Park Place condominiums pre-sales launched in May 2022 on SmartVMC West lands.

The following table summarizes the associated mixed-use initiatives completed, under construction or currently being planned at SmartVMC:

Project	Storeys	Type	Estimated Total Building Area (sq. ft./units)	Expected Completion Year	Trust's Share (%)
KPMG Tower	15	Office	330,000 sq. ft.	Completed	50
KPMG Tower	N/A	Retail	30,000 sq. ft.	Completed	50
PwC-YMCA Complex/Tower	9	Office	225,000 sq. ft. (1)	Completed	50
Office Tower #3 – Proposed	TBD(2)	Office	500,000 sq. ft.	2028	50
Office Tower #4 – Proposed	TBD(2)	Office	500,000 sq. ft.	2029	50
			1,585,000 sq. ft.		
The Millway	36	Apartments	458 units (3)	2023	50
Transit City 1	55	Condo	551 units	Completed (2020)	25
Transit City 2	55	Condo	559 units	Completed (2020)	25
Transit City 1 & 2 Townhomes	N/A	Townhomes	22 units	Completed (2022)	25
Transit City 3	55	Condo	631 units	Completed (2021)	25
Transit City 4 & 5	45 and 50	Condo	1,026 units (3)	2023	25
ArtWalk	38,18 and 6	Condo/ Apartments	627 units	2026–2027	50
Park Place	48 and 56	Condo	1,094 units	2027	67
Apple Mill Road and Jane Street	64	Condo	798 units	TBD	50
			5,766 units		

(1) Includes 112,000 square feet of YMCA, library and community-use space.
(2) The number of storeys for this project has not been finalized.
(3) 92 of the 458 units attributable to the purpose-built residential rental apartment, The Millway, are located in the podiums of Transit City 4 & 5. These 92 units are anticipated to be completed commensurate with Transit City 4 & 5.

Residential and Other Mixed-Use Development Initiatives

In addition to the Trust's 10 development initiatives that are currently under construction, the following table shows the mixed-use development initiatives which have been completed during the last two years:

Project	Type	Estimated Total GFA (sq. ft./ units)	Year of Construction Completion(1)	Trust's Share (%)
Brampton (Kingspoint Plaza) SmartStop (ON)	Self-storage facility	138,000 sq. ft. (1,000 units)	2023	50
Aurora SmartStop (ON)	Self-storage facility	141,000 sq. ft. (957 units)	2022	50
Mascouche N Phase 1 (QC)	Residential rental	238 units	2022	80
Vaughan NW SmartStop (ON)	Self-storage facility	118,000 sq. ft. (880 units)	2021	50
Brampton SmartStop (ON)	Self-storage facility	135,000 sq. ft. (1,050 units)	2021	50
Oshawa S SmartStop (ON)	Self-storage facility	124,000 sq. ft. (950 units)	2021	50
Scarborough E SmartStop (ON)	Self-storage facility	137,000 sq. ft. (943 units)	2021	50

(1) Economic stabilization is achieved at 92% to 98% occupancy which varies by asset class and unique project-based factors. Residential rental and seniors' housing projects are generally expected to achieve economic stabilization in 2-3 years after construction completion. Self-storage projects are generally expected to achieve economic stabilization in 4-5 years after construction completion.

In addition, the Trust is currently working on initiatives for the development of many properties for which final municipal approvals have been obtained or are being actively pursued. Completion, milestone or occupancy dates of each of the projects described below may be delayed or adversely impacted. Please refer to the "Forward-Looking Statements" section for more information.

Residential

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

ii. the development of up to 5.5 million square feet of predominately residential space, in various forms, at Oakville North in Oakville, Ontario, with an initial two-tower 587-unit residential phase, with 6,000 square feet of retail, now permitted after an Ontario Land Tribunal settlement in May 2023 of our zoning appeal. Site plan approval is underway;

iii. the development of up to 1.5 million square feet of residential space in various forms on the Trust's undeveloped lands at the Vaughan NW property in Vaughan, Ontario. Approximately 60% of the 174 draft plan-approved townhomes have been pre-sold, lot servicing has been completed, and new home construction is soon expected to commence. Official Plan and Zoning Approval were obtained in June 2022 for five mid-rise buildings, of which Site Plan Approval was obtained for the Phase I development of two mid-rise buildings;

iv. the development of up to 1.5 million square feet of residential space, in various forms, in Pointe-Claire, Quebec, with the first phase, a two-tower rental project, being actively pursued, but subject to the urban planning revision process by the city of Pointe-Claire;

v. the development of up to 200,000 square feet of residential townhomes at Oakville South in Oakville, Ontario;

vi. the development of four high-rise purpose-built residential rental buildings comprising approximately 1,700 units with Greenwin, in Barrie, Ontario, for which a zoning application was approved by Barrie City Council in January 2021 with the site plan approved for Phase 1 by Barrie City Council in June 2021. An application for a building permit was submitted in July 2021. Environmental Risk Assessment was approved for the entire site in September 2021 and the application of Certificate of Property Use was submitted in February 2022 and approved in September 2022;

vii. the development of a 35-storey high-rise purpose-built residential rental tower containing 442 units, on Balliol Street in midtown Toronto, Ontario, with zoning and site plan applications submitted in September 2020. A second submission of these applications was made in July 2021. A third submission of these applications was made in March 2022. Zoning approval was received in July 2022 and site plan approval is expected in Q3 2023;

viii. the development of up to 1,600 residential units, in various forms, in Mascouche, Quebec, with the first phase consisting of 238 units in two 10-storey rental towers which opened in July 2022. Construction of a second phase is expected to commence in early 2024;

ix. the development of residential density at the Trust's shopping centre at 1900 Eglinton Avenue East in Scarborough, Ontario, with Official Plan Approval obtained in August 2022 for 4.65 million square feet of density. Approval was also obtained in August 2022 of a Phase I development to include two residential towers (46 and 48 storeys), permitting 975 residential units comprising up to 806,000 square feet. Site plan application and approvals for Phase I are ongoing. In addition, applications for Phase II, consisting of approximately 1.4 million square feet were submitted in September 2022;

x. the development of the first phase, a 46-unit rental building, which is part of a multi-phase master plan in Alliston, Ontario, with a rezoning application approved by town council in December 2020, a site plan application approved in July 2022, and the full building permit received in December 2022;

xi. the Q4 2020 acquisition of an additional 33.33% interest (new ownership structure of 66.66% held by the Trust and 33.33% held by Penguin) in 50 acres of adjacent land to the Trust's Premium Outlets Montreal in Mirabel, Quebec, for the ultimate development of residential density of up to 4,500 units. Site plan applications for the first phase rental building with 168 units expected to be submitted in Q3 2023. Master plan of development for the site is subject to approval;

xii. the development of a new residential block consisting of three phases totalling 500 units at Laval Centre in Quebec. The application for architecture approval for Phase 1 (155 units) and Phase 2 (155 units) was submitted in Q4 2021 and approved in Q3 2022. The application for the construction permit was made in Q4 2022. Issuance of the construction permit is expected in Q3 2023;

xiii. the development of 1.5 million square feet of residential density adjacent to the new South Keys light rail train station at the Trust's Ottawa South Keys Centre, consistent with current zoning permissions. Site plan application for the first phase rental complex with 446 units was submitted and deemed complete in Q4 2021 and work is ongoing on a second submission to respond to agency comments on the application;

xiv. the development of up to 900,000 square feet of predominately residential space on Yonge St. in Aurora, Ontario, with rezoning applications for the entire site and site plan submitted for Phase 1 in July 2021 and resubmitted in April 2022 and an appeal filed to the Ontario Land Tribunal in March 2023;

xv. the Q4 2020 acquisition of a 50% interest in a property in downtown Markham for the development of a 243,000 square foot retirement residence planned with Revera. The rezoning application was submitted in December 2020, and an appeal was filed in July 2022 for the initial Official Plan Amendment & Zoning Bylaw Amendment submission. In Q1 2023 Revera agreed to sell its interests in proposed retirement living projects in Markham (which closed subsequent to the Q2 2023 quarter-end) and Vaughan NW (which is expected to close late this year) that were subject to site-specific joint venture agreements with Revera to SmartCentres. A settlement agreement was entered into with the City of Markham and formally approved by the Ontario Land Tribunal on June 12, 2023. The Ontario Land Tribunal approved Zoning Bylaw now permits the development of a residential mixed-use project (apartment or condo) of approximately 260,000 square feet as-of-right;

xvi. the development of approximately 900,000 square feet of residential density on the Trust's Parkway Plaza Centre in Stoney Creek, Ontario, with a rezoning application underway that includes a Phase 1 development of a two-tower (each 20 storeys), approximately 400,000 square foot, 494-unit condo project. The proposal was presented at the Hamilton Design Review Panel in March 2022 and a public information meeting was held in May 2022. Design changes were incorporated, and the rezoning application was resubmitted in Q4 2022. The application is expected to go before city council in August 2023 for approval;

xvii. the development of approximately 404,000 square feet of residential space in various forms on the Trust's undeveloped lands situated in Owen Sound, Ontario, with a Phase I application submitted on January 31, 2023, that will permit two 4-storey apartment form buildings totalling 156 units, along with 87 traditional townhouses. Phase II is proposed to accommodate three 4-storey apartment form buildings totalling 234 units. A public meeting was held on this application on March 27, 2023, without opposition. The enacting Bylaws were approved by Council on May 29, 2023. Site plan application has been made and has now been deemed complete by the City;

Office Buildings / Industrial

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

xix. during the second quarter of 2022, the Trust completed the purchase of approximately 38 acres of industrial lands in Pickering, adjacent to Hwy 407, on which the Trust received approval and built 228,500 square feet of space for the 16-acre Phase 1 development, of which over half of the space has already been leased and taken possession in April by Bad Boy as their head office and warehouse;

Seniors' Housing

xx. the development of a retirement residential building at the Trust's shopping centre at Bayview and Major Mackenzie in Richmond Hill, Ontario, with a rezoning application for a nine-storey building submitted in Q1 2021 and a site plan application submitted in Q4 2021. The application was appealed to the Ontario Land Tribunal and a hearing on the matter took place July 4-10, 2023. The matter now rests with the Tribunal Member for consideration with a decision on the application anticipated by Q4 2023;

Self-storage

xxi. besides the ten self-storage projects currently operating or under construction, there are six additional self-storage facilities in Ontario, British Columbia and Quebec with the Trust's partner, SmartStop, in Stoney Creek, Toronto (2), New Westminster, Burnaby and Dorval with zoning and/or site plan approval obtained or applications well underway. Project agreements for another two locations are being finalized;

Mixed-Use

xxii. the development of up to 5.0 million square feet of predominately residential space, in various forms over the long term, in Pickering, Ontario, with the initial zoning for five towers with a gross floor area of approximately 1,400,000 square feet and site plan application for a three-tower mixed-use phase, approximating 700,000 square feet, approved by city council in June 2022;

xxiii. the development of up to 2.6 million square feet of predominately residential space, in various forms, at the Westside Mall in Toronto, Ontario, with a zoning application for the first 35-storey mixed-use tower submitted in 2021 and work continuing collaboratively with the City. The Bylaw is anticipated to be presented at city council in summer/ fall 2023 for approval. A site plan application is being processed concurrently;

xxiv. the Trust is planning the redevelopment of a portion of its 73-acre Cambridge retail property (subject to a leasehold interest with Penguin) which now allows various forms of residential, retail, office, institutional and commercial uses, providing for the creation of a vibrant urban community with the potential for over 12.0 million square feet of development on the overall property once completed. Work is underway to start the site plan approval process for an initial phase for a high-rise condominium and a mid-rise apartment. Discussions with City staff continue as a site plan application submission is anticipated in 2024.

Residential Development Inventory

Vaughan NW Residential Development

As reflected in the Trust's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023, residential development inventory consists of development lands, co-owned with Fieldgate, located at Vaughan NW, Ontario, for the purpose of developing and selling residential townhome units. The phased sales program for the Vaughan NW Townhomes was launched in December 2021. As of June 30, 2023, approximately 60% of the planned 174 townhomes have been pre-sold within the initial three phases of the sales program and closings are now expected in 2024.

The following table summarizes the activity in residential development inventory (at the Trust's share):

(in thousands of dollars)	**Six Months Ended June 30, 2023**	Year Ended December 31, 2022
Balance – beginning of period	**40,373**	27,399
Development costs	**1,956**	11,931
Capitalized interest for the period	**698**	1,043
Balance – end of period	**43,027**	40,373

SmartVMC Residential Development

Taking into account the Trust's proportionate share in equity accounted investments (non-GAAP), residential development inventory refers to the residential development concerning SmartVMC, which are recorded as equity accounted investments (investment in associates) in the Trust's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023. The following summarizes the status of condominium closings at Transit City 4 & 5:

	As at and For the Six Months Ended June 30		
	Transit City 4	**Transit City 5**	**Total**
Total units remaining to be closed	130	250	**380**
Units closed in Q1 2023	194	—	**194**
Units closed in Q2 2023	174	278	**452**
Total units closed	368	278	**646**
Total units	498	528	**1026**
% of units closed	74 %	53 %	**63 %**

The following table summarizes the net profits and FFO from the closings of Transit City 4 & 5:

(in thousands of dollars)	**Three Months Ended June 30**		**Six Months Ended June 30**	
	Total	**Trust's share**	**Total**	**Trust's share**
Condominium sales revenue	245,584	61,396	344,915	86,229
Cost of goods sold	(198,911)	(49,727)	(278,921)	(69,730)
Other	70	17	(383)	(96)
NOI before additional partnership profit(1)	**46,743**	**11,686**	**65,611**	**16,403**
Additional partnership profit(1)(2)	—	1,246	—	1,246
NOI(1)	**46,743**	**12,932**	**65,611**	**17,649**
General and administrative expenses	—	(1,660)	—	(2,306)
Net profit	46,743	11,272	65,611	15,343
Adjustment for previously capitalized interest associated with Transit City closing	N/A	(652)	N/A	(907)
FFO(1)		**10,620**		**14,436**
Per Unit – basic/diluted(3):				
FFO(1)		**$0.06 / $0.06**		**$0.08 / $0.08**

(1) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures" and "Non-GAAP Measures".
(2) Additional profit allocated to the Trust for Transit City closing pursuant to the development agreement and limited partnership agreement.
(3) Diluted FFO is adjusted for the dilutive effect of vested deferred units, which are not dilutive for net income purposes. To calculate diluted FFO for the six months ended June 30, 2023, 1,799,267 vested deferred units are added back to the weighted average Units outstanding.

Properties Under Development

As at June 30, 2023, the fair value of properties under development including properties under development recorded in equity accounted investments totalled $2.4 billion as compared to $2.3 billion at December 31, 2022, resulting in a net increase of $24.9 million as presented in the following table. The net increase was primarily due to the fair value adjustments and the development expenditures incurred during the six months ended June 30, 2023, partially offset by the sale of land parcels located in Vaughan, Ontario ("VMC"). See "Section VI — Asset Profile" for further discussion.

(in thousands of dollars)	**June 30, 2023**	December 31, 2022	Variance
Developments	**1,691,090**	1,698,652	(7,562)
Earnouts subject to option agreements[(1)]	**60,074**	54,847	5,227
Total	**1,751,164**	1,753,499	(2,335)
Equity accounted investments	**611,119**	583,898	27,221
Total including equity accounted investments[(2)]	**2,362,283**	2,337,397	24,886
Less: Properties under development classified as held for sale	**—**	(58,371)	58,371
Total including equity accounted investments (excluding properties classified as held for sale)[(2)]	**2,362,283**	2,279,026	83,257

(1) Earnout development costs during the development period are paid by the Trust and funded through interest-bearing secured debt provided by the vendors to the Trust. On completion of the development and the commencement of lease payments by a tenant, the Earnouts will be acquired from the vendors based on predetermined or formula-based capitalization rates ranging from 6.00% to 7.40%, net of land and development costs incurred. Penguin has contractual options to acquire Trust Units and LP Units on completion of Earnouts as shown in Note 11(b) of the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023. Effective December 9, 2020, pursuant to the Omnibus Agreement between the Trust and Penguin (see also "Related Party Transactions"), Penguin has the option to extend all Earnouts by two years from the previous expiry date, and the Trust has been given a right of first offer in connection with the sale of the economic and financial benefits and rights of any such development parcel during any extended period. For further details, see the Trust's management information circular dated November 6, 2020, filed on SEDAR+.

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

Future Retail Developments, Earnouts and Mezzanine Financing

Total future Retail Developments, Earnouts and Mezzanine Financing could increase the existing Trust portfolio by an additional 2.1 million square feet. With respect to the future pipeline, commitments have been negotiated on 0.3 million square feet. The Trust continues to revise its estimates and adjust its plans towards mixed-use developments.

The following table summarizes the expected potential future retail pipeline in properties under development as at June 30, 2023:

(in thousands of square feet)	**Committed**	**Years 0–2**	**Years 3–5**	**Beyond Year 5**	**Total[(1)]**
Developments	310	257	774	168	**1,509**
Earnouts	7	26	95	—	**128**
	317	283	869	168	**1,637**
Mezzanine Financing	—	—	—	489	**489**
	317	283	869	657	**2,126**

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

During the six months ended June 30, 2023, the future retail properties under development pipeline decreased by 8,000 square feet to a total of 1.6 million square feet. The change is summarized in the following table:

(in thousands of square feet)	**Total Area**
Future retail properties under development pipeline – March 31, 2023	1,645
Add:	
Properties transferred from investment properties to properties under development	—
Net adjustment to project densities	297
Less:	
Completion of Earnouts and Developments	(305)
Net change	(8)
Future retail properties under development pipeline – June 30, 2023	**1,637**

Uncommitted Retail Pipeline

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

(in thousands of dollars)	Years 0–2	Years 3–5	Beyond Year 5	Total Estimated Costs	Costs Incurred	Future Development Costs
Developments	81,229	266,477	72,262	419,968	129,776	290,192
Earnouts	6,525	30,958	—	37,483	2,728	34,755
	87,754	**297,435**	**72,262**	**457,451**	**132,504**	**324,947**

Approximately 6.8% of the retail properties under development, representing a proportion of gross investment cost (committed and uncommitted) relating to Earnouts ($41.4 million, divided by total estimated costs of $612.3 million), representing 128,000 square feet are lands that are under contract by vendors to develop and lease for additional proceeds when developed. In certain events, the developer may sell the portion of undeveloped land to accommodate the construction plan that provides the best use of the property. It is management's intention to finance the costs of construction through interim financing or operating facilities and, once rental revenue is stabilized, long-term financing will be arranged. With respect to the remaining gross leasable area, it is expected that 1.5 million square feet of future space will be developed as the Trust leases space and finances the related construction costs.

Completed and Future Earnouts and Developments on Existing Properties

For the three months ended June 30, 2023, $38.9 million of Earnouts and Developments (including Developments relating to equity accounted investments) were completed and transferred to income properties, as compared to $4.4 million in the same period in 2022.

	Three Months Ended June 30, 2023		Three Months Ended June 30, 2022	
	Area (sq. ft.)	**Investment ($ millions)**	Area (sq. ft.)	Investment ($ millions)
Earnouts	**3,915**	**2.0**	—	—
Redevelopment – transfers from properties under development to income properties	**153,176**	**36.9**	9,305	4.4
	157,091	**38.9**	9,305	4.4

For the six months ended June 30, 2023, $60.5 million of Earnouts and Developments (including Developments relating to equity accounted investments) were completed and transferred to income properties, as compared to $31.1 million in the same period in 2022.

	Six Months Ended June 30, 2023		Six Months Ended June 30, 2022	
	Area (sq. ft.)	**Investment ($ millions)**	Area (sq. ft.)	Investment ($ millions)
Earnouts(1)	**10,557**	**5.2**	1,224	0.6
Retail Developments	**—**	**—**	3,839	4.3
Redevelopment – transfers from properties under development to income properties	**195,005**	**43.4**	85,712	26.2
Self-storage facilities – equity accounted investments	**98,956**	**11.9**	—	—
	304,518	**60.5**	90,775	31.1

(1) The Earnouts for the six months ended June 30, 2023 excluded one land parcel sale totalling $2.4 million of investment and the area for this parcel sale is not reflected in the table above (for the six months ended June 30, 2022: one land parcel sale totalling $5.6 million of investment was excluded).

The following table summarizes future retail Developments, Earnouts and Mezzanine Financing as at June 30, 2023:

	Area (sq. ft.)	Total Area (%)	Income ($000s)	Gross Commitment ($000s)	Invested To Date ($000s)	Net Commitment ($000s)	Yield / Cap Rate (%)
Developments							
Committed Developments							
2023	108,049	6.6	1,462	39,825 (2)	26,212 (2)	13,613	3.7 (3)
2024 and beyond	201,519	12.3	6,229	111,116 (2)	37,301 (2)	73,815	5.6 (3)
Total Committed Developments	**309,568**	**18.9**	**7,691**	**150,941**	**63,513**	**87,428**	**5.1**
Uncommitted Developments							
2023	18,954	1.2	318	4,012 (2)	2,172 (2)	1,840	7.9 (3)
2024 and beyond	1,180,335	72.1	24,098	415,956 (2)	127,603 (2)	288,353	5.8 (3)
Total Uncommitted Developments	**1,199,289**	**73.3**	**24,416**	**419,968**	**129,775**	**290,193**	**5.8**
Total Developments	**1,508,857**	**92.2**	**32,107**	**570,909**	**193,288** (1)	**377,621**	**5.6**
Earnouts							
Committed Earnouts							
2023	6,782	0.4	221	3,586	1,161	2,425	6.2
2024 and beyond	747	—	23	357	217	140	6.5
Total Committed Earnouts	**7,529**	**0.4**	**244**	**3,943**	**1,378**	**2,565**	**6.2**
Uncommitted Earnouts							
2023	—	—	—	—	—	—	—
2024 and beyond	121,004	7.4	2,574	37,483	2,728	34,755	6.9
Total Uncommitted Earnouts	**121,004**	**7.4**	**2,574**	**37,483**	**2,728**	**34,755**	**6.9**
Total Earnouts	**128,533**	**7.8**	**2,818**	**41,426**	**4,106** (1)	**37,320**	**6.8**
Total Before Non-cash Development Cost	**1,637,390**	**100.0**	**34,925**	**612,335**	**197,394**	**414,941**	**5.7**
Non-cash development cost (4)					58,545 (1)		
Land / Intensification projects					1,495,224 (1)		
Equity accounted investments					611,120 (1)		
Total	**1,637,390**	**100.0**	**34,925**	**612,335**	**2,362,283** (1)	**414,941**	**5.7**
Options through Mezzanine Financing	**488,440**						
Total Potential Pipeline	**2,125,830**						

(1) Under "Completed and Future Earnouts and Developments on Existing Properties" in the MD&A for the three and six months ended June 30, 2023, Earnouts of $60.1 million, Developments of $1,691.1 million and Equity Accounted Investments of $611.1 million comprise the total amount of $2,362.3 million. The amounts in the table above have been adjusted for Earnouts that are expected to be completed after the expiry of the Earnout options being reclassified as Developments.

(2) Includes fair value adjustment for land.

(3) On a cost basis, the yield would be 3.3%, 5.3%, 5.7%, and 5.9%, respectively.

(4) Represents net liability currently recorded.

Section IV — Business Operations and Performance

Results of Operations

Below is a summary of selected financial information concerning the Trust's operations for the three and six months ended June 30, 2023. This information should be read in conjunction with the Trust's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023.

Proportionately Consolidated Balance Sheets (including the Trust's interests in equity accounted investments)

The following table presents the proportionately consolidated balance sheets, which includes a reconciliation of the Trust's proportionate share of equity accounted investments:

(in thousands of dollars)	June 30, 2023			December 31, 2022		
	GAAP Basis	**Proportionate Share Reconciliation**(1)	**Total Proportionate Share**(2)	GAAP Basis	Proportionate Share Reconciliation(1)	Total Proportionate Share(2)
Assets						
Non-current assets						
Investment properties	**10,336,527**	**1,013,787**	**11,350,314**	10,208,071	957,354	11,165,425
Equity accounted investments	**709,165**	**(709,165)**	**—**	680,999	(680,999)	—
Mortgages, loans and notes receivable	**89,212**	**(85,555)**	**3,657**	238,099	(76,994)	161,105
Other financial assets	**167,426**	**—**	**167,426**	171,807	—	171,807
Other assets	**86,790**	**8,739**	**95,529**	83,230	8,977	92,207
Intangible assets	**43,142**	**—**	**43,142**	43,807	—	43,807
	11,432,262	**227,806**	**11,660,068**	11,426,013	208,338	11,634,351
Current assets						
Assets held for sale	**—**	**—**	**—**	42,321	16,050	58,371
Residential development inventory	**43,027**	**59,006**	**102,033**	40,373	113,207	153,580
Current portion of mortgages, loans and notes receivable	**207,147**	**—**	**207,147**	86,593	—	86,593
Amounts receivable and other	**62,105**	**(753)**	**61,352**	57,124	(7,033)	50,091
Prepaid expenses, deposits and deferred financing costs	**43,929**	**15,098**	**59,027**	14,474	15,807	30,281
Cash and cash equivalents	**44,792**	**52,065**	**96,857**	35,255	35,419	70,674
	401,000	**125,416**	**526,416**	276,140	173,450	449,590
Total assets	**11,833,262**	**353,222**	**12,186,484**	11,702,153	381,788	12,083,941
Liabilities						
Non-current liabilities						
Debt	**4,645,753**	**244,432**	**4,890,185**	4,523,987	212,928	4,736,915
Other financial liabilities	**260,407**	**—**	**260,407**	277,400	—	277,400
Other payables	**17,546**	**—**	**17,546**	17,265	—	17,265
	4,923,706	**244,432**	**5,168,138**	4,818,652	212,928	5,031,580
Current liabilities						
Current portion of debt	**364,578**	**7,874**	**372,452**	459,278	63,860	523,138
Accounts payable and current portion of other payables	**257,316**	**100,916**	**358,232**	261,122	105,000	366,122
	621,894	**108,790**	**730,684**	720,400	168,860	889,260
Total liabilities	**5,545,600**	**353,222**	**5,898,822**	5,539,052	381,788	5,920,840
Equity						
Trust Unit equity	**5,220,146**	**—**	**5,220,146**	5,126,197	—	5,126,197
Non-controlling interests	**1,067,516**	**—**	**1,067,516**	1,036,904	—	1,036,904
	6,287,662	**—**	**6,287,662**	6,163,101	—	6,163,101
Total liabilities and equity	**11,833,262**	**353,222**	**12,186,484**	11,702,153	381,788	12,083,941

(1) Represents the Trust's proportionate share of assets and liabilities in equity accounted investments.

(2) This column contains non-GAAP measures because it includes figures that are recorded in equity accounted investments. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures" and "Non-GAAP Measures".

Proportionately Consolidated Statements of Income and Comprehensive Income (including the Trust's Interests in Equity Accounted Investments)

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

Quarterly Comparison to Prior Year

(in thousands of dollars)		**Three Months Ended June 30, 2023**			Three Months Ended June 30, 2022		
	GAAP Basis	**Proportionate Share Reconciliation**	**Total Proportionate Share[1]**	GAAP Basis	Proportionate Share Reconciliation	Total Proportionate Share[1]	Variance of Total Proportionate Share[1]
Net rental income and other							
Rentals from investment properties and other	**206,950**	**8,469**	**215,419**	198,585	6,729	205,314	10,105
Property operating costs and other	**(75,400)**	**(4,146)**	**(79,546)**	(73,332)	(3,108)	(76,440)	(3,106)
	131,550	**4,323**	**135,873**	125,253	3,621	128,874	6,999
Residential sales revenue and other[2]	**—**	**62,634**	**62,634**	—	4,511	4,511	58,123
Residential cost of sales and other	**(1,663)**	**(49,739)**	**(51,402)**	—	(3,351)	(3,351)	(48,051)
	(1,663)	**12,895**	**11,232**	—	1,160	1,160	10,072
NOI	**129,887**	**17,218**	**147,105**	125,253	4,781	130,034	17,071
Other income and expenses							
General and administrative expense, net	**(9,313)**	**(2)**	**(9,315)**	(7,916)	18	(7,898)	(1,417)
Earnings from equity accounted investments	**13,438**	**(13,438)**	**—**	3,785	(3,785)	—	—
Fair value adjustment on investment properties	**34,435**	**(198)**	**34,237**	9,669	1,185	10,854	23,383
Gain (loss) on sale of investment properties	**(45)**	**—**	**(45)**	18	—	18	(63)
Interest expense	**(40,155)**	**(3,264)**	**(43,419)**	(33,852)	(1,637)	(35,489)	(7,930)
Interest income	**5,172**	**477**	**5,649**	3,866	41	3,907	1,742
Supplemental costs	**—**	**(793)**	**(793)**	—	(603)	(603)	(190)
Fair value adjustment on financial instruments	**34,483**	**—**	**34,483**	61,497	—	61,497	(27,014)
Acquisition-related costs	**—**	**—**	**—**	(323)	—	(323)	323
Net income and comprehensive income	**167,902**	**—**	**167,902**	161,997	—	161,997	5,905

(1) This column contains non-GAAP measures because it includes figures that are recorded in equity accounted investments. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures" and "Non-GAAP Measures".
(2) Includes additional partnership profit and other revenues.

For the three months ended June 30, 2023, net income and comprehensive income increased by $5.9 million as compared to the same period in 2022. This increase was primarily attributed to the following:

- $23.4 million increase in fair value adjustment on investment properties, mainly relating to properties under development as a result of changes in market conditions and cost of completion; and
- $17.1 million increase in NOI primarily due to an increase in net base rent as a result of improved occupancy during Q2 2023, and condo closings at Transit City 4 & 5 (see "Net Operating Income" subsection for further discussion);

Partially offset by the following:

- $27.0 million decrease in fair value adjustment on financial instruments compared to the same period in 2022, primarily due to fluctuation in the Trust's Unit price; and
- $7.9 million increase in interest expense primarily due to higher interest rates (see "Interest Income and Interest Expense" section for further discussion).

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	**Six Months Ended June 30, 2023**			Six Months Ended June 30, 2022			
	GAAP Basis	**Proportionate Share Reconciliation**	**Total Proportionate Share[(1)]**	GAAP Basis	Proportionate Share Reconciliation	Total Proportionate Share[(1)]	Variance of Total Proportionate Share[(1)]
Net rental income and other							
Rentals from investment properties and other	**417,544**	**16,525**	**434,069**	401,413	12,916	414,329	19,740
Property operating costs and other	**(160,523)**	**(8,283)**	**(168,806)**	(155,441)	(6,121)	(161,562)	(7,244)
	257,021	**8,242**	**265,263**	245,972	6,795	252,767	12,496
Residential sales revenue and other[(2)]	**—**	**87,467**	**87,467**	—	4,517	4,517	82,950
Residential cost of sales and other	**(2,313)**	**(69,844)**	**(72,157)**	—	(3,382)	(3,382)	(68,775)
	(2,313)	**17,623**	**15,310**	—	1,135	1,135	14,175
NOI	**254,708**	**25,865**	**280,573**	245,972	7,930	253,902	26,671
Other income and expenses							
General and administrative expense, net	**(18,067)**	**(255)**	**(18,322)**	(14,783)	(104)	(14,887)	(3,435)
Earnings from equity accounted investments	**22,881**	**(22,881)**	**—**	3,211	(3,211)	—	—
Fair value adjustment on investment properties	**63,601**	**6,051**	**69,652**	281,014	1,631	282,645	(212,993)
Loss on sale of investment properties	**(23)**	**—**	**(23)**	(104)	—	(104)	81
Interest expense	**(79,662)**	**(6,129)**	**(85,791)**	(69,185)	(3,028)	(72,213)	(13,578)
Interest income	**10,000**	**867**	**10,867**	6,826	49	6,875	3,992
Supplemental costs	**—**	**(3,518)**	**(3,518)**	—	(3,267)	(3,267)	(251)
Fair value adjustment on financial instruments	**27,325**	**—**	**27,325**	79,479	—	79,479	(52,154)
Acquisition-related costs	**—**	**—**	**—**	(323)	—	(323)	323
Net income and comprehensive income	**280,763**	**—**	**280,763**	532,107	—	532,107	(251,344)

(1) This column contains non-GAAP measures because it includes figures that are recorded in equity accounted investments. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures" and "Non-GAAP Measures".
(2) Includes additional partnership profit and other revenues.

For the six months ended June 30, 2023, net income and comprehensive income decreased by $251.3 million as compared to the same period in 2022. This decrease was primarily attributed to the following:

- $213.0 million decrease in fair value adjustments on investment properties, primarily due to fair value adjustment of properties under development, as a result of changes in market conditions and the progress made on planning entitlements during the six months ended June 30, 2022;
- $52.2 million decrease in fair value adjustment on financial instruments primarily due to higher fair value gains on interest rate swap agreements during the same period in 2022;
- $13.6 million increase in interest expense primarily due to higher interest rates (see "Interest Income and Interest Expense" section for further discussion); and
- $3.4 million increase in general and administrative expenses (net) (see "General and Administrative Expense" section for further discussion);

Partially offset by the following:

- $26.7 million increase in NOI primarily due to an increase in net base rent as a result of improved occupancy in the current period, and condo closings at Transit City 4 & 5 (see "Net Operating Income" subsection for further discussion); and
- $4.0 million increase in interest income mainly due to higher interest rates.

Net Operating Income

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

Quarterly Comparison to Prior Year

(in thousands of dollars)	**Three Months Ended June 30, 2023**			Three Months Ended June 30, 2022			
	Trust portion excluding EAI	**Equity Accounted Investments**	**Total Proportionate Share[1]**	Trust portion excluding EAI	Equity Accounted Investments	Total Proportionate Share[1]	Variance[1]
Net base rent	**129,973**	**5,644**	**135,617**	127,232	4,311	131,543	4,074
Property tax and insurance recoveries	**43,955**	**757**	**44,712**	44,788	734	45,522	(810)
Property operating cost recoveries	**23,576**	**1,110**	**24,686**	20,331	1,036	21,367	3,319
Miscellaneous revenue	**5,402**	**1,246**	**6,648**	3,416	937	4,353	2,295
Rentals from investment properties	**202,906**	**8,757**	**211,663**	195,767	7,018	202,785	8,878
Service and other revenues	**3,756**	**—**	**3,756**	2,529	—	2,529	1,227
Earnings from other	**288**	**(288)**	**—**	289	(289)	—	—
Rentals from investment properties and other[2]	**206,950**	**8,469**	**215,419**	198,585	6,729	205,314	10,105
Recoverable tax and insurance costs	**(44,903)**	**(835)**	**(45,738)**	(46,055)	(775)	(46,830)	1,092
Recoverable CAM costs	**(24,849)**	**(1,131)**	**(25,980)**	(22,299)	(991)	(23,290)	(2,690)
Property management fees and costs	**(944)**	**(323)**	**(1,267)**	(882)	(243)	(1,125)	(142)
Non-recoverable operating costs	**(1,605)**	**(1,797)**	**(3,402)**	(2,435)	(1,076)	(3,511)	109
ECL	**657**	**(63)**	**594**	1,237	(23)	1,214	(620)
Property operating costs	**(71,644)**	**(4,149)**	**(75,793)**	(70,434)	(3,108)	(73,542)	(2,251)
Other expenses	**(3,756)**	**3**	**(3,753)**	(2,529)	—	(2,529)	(1,224)
Property operating costs and other[2]	**(75,400)**	**(4,146)**	**(79,546)**	(72,963)	(3,108)	(76,071)	(3,475)
Net rental income and other	**131,550**	**4,323**	**135,873**	125,622	3,621	129,243	6,630
Residential sales closings revenue	**—**	**62,634**	**62,634**	—	4,511	4,511	58,123
Residential cost of sales and marketing costs	**(1,663)**	**(49,739)**	**(51,402)**	(369)	(3,351)	(3,720)	(47,682)
Net profit on condominium sales	**(1,663)**	**12,895**	**11,232**	(369)	1,160	791	10,441
NOI[3]	**129,887**	**17,218**	**147,105**	125,253	4,781	130,034	17,071
Net rental income and other as a percentage of net base rent	**101.2 %**	**76.6 %**	**100.2 %**	98.7 %	84.0 %	98.3 %	1.9 %
Net rental income and other as a percentage of rentals from investment properties	**64.8 %**	**49.4 %**	**64.2 %**	64.2 %	51.6 %	63.7 %	0.5 %
Net rental income and other as a percentage of rentals from investment properties and other	**63.6 %**	**51.0 %**	**63.1 %**	63.3 %	53.8 %	62.9 %	0.2 %
Recovery Ratio (including prior year adjustments)	**96.8 %**	**95.0 %**	**96.8 %**	95.3 %	100.2 %	95.4 %	1.4 %
Recovery Ratio (excluding prior year adjustments)	**96.7 %**	**99.7 %**	**96.8 %**	94.8 %	99.9 %	94.9 %	1.9 %

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

NOI for the three months ended June 30, 2023 increased by $17.1 million or 13.1% as compared to the same period in 2022. This increase was primarily attributed to the following:

- $10.4 million increase in profit on condominium unit sales;
- $2.7 million net increase in base rent primarily due to contractual rental steps;
- $2.3 million increase in percentage rental revenue and other revenue; and
- $1.4 million increase in base rent from self-storage and apartment rentals.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	**Six Months Ended June 30, 2023**			Six Months Ended June 30, 2022			
	Trust portion excluding EAI	**Equity Accounted Investments**	**Total Proportionate Share[(1)]**	Trust portion excluding EAI	Equity Accounted Investments	Total Proportionate Share[(1)]	Variance of Total Proportionate Share[(1)]
Net base rent	**258,780**	**10,844**	**269,624**	252,506	8,391	260,897	8,727
Property tax and insurance recoveries	**88,496**	**1,522**	**90,018**	89,850	1,504	91,354	(1,336)
Property operating cost recoveries	**53,111**	**2,303**	**55,414**	47,655	1,957	49,612	5,802
Miscellaneous revenue	**8,543**	**2,451**	**10,994**	5,731	1,658	7,389	3,605
Rentals from investment properties	**408,930**	**17,120**	**426,050**	395,742	13,510	409,252	16,798
Service and other revenues	**8,019**	**—**	**8,019**	5,077	—	5,077	2,942
Earnings from other	**595**	**(595)**	**—**	594	(594)	—	—
Rentals from investment properties and other[(2)]	**417,544**	**16,525**	**434,069**	401,413	12,916	414,329	19,740
Recoverable tax and insurance costs	**(90,567)**	**(1,583)**	**(92,150)**	(93,148)	(1,558)	(94,706)	2,556
Recoverable CAM costs	**(56,623)**	**(2,329)**	**(58,952)**	(52,292)	(1,941)	(54,233)	(4,719)
Property management fees and costs	**(2,054)**	**(617)**	**(2,671)**	(1,940)	(453)	(2,393)	(278)
Non-recoverable operating costs	**(3,358)**	**(3,590)**	**(6,948)**	(4,939)	(2,095)	(7,034)	86
ECL	**98**	**(167)**	**(69)**	2,350	(74)	2,276	(2,345)
Property operating costs	**(152,504)**	**(8,286)**	**(160,790)**	(149,969)	(6,121)	(156,090)	(4,700)
Other expenses	**(8,019)**	**3**	**(8,016)**	(5,077)	—	(5,077)	(2,939)
Property operating costs and other[(2)]	**(160,523)**	**(8,283)**	**(168,806)**	(155,046)	(6,121)	(161,167)	(7,639)
Net rental income and other	**257,021**	**8,242**	**265,263**	246,367	6,795	253,162	12,101
Residential sales closings revenue	**—**	**87,467**	**87,467**	—	4,517	4,517	82,950
Residential cost of sales and marketing costs	**(2,313)**	**(69,844)**	**(72,157)**	(395)	(3,382)	(3,777)	(68,380)
Net profit on condo and townhome closings	**(2,313)**	**17,623**	**15,310**	(395)	1,135	740	14,570
NOI[(3)]	**254,708**	**25,865**	**280,573**	245,972	7,930	253,902	26,671
Net rental income and other as a percentage of net base rent	**99.3 %**	**76.0 %**	**98.4 %**	97.6 %	81.0 %	97.0 %	1.4 %
Net rental income and other as a percentage of rentals from investment properties	**62.9 %**	**48.1 %**	**62.3 %**	62.3 %	50.3 %	61.9 %	0.4 %
Net rental income and other as a percentage of rentals from investment properties and other	**61.6 %**	**49.9 %**	**61.1 %**	61.4 %	52.6 %	61.1 %	— %
Recovery Ratio (including prior year adjustments)	**96.2 %**	**97.8 %**	**96.2 %**	94.5 %	98.9 %	94.6 %	1.6 %
Recovery Ratio (excluding prior year adjustments)	**96.0 %**	**98.7 %**	**96.1 %**	94.3 %	97.7 %	94.3 %	1.8 %

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

NOI for the six months ended June 30, 2023 increased by $26.7 million or 10.5% as compared to the same period in 2022. This increase was primarily attributed to the following:

- $14.6 million increase in profits from condo closings;
- $8.7 million net increase in base rent, of which $6.2 million relates to lease-up activity and rent step-ups for retail properties, and $2.5 million relates to self-storage facilities and apartment rentals;
- $3.6 million increase in miscellaneous revenue mainly due to higher short-term rentals, percentage rent, parking revenue and others; and
- $2.1 million increase in net CAM and tax recoveries principally due to higher occupancy;

Partially offset by the following:

- $2.3 million increase in ECL mainly due to a reversal in the same period in 2022.

Same Properties NOI

Quarterly Comparison to Prior Year

(in thousands of dollars)	**Three Months Ended June 30, 2023**	Three Months Ended June 30, 2022	Variance	Variance
Net rental income	**129,887**	125,253	4,634	3.7 %
Service and other revenues	**3,756**	2,529	1,227	48.5 %
Other expenses	**(3,756)**	(2,529)	(1,227)	48.5 %
NOI	**129,887**	125,253	4,634	3.7 %
NOI from equity accounted investments(1)	**17,218**	4,781	12,437	N/R(3)
Total portfolio NOI before adjustments(1)	**147,105**	130,034	17,071	13.1 %
Adjustments:				
Lease termination	**(49)**	97	(146)	N/R(3)
Net profit on condo and townhome closings	**(11,232)**	(791)	(10,441)	N/R(3)
Non-recurring items and other adjustments(2)	**992**	1,981	(989)	(49.9)%
Total portfolio NOI after adjustments(1)	**136,816**	131,321	5,495	4.2 %
NOI sourced from:				
Acquisitions	**(285)**	178	(463)	N/R(3)
Dispositions	**—**	(38)	38	N/R(3)
Earnouts and Developments	**(1,129)**	(294)	(835)	N/R(3)
Same Properties NOI(1)	**135,402**	131,167	4,235	3.2 %

(1) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures" and "Non-GAAP Measures".
(2) Includes non-recurring items such as one-time adjustments relating to COVID ECL and vaccination centre costs, royalties, straight-line rent and amortization of tenant incentives.
(3) N/R – not representative.

The Same Properties NOI for the three months ended June 30, 2023 increased by $4.2 million or 3.2% as compared to the same period in 2022, which was primarily due to an increase in rental revenue attributable to lease-up activity, rent step-up, and miscellaneous revenue.

Year-to-Date Comparison to Prior Year

(in thousands of dollars)	**Six Months Ended June 30, 2023**	Six Months Ended June 30, 2022	Variance	Variance
Net rental income	**254,708**	245,972	8,736	3.6 %
Service and other revenues	**8,019**	5,077	2,942	57.9 %
Other expenses	**(8,019)**	(5,077)	(2,942)	57.9 %
NOI	**254,708**	245,972	8,736	3.6 %
NOI from equity accounted investments(1)	**25,865**	7,930	17,935	N/R(3)
Total portfolio NOI before adjustments(1)	**280,573**	253,902	26,671	10.5 %
Adjustments:				
Lease termination	**(461)**	(145)	(316)	N/R(3)
Net profit on condo and townhome closings	**(15,310)**	(740)	(14,570)	N/R(3)
Non-recurring items and other adjustments(2)	**3,510**	3,072	438	14.3 %
Total portfolio NOI after adjustments(1)	**268,312**	256,089	12,223	4.8 %
Less NOI sourced from:				
Acquisitions	**(3,604)**	(2,296)	(1,308)	57.0 %
Dispositions	**1**	(13)	14	N/R(3)
Earnouts and Developments	**(1,880)**	(426)	(1,454)	N/R(3)
Same Properties NOI(1)	**262,829**	253,354	9,475	3.7 %

(1) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures" and "Non-GAAP Measures".
(2) Includes non-recurring items such as one-time adjustments relating to COVID ECL and vaccination centre costs, royalties, straight-line rent and amortization of tenant incentives.
(3) N/R – not representative.

The Same Properties NOI for the six months ended June 30, 2023 increased by $9.5 million or 3.7% as compared to the same period in 2022, which was primarily due to the following:

- $6.2 million increase in rental revenue mainly attributable to lease-up activity and rent step-up;
- $1.6 million increase in net CAM and tax recoveries principally due to higher occupancy; and
- $1.7 million increase in miscellaneous revenue mainly due to higher percentage rent, short-term rentals and parking revenue.

Adjusted EBITDA

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

	Rolling 12 Months Ended		
(in thousands of dollars)	**June 30, 2023**	June 30, 2022	Variance
Net income and comprehensive income	**384,681**	1,362,238	(977,557)
Add (deduct) the following items:			
Net interest expense	**146,908**	135,397	11,511
Amortization of equipment, intangible assets and tenant improvements	**11,622**	10,705	917
Fair value adjustments on investment properties and financial instruments	**(28,557)**	(1,021,276)	992,719
Fair value adjustment on TRS	**(6,717)**	(1,666)	(5,051)
Adjustment for supplemental costs	**4,899**	4,919	(20)
(Gain) loss on sale of investment properties	**(156)**	20	(176)
Gain on sale of land to co-owners (Transactional FFO)	**—**	336	(336)
Acquisition-related costs	**(24)**	3,114	(3,138)
Adjusted EBITDA(1)	**512,656**	493,787	18,869

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

Other Measures of Performance

The following measures of performance are sometimes used by Canadian REITs and other reporting entities as indicators of financial performance. Because these measures are not standardized as prescribed by IFRS, they may not be comparable to similar measures presented by other reporting entities. Management uses these measures to analyze operating performance. Because one of the factors that may be considered relevant by prospective investors is the cash distributed by the Trust relative to the price of the Units, management believes these measures are useful supplemental measures that may assist prospective investors in assessing an investment in Units. The Trust analyzes its cash distributions against these measures to assess the stability of the monthly cash distributions to Unitholders. These measures are not intended to represent operating profits for the year; nor should they be viewed as an alternative to net income and comprehensive income, cash flows from operating activities or other measures of financial performance calculated in accordance with IFRS. The calculations are derived from the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023 and June 30, 2022, unless otherwise stated, do not include any assumptions and forward-looking information, and are consistent with prior reporting years.

Funds From Operations ("FFO")

FFO is a non-GAAP financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALpac, which published a White Paper describing the intended use of FFO, last revised in January 2022. It is the Trust's view that IFRS net income does not necessarily provide a complete measure of the Trust's recurring operating performance. This is primarily because IFRS net income includes items such as fair value changes of investment property that are subject to market conditions and capitalization rate fluctuations and gains and losses on the disposal of investment properties, including associated transaction costs and taxes, which management believes are not representative of a company's economic earnings. For these reasons, the Trust has adopted REALpac's definition of FFO, which was created by the real estate industry as a supplemental measure of operating performance. FFO is computed as IFRS consolidated net income and comprehensive income attributable to Unitholders adjusted for items such as, but not limited to, unrealized changes in the fair value of investment properties and financial instruments and transaction gains and losses on the acquisition or disposal of investment properties calculated on a basis consistent with IFRS.

Adjusted Funds From Operations ("AFFO")

AFFO is a non-GAAP financial measure of operating performance widely used by the Canadian real estate industry based on the definition set forth by REALpac, which published a White Paper describing the intended use of AFFO last revised in January 2022. AFFO is a supplemental measure historically used by many in the real estate industry to measure operating cash flow generated from the business. In calculating AFFO, the Trust adjusts FFO for actual costs incurred relating to leasing activities, major maintenance costs (both recoverable and non-recoverable) and straight-line rent in excess of contractual rent paid by tenants (a receivable). Working capital changes, viewed as short-term cash requirements or surpluses, are deemed financing activities pursuant to the methodology and are not considered when calculating AFFO. Capital expenditures that are excluded and not deducted in the calculation of AFFO comprise those which generate a new investment stream, such as erecting a new pylon sign that generates sign rental income, constructing a new retail pad during property expansion or intensification, development activities or acquisition activities. Accordingly, AFFO differs from FFO in that AFFO excludes from its definition certain non-cash revenues and expenses recognized under IFRS, such as straight-line rent and the amortization of financing costs, but also includes capital and leasing costs incurred during the period that are capitalized for IFRS purposes. Management is of the view that AFFO is a useful measure of recurring economic earnings generated from operations after providing for operating capital requirements and as a result is also useful in evaluating the ability of the Trust to fund distributions to Unitholders. A reconciliation of AFFO to IFRS net income and comprehensive income can be found below.

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

Reconciliation of FFO

	Three Months Ended June 30			Six Months Ended June 30		
(in thousands of dollars)	**2023**	2022	Variance	**2023**	2022	Variance
Net income and comprehensive income	**167,902**	161,997	5,905	**280,763**	532,107	(251,344)
Add (deduct):						
Fair value adjustment on investment properties and financial instruments(1)	**(68,918)**	(71,166)	2,248	**(90,926)**	(360,493)	269,567
Loss on derivative – TRS	**(9,333)**	(7,843)	(1,490)	**(8,037)**	(6,238)	(1,799)
Loss (gain) on sale of investment properties	**45**	(18)	63	**23**	104	(81)
Amortization of intangible assets and tenant improvement allowance	**2,250**	1,911	339	**4,645**	3,903	742
Distributions on Units classified as liabilities and vested deferred units	**2,145**	1,811	334	**4,149**	3,532	617
Adjustment on debt modification	**—**	(1,960)	1,960	**—**	(1,960)	1,960
Salaries and related costs attributed to leasing activities(2)	**1,954**	1,952	2	**4,034**	3,778	256
Acquisition-related costs	**—**	323	(323)	**—**	323	(323)
Adjustments relating to equity accounted investments(3)	**2,489**	1,457	1,032	**1,016**	5,643	(4,627)
FFO(4)	**98,534**	88,464	10,070	**195,667**	180,699	14,968
Add (deduct) non-recurring adjustments:						
Loss on derivative – TRS	**9,333**	7,843	1,490	**8,037**	6,238	1,799
FFO sourced from condominium and townhome closings	**(10,620)**	(1,100)	(9,520)	**(14,436)**	(1,076)	(13,360)
Transactional FFO – loss on sale of land to co-owner	**—**	—	—	**(1,008)**	—	(1,008)
FFO with adjustments(4)	**97,247**	95,207	2,040	**188,260**	185,861	2,399

(1) Includes fair value adjustments on investment properties and financial instruments. Fair value adjustment on investment properties is described in "Investment Properties" in the Trust's MD&A. Fair value adjustment on financial instruments comprises the following financial instruments: units classified as liabilities, Deferred Unit Plan ("DUP"), Equity Incentive Plan ("EIP"), TRS, interest rate swap agreements, and LTIP recorded in the same period in 2022. The significant assumptions made in determining the fair value are more thoroughly described in the Trust's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023. For details, please see discussion in "Results of Operations" section.

(2) Salaries and related costs attributed to leasing activities of $4.0 million were incurred in the six months ended June 30, 2023 (six months ended June 30, 2022 – $3.8 million) and were eligible to be added back to FFO based on the definition of FFO, in the REALpac White Paper published in January 2022, which provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO results in more comparability between Canadian publicly traded real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

(3) Includes tenant improvement amortization, indirect interest with respect to the development portion, fair value adjustment on investment properties, loss (gain) on sale of investment properties, and adjustment for supplemental costs.

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

For the three months ended June 30, 2023, FFO increased by $10.1 million or 11.4% to $98.5 million as compared to the same period in 2022. This increase was primarily attributed to $10.6 million of net condo profits representing 452 units at Transit City 4 & 5.

For the six months ended June 30, 2023, FFO increased by $15.0 million or 8.3% to $195.7 million as compared to the same period in 2022. This increase was primarily attributed to:

- $14.4 million net condo profits representing 646 units at Transit City 4 & 5; and
- $11.0 million higher net rental income from higher occupancy, lease-up activity and rent step-ups.

Partially offset by:

- $7.3 million increase in net interest expense; and
- $3.3 million increase in general and administrative expense.

For the three and six months ended June 30, 2023, FFO with adjustments increased by $2.0 million to $97.2 million and $2.4 million to $188.3 million, respectively, as compared to the same periods in 2022. The increases were primarily due to higher net rental income and other, offset by net interest expenses and net general and administrative expense.

Reconciliation of AFFO

	Three Months Ended June 30			Six Months Ended June 30		
(in thousands of dollars)	**2023**	2022	Variance	**2023**	2022	Variance
FFO[1]	**98,534**	88,464	10,070	**195,667**	180,699	14,968
Add (Deduct):						
Straight-line rents	**149**	(304)	453	**199**	(381)	580
Adjusted salaries and related costs attributed to leasing	**(1,954)**	(1,952)	(2)	**(4,034)**	(3,778)	(256)
Actual sustaining capital expenditures, leasing commissions, and tenant improvements[2]	**(8,881)**	(4,772)	(4,109)	**(15,383)**	(9,405)	(5,978)
AFFO[1]	**87,848**	81,436	6,412	**176,449**	167,135	9,314
Add (deduct) non-recurring adjustments:						
Loss on derivative – TRS	**9,333**	7,843	1,490	**8,037**	6,238	1,799
FFO sourced from condominium and townhome closings	**(10,620)**	(1,100)	(9,520)	**(14,436)**	(1,076)	(13,360)
Transactional FFO – loss on sale of land to co-owner	**—**	—	—	**(1,008)**	—	(1,008)
AFFO with adjustments[1]	**86,561**	88,179	(1,618)	**169,042**	172,297	(3,255)

(1) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures" and "Non-GAAP Measures".
(2) Please see the "Maintenance Capital Requirements" section for details of actual capital expenditures, actual leasing commissions and actual tenant improvements.

For the three and six months ended June 30, 2023, AFFO increased by \$6.4 million to \$87.8 million and by \$9.3 million to \$176.4 million, respectively, as compared to the same periods in 2022. The increases were primarily due to the changes in sustaining capital expenditures, leasing commissions and tenant improvements.

The following table presents per Unit FFO and per Unit AFFO with adjustments (non-GAAP measure):

	Three Months Ended June 30			Six Months Ended June 30		
	2023	2022	Variance	**2023**	2022	Variance
Per Unit – basic/diluted[1]:						
FFO[2]	**\$0.55/\$0.55**	\$0.50/\$0.49	0.05/0.06	**\$1.10/\$1.09**	\$1.01/\$1.01	0.09/0.08
FFO with adjustments[2]	**\$0.55/\$0.54**	\$0.53/\$0.53	0.02/0.01	**\$1.06/\$1.05**	\$1.04/\$1.03	0.02/0.02
AFFO[2]	**\$0.49/\$0.49**	\$0.46/\$0.45	0.03/0.04	**\$0.99/\$0.98**	\$0.94/\$0.93	0.05/0.05
AFFO with adjustments[2]	**\$0.49/\$0.48**	\$0.50/\$0.49	(0.01)/(0.01)	**\$0.95/\$0.94**	\$0.97/\$0.96	(0.02)/(0.02)
Payout Ratio to AFFO[2]	**93.8 %**	101.2 %	(7.4)%	**93.4 %**	98.7 %	(5.3)%
Payout Ratio to AFFO with adjustments[2]	**95.2 %**	93.4 %	1.8 %	**97.5 %**	95.8 %	1.7 %

(1) Diluted FFO and AFFO is adjusted for the dilutive effect of vested deferred units, which are not dilutive for net income purposes. The calculation of diluted FFO and AFFO is a non-GAAP measure and does not consider the impact of unvested deferred units. To calculate diluted FFO and AFFO for the three months ended June 30, 2023, 1,866,137 vested deferred units are added back to the weighted average Units outstanding (three months ended June 30, 2022 – 1,540,034 vested deferred units). To calculate diluted FFO and AFFO for the six months ended June 30, 2023, 1,799,267 vested deferred units are added back to the weighted average Units outstanding (six months ended June 30, 2022 – 1,511,087 vested deferred units).
(2) Represents a non-GAAP measure. The Trust's method of calculating non-GAAP measures may differ from other reporting issuers' methods and, accordingly, may not be comparable. For definitions and basis of presentation of the Trust's non-GAAP measures, refer to "Presentation of Certain Terms Including Non-GAAP Measures" and "Non-GAAP Measures".

Weighted Average Number of Units

The weighted average number of Trust Units and exchangeable LP Units is used in calculating the Trust's net income and comprehensive income per Unit, net income and comprehensive income excluding fair value adjustments per Unit, and FFO/AFFO per Unit. The corresponding diluted per Unit amounts are adjusted for the dilutive effect of the vested portion of deferred units granted under the Trust's DUP unless they are anti-dilutive. To calculate diluted FFO/AFFO per Unit for the three and six months ended June 30, 2023 and June 30, 2022, vested deferred units are added back to the weighted average Units outstanding because they are dilutive.

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

	Three Months Ended June 30		**Six Months Ended June 30**	
(number of Units)	**2023**	2022	**2023**	2022
Trust Units	**144,625,322**	144,625,322	**144,625,322**	144,625,322
Class B LP Units	**16,424,430**	16,424,430	**16,424,430**	16,424,430
Class D LP Units	**311,022**	311,022	**311,022**	311,022
Class F LP Units	**8,708**	8,708	**8,708**	8,708
Class B LP II Units	**756,525**	756,525	**756,525**	756,525
Class B LP III Units	**4,108,600**	4,051,603	**4,098,517**	4,050,368
Class B LP IV Units	**3,112,565**	3,112,565	**3,112,565**	3,106,896
Class B Oshawa South LP Units	**710,416**	710,416	**710,416**	710,416
Class D Oshawa South LP Units	**260,417**	260,417	**260,417**	260,417
Class B Oshawa Taunton LP Units	**374,223**	374,223	**374,223**	374,223
Class D Series 1 VMC West LP Units	**3,623,188**	3,623,188	**3,623,188**	3,623,188
Class D Series 2 VMC West LP Units	**2,173,913**	2,173,913	**2,173,913**	2,173,913
Class B Boxgrove LP Units	**170,000**	170,000	**170,000**	170,000
Class B Series ONR LP Units	**1,248,140**	1,248,140	**1,248,140**	1,248,140
Class B Series 1 ONR LP I Units	**132,881**	132,881	**132,881**	132,881
Class B Series 2 ONR LP I Units	**139,302**	139,302	**139,302**	139,302
Total Exchangeable LP Units	**33,554,330**	33,497,333	**33,544,247**	33,490,429
Total Units – Basic	**178,179,652**	178,122,655	**178,169,569**	178,115,751
Vested deferred units	**1,866,137**	1,540,034	**1,799,267**	1,511,087
Total Units and vested deferred units – Diluted	**180,045,789**	179,662,689	**179,968,836**	179,626,838

Determination of Distributions

Pursuant to the Trust's declaration of trust (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 *Income Tax Act* (Canada).

The Board of Trustees determines the Trust's Unit cash distribution rate by, among other considerations, its assessment of cash flow as determined using certain non-GAAP measures. As such, management believes the cash distributions are not an economic return of capital, but a distribution of sustainable cash flow from operations. Given both existing AFFO and distribution levels, and current facts and assumptions, the Board of Trustees has indicated that barring any unexpected events, the Trust currently intends to maintain its monthly cash distribution levels.

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

Distributions and AFFO Highlights

	Three Months Ended June 30			Six Months Ended June 30		
(in thousands of dollars)	**2023**	2022	Variance	**2023**	2022	Variance
Cash flows provided by operating activities	**61,322**	43,970	17,352	**143,253**	146,789	(3,536)
Distributions declared	**82,410**	82,385	25	**164,815**	164,761	54
AFFO[(1)]	**87,848**	81,436	6,412	**176,449**	167,135	9,314
AFFO with adjustments[(1)]	**86,561**	88,179	(1,618)	**169,042**	172,297	(3,255)
Shortfall of cash flows provided by operating activities over distributions declared	**(21,088)**	(38,415)	17,327	**(21,562)**	(17,972)	(3,590)
(Shortfall) surplus of AFFO[(1)] over distributions declared	**5,438**	(949)	6,387	**11,634**	2,374	9,260
Surplus of AFFO[(1)] with adjustments over distributions declared	**4,151**	5,794	(1,643)	**4,227**	7,536	(3,309)

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

For the three and six months ended June 30, 2023, there was a $21.1 million and a $21.6 million excess distribution over cash flows provided from operating activities, respectively, an improvement of $17.3 million and $3.6 million as compared to the respective periods in 2022, mainly as result of timing differences in property tax and interest payments which are reported under cash flows from operating activities in the financial statements. The shortfalls were funded by proceeds from dispositions of investment properties, proceeds from the revolving unsecured debt facilities, and cash-on-hand. For the three and six months ended June 30, 2023, there was a $5.4 million and $11.6 million surplus of AFFO over distributions declared, respectively.

The following tables illustrate: i) the annualized surplus of cash flows provided by operating activities over distributions declared, ii) AFFO, and iii) AFFO-related payout ratios, for the rolling 12 months ended June 30, 2023 and June 30, 2022:

	Rolling 12 Months Ended	
(in thousands of dollars)	**June 30, 2023**	June 30, 2022
Cash flows provided by operating activities	**374,932**	376,760
Distributions declared	**329,583**	324,169
AFFO[(1)]	**343,645**	341,915
Surplus of cash flows provided by operating activities over distributions declared	**45,349**	52,591
Surplus of AFFO[(1)] over distributions declared	**14,062**	17,746
Payout Ratio to Cash flows provided by operating activities	**87.9 %**	86.0 %
Payout Ratio to AFFO[(1)]	**95.9 %**	94.8 %

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

The following tables illustrate: i) the annualized surplus of cash flows provided by operating activities over distributions declared, ii) AFFO, and iii) AFFO-related payout ratios, for the rolling 24 months ended June 30, 2023 and June 30, 2022:

	Rolling 24 Months Ended	
(in thousands of dollars)	**June 30, 2023**	June 30, 2022
Cash flows provided by operating activities	**751,692**	688,884
Distributions declared	**653,752**	642,792
AFFO[(1)]	**685,560**	702,882
Surplus of cash flows provided by operating activities over distributions declared	**97,940**	46,092
Surplus of AFFO[(1)] over distributions declared	**31,808**	60,090
Payout Ratio to Cash flows provided by operating activities	**87.0 %**	93.3 %
Payout Ratio to AFFO[(1)]	**95.4 %**	91.5 %

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

General and Administrative Expense

The following tables summarize general and administrative expense (as presented in the unaudited interim condensed consolidated statements of income and comprehensive income for the three and six months ended June 30, 2023):

	Three Months Ended June 30			Six Months Ended June 30		
(in thousands of dollars)	**2023**	2022	Variance	**2023**	2022	Variance
Salaries and benefits	**6,291**	4,253	2,038	**11,271**	8,851	2,420
Professional fees	**1,540**	1,724	(184)	**3,439**	2,964	475
Public company costs	**372**	525	(153)	**754**	688	66
Amortization of intangible assets	**333**	333	—	**666**	666	—
Other costs including office rent, information technology, marketing, communications, and other employee expenses	**777**	1,081	(304)	**1,937**	1,614	323
General and administrative expense	**9,313**	7,916	1,397	**18,067**	14,783	3,284

For the three and six months ended June 30, 2023 , total general and administrative expense was $9.3 million and $18.1 million, representing an increase of $1.4 million and $3.3 million, respectively, as compared to the same periods in 2022. The increases were primarily attributed to increase in salaries and benefits due to the growth of the platform and inflation adjustments.

Section V — Leasing Activities and Lease Expiries

Leasing Activities

Retail and Office

Occupancy

The Trust's value-oriented portfolio continued to provide an attractive place to shop as tenants witnessed customer traffic returning to pre-pandemic levels. With most if not all COVID-19-related measures now lifted, tenants have retained many of the strategic changes established during the pandemic, including reconfigured store layouts and click-and-collect to enhance customer shopping experience. Tenant confidence continued to grow with the improving customer traffic resulting in demand for new locations in all markets and for all store sizes. In addition to the regular staple of value-oriented tenants continuing to seek more space in Walmart-anchored sites, new uses are also enhancing each centre's offering with entertainment/experiential, pet supplies, furniture and specialty and takeout food all growing their store counts. U.S.-based tenants are also re-engaging their search for new store openings in Canada.

As at June 30, 2023, the Trust's in-place and committed occupancy rate was 98.2% (versus 98.0% at December 31, 2022). The increase in occupancy was principally driven by the higher demand for high traffic and dominant shopping centres, anchored by the likes of Walmart, Canadian Tire, TJX Banners, grocery and home improvement anchors.

Occupancy[1]

	June 30, 2023	December 31, 2022	Variance
Total leasable area (in sq. ft.)	**34,922,198**	34,750,379	171,819
In-place occupancy rate (%)	**97.8**	97.6	0.2
In-place and committed occupancy rate (%)	**98.2**	98.0	0.2

(1) Excluding residential and self-storage area.

New Leasing Activity

During the three months ended June 30, 2023, the Trust completed new leases with a wide variety of tenants, with uses such as sporting goods and apparel, dollar stores and food service uses. Many of the Trust's existing tenants continued their growth plans with retailers in furniture, general merchandise and pet stores expanding their brick-and-mortar footprint nationally. During the second quarter of 2023, the Trust executed 212,504 square feet of new leasing with an average net rental rate of $18.33 per square feet.

The following table presents a continuity of the Trust's in-place occupancy rate (excluding residential and self-storage area) for the three months ended June 30, 2023:

(in square feet)	Vacant Area	Occupied Area	Leasable Area	In-place Occupancy Rate (%)
Beginning balance – April 1, 2023	898,290	33,878,712	34,777,002	97.4
New vacancies	70,788	(70,788)	—	
New leases	(212,504)	212,504	—	
Subtotal	756,574	34,020,428	34,777,002	
Acquisitions	—	3,915	3,915	
Transferred from properties under development to income properties	—	140,841	140,841	
Other including unit area remeasurements	538	(98)	440	
Ending balance – June 30, 2023	**757,112**	**34,165,086**	**34,922,198**	**97.8**

Renewal Activity

For the six months ended June 30, 2023, the Trust achieved a tenant renewal rate of 75.5% (June 30, 2022 – 83.2%) for tenants with expiring leases in 2023.

Renewal Summary[1]

	June 30, 2023	June 30, 2022	Variance
Space expiring in calendar year (in sq. ft.)	**5,157,636**	5,035,660	121,976
Renewed (in sq. ft.)	**3,454,899**	3,742,237	(287,338)
Near completion (in sq. ft.)	**438,399**	445,510	(7,111)
Total renewed and near completion (in sq. ft.)	**3,893,298**	4,187,747	(294,449)
Renewal rate (including near completion) (%)	**75.5**	83.2	(7.7)
Renewed rental rate (in dollars per sq. ft.) – including Anchors	**15.67**	11.47	4.20
Renewed rental rate (in dollars per sq. ft.) – excluding Anchors	**19.88**	17.23	2.65
Renewed rent change (including Anchors, %)	**3.4**	2.6	0.8
Renewed rent change (excluding Anchors, %)	**2.1**	3.6	(1.5)

(1) Excluding residential and self-storage area.

Tenant Profile

The Trust's portfolio is represented in all major markets across Canada particularly in the Greater-VECTOM markets (Vancouver, Edmonton, Calgary, Toronto, Ottawa and Montreal). While the Greater-VECTOM and primary markets have in-place occupancy of 97.6% and 97.9%, respectively, and account for 88.4% of revenue and 89.6% of fair value, properties in the secondary markets reflect a higher in-place occupancy rate of 98.9%.

Portfolio Summary by Market Type

Market	Number of Income Producing Properties	Area (000 sq. ft.)	Gross Revenue (%)	Income Property Fair Value (%)	In-place Occupancy (%)
Greater-VECTOM	111	23,406	72.1	76.2	97.6
Primary	31	6,647	16.3	13.4	97.9
Secondary	27	4,869	11.6	10.4	98.9
Total	**169**	**34,922**	**100.0**	**100.0**	**97.8**

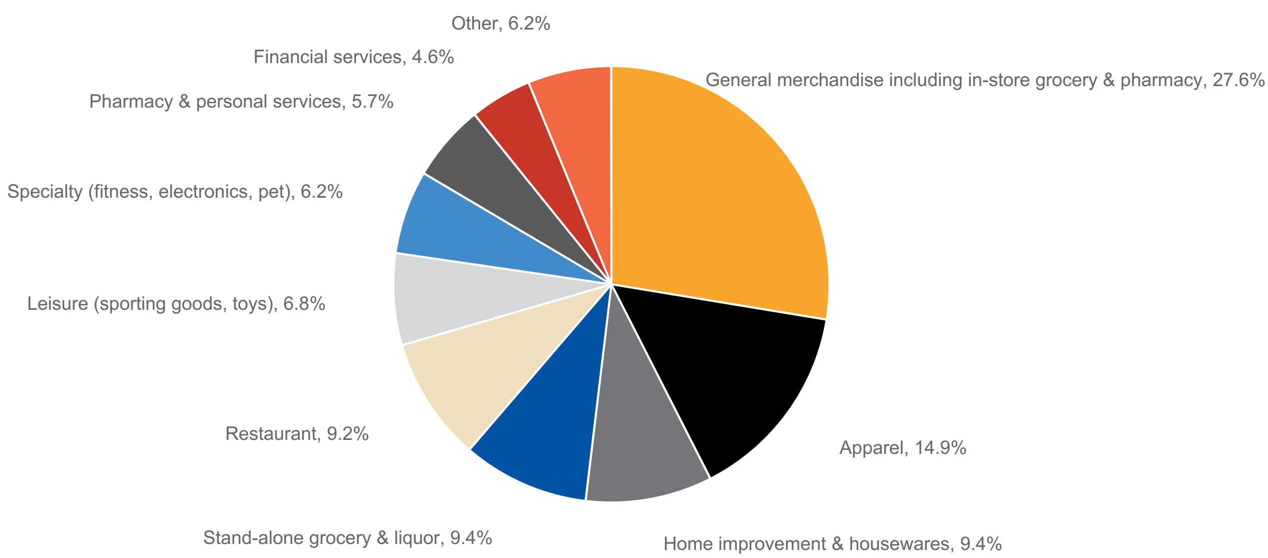
Tenant Categories

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

Annualized Gross Rent by Category for Tenants In-place as at June 30, 2023

Category	Total (%)	Greater-VECTOM (%)	Primary (%)	Secondary (%)
General merchandise including in-store grocery & pharmacy	27.6	23.4	34.8	43.9
Apparel	14.9	15.6	13.4	13.1
Home improvement & housewares	9.4	9.6	8.9	9.2
Stand-alone grocery & liquor	9.4	9.9	8.3	7.9
Restaurant	9.2	10.3	6.9	5.9
Leisure (sporting goods, toys)	6.8	6.9	7.9	4.2
Specialty (fitness, electronics, pet)	6.2	5.9	7.2	7.1
Pharmacy & personal services	5.7	6.6	3.7	2.5
Financial services	4.6	5.0	4.0	2.5
Other	6.2	6.8	4.9	3.7
Total	**100.0**	**100.0**	**100.0**	**100.0**

The following chart represents the Trust's portfolio exposure by annualized gross rent by category as at June 30, 2023:



Top 25 Tenants

The 25 largest tenants (by annualized gross rental revenue) accounted for 60.9% of portfolio revenue as at June 30, 2023 and are presented in the following table:

#	Tenant	Number of Stores	Annualized Gross Rental Revenue ($ millions)	Percentage of Total Annualized Gross Rental Revenue (%)	Leased Area (sq. ft.)	Leased Area as a % of Total Gross Leasable Area (%)
1	Walmart[(1)]	100	197.0	24.2	14,182,181	40.6
2	Winners, HomeSense, Marshalls	56	36.7	4.5	1,451,101	4.2
3	Canadian Tire, Mark's and FGL Sports	75	36.0	4.4	1,447,771	4.1
4	Loblaws, Shoppers Drug Mart	25	22.7	2.8	909,054	2.6
5	Sobeys	16	17.0	2.1	722,818	2.1
6	Dollarama	61	16.4	2.0	576,442	1.7
7	Lowes, Rona	8	15.1	1.9	870,545	2.5
8	LCBO	38	13.4	1.6	356,427	1.0
9	Michaels	24	12.6	1.5	478,041	1.4
10	Best Buy	18	12.0	1.5	437,074	1.3
11	Recipe Unlimited	56	11.8	1.4	278,785	0.8
12	Staples	21	10.4	1.3	449,599	1.3
13	Gap Inc.	26	9.1	1.1	269,742	0.8
14	Toys R Us	9	9.1	1.1	329,310	0.9
15	Reitmans	59	8.8	1.1	309,397	0.9
16	Bulk Barn	50	8.1	1.0	235,260	0.7
17	CIBC	27	7.4	0.9	149,560	0.4
18	Bonnie Togs	42	7.4	0.9	195,903	0.6
19	The Brick	9	7.1	0.9	258,244	0.7
20	Metro	9	6.8	0.8	315,438	0.9
21	Dollar Tree, Dollar Giant	26	6.8	0.8	217,286	0.6
22	Sleep Country	38	6.7	0.8	181,572	0.5
23	GoodLife Fitness Clubs	11	6.6	0.8	255,759	0.7
24	Petsmart	16	6.6	0.8	209,678	0.6
25	Bank Of Nova Scotia	23	6.0	0.7	123,002	0.4
		843	**497.6**	**60.9**	**25,209,989**	**72.3**

(1) The Trust has a total of 100 Walmart locations under lease, of which 98 are Supercentres that represent stores that carry all merchandise that Walmart department stores offer including a full assortment of groceries. The Trust also has another 14 shopping centres with Walmart as Shadow Anchors, all of which are Supercentres.

Lease Expiries

The following table presents total retail and office lease expiries for the portfolio as at June 30, 2023:

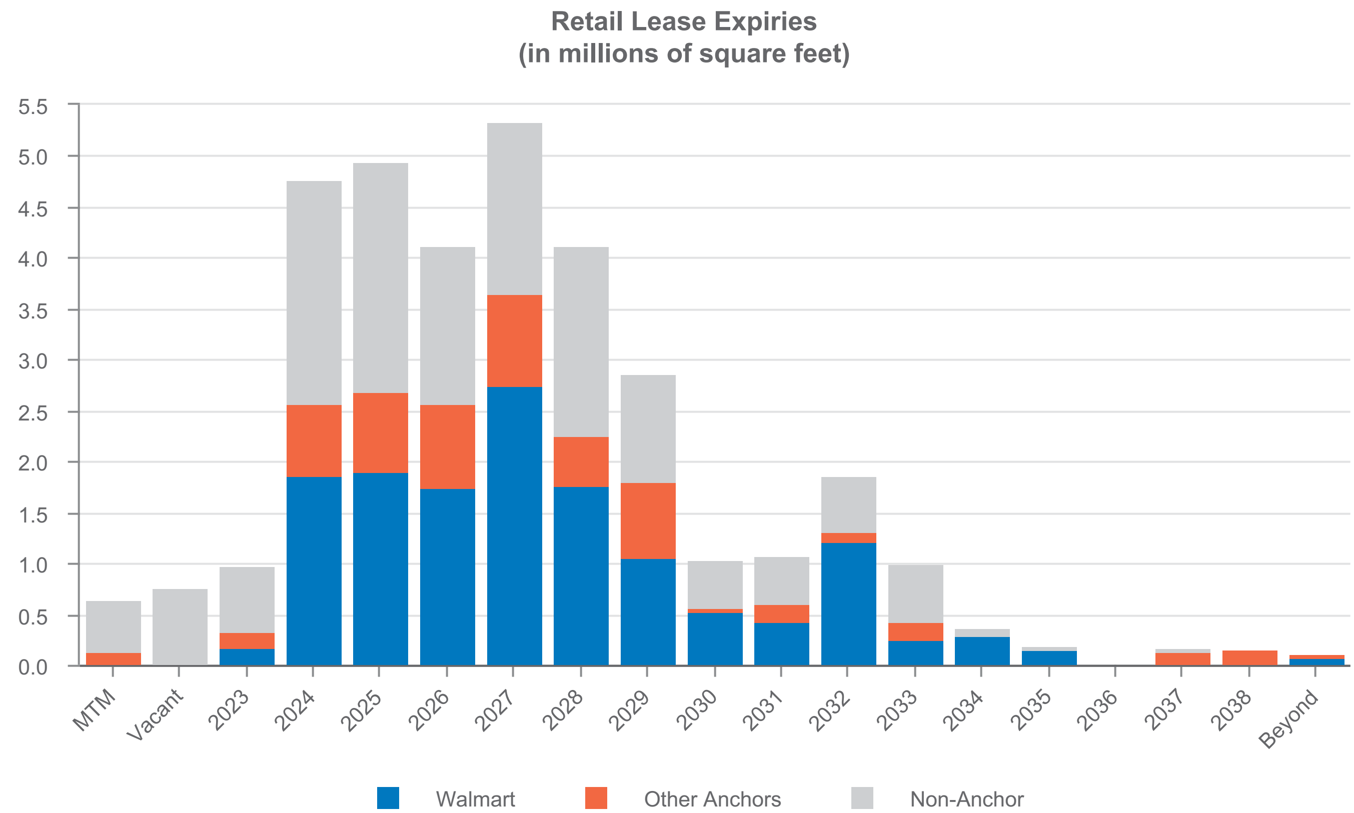
Year of Expiry	Total Area (sq. ft.)	Percentage of Total Area (%)	Annualized Base Rent ($000s)	Average Base Rent psf[1] ($)
Month-to-month and holdovers	644,878	1.8	14,847	23.02
2023	986,222	2.8	16,975	17.21
2024	4,770,280	13.7	73,057	15.32
2025	4,952,509	14.2	69,441	14.02
2026	4,123,117	11.8	61,335	14.88
2027	5,333,450	15.2	74,322	13.94
2028	4,127,081	11.8	67,734	16.41
2029	2,863,777	8.2	47,812	16.70
2030	1,038,703	3.0	21,337	20.54
2031	1,071,720	3.1	19,885	18.55
2032	1,873,659	5.4	30,752	16.41
2033	997,259	2.9	16,015	16.06
Beyond	1,028,563	2.9	14,532	14.13
Vacant	757,112	2.2	—	—
Total retail	**34,568,330**	**99.0**	**528,044**	**15.62**
Total office	353,868	1.0		
Total retail and office	**34,922,198**	**100.0**		

(1) The total average base rent per square foot excludes vacant space of 757,112 square feet.

The following table presents total retail and office lease expiries for the portfolio excluding Anchor tenants as at June 30, 2023:

Year of Expiry	Total Area (excluding Anchor tenants) (sq. ft.)	Percentage of Total Area (including Anchor tenants) (%)	Percentage of Total Area (excluding Anchor tenants) (%)	Annualized Base Rent ($000s)	Average Base Rent psf[1] ($)
Month-to-month and holdovers	510,627	1.5	3.4	12,285	24.06
2023	644,745	1.8	4.3	13,195	20.47
2024	2,195,486	6.3	14.7	47,321	21.55
2025	2,268,962	6.5	15.1	46,212	20.37
2026	1,545,113	4.4	10.3	35,493	22.97
2027	1,678,034	4.8	11.2	37,603	22.41
2028	1,868,251	5.3	12.4	42,559	22.78
2029	1,060,595	3.0	7.1	25,516	24.06
2030	475,506	1.4	3.2	12,680	26.67
2031	456,584	1.3	3.0	11,164	24.45
2032	554,998	1.6	3.7	13,835	24.93
2033	572,960	1.6	3.8	10,916	19.05
Beyond	178,518	0.5	1.2	3,171	17.76
Vacant	742,960	2.1	4.9	—	—
Total retail	**14,753,339**	**42.1**	**98.3**	**311,950**	**22.27**
Total office	262,151	0.8	1.7		
Total retail and office	**15,015,490**	**42.9**	**100.0**		

(1) The total average base rent per square foot excludes vacant space of 742,960 square feet.



Self-storage Rental Facilities

The following table provides information on the self-storage rental facilities completed as at June 30, 2023:

	Open date	Number of units (1)	Leasable area (1)	Total rental revenue YTD(2) ($ thousands)
Dupont SmartStop self-storage	October 2019	720	46,800	512
Leaside SmartStop self-storage	June 2020	1,000	100,000	629
Bramport SmartStop self-storage	January 2021	1,050	101,300	530
Vaughan NW SmartStop self-storage	February 2021	880	85,300	435
Oshawa South SmartStop self-storage	September 2021	950	95,300	479
Scarborough East SmartStop self-storage	November 2021	943	98,900	447
Aurora SmartStop self-storage	December 2022	957	99,700	101
Kingspoint SmartStop self-storage	March 2023	1,000	95,900	40
		7,500	**723,200**	**3,173**

(1) Figures are shown at 100% ownership.
(2) Total rental figures are for the six months ended June 30, 2023 and shown at the Trust's share.

As at June 30, 2023, the average occupancy rate for the self-storage rental facilities which have been operating more than one year, was 93.0%.

Section VI — Asset Profile

Investment Properties

The following table summarizes the changes in fair values of investment properties including the Trust's proportionate share of equity accounted investments:

(in thousands of dollars)	**Six Months Ended June 30, 2023** Income Properties	Properties Under Development	Total Investment Properties	Year Ended December 31, 2022 Income Properties	Properties Under Development	Total Investment Properties
Investment properties						
Opening balance	**8,496,893**	**1,753,499**	**10,250,392**	8,395,077	1,452,001	9,847,078
Transfer from properties under development to income properties	**47,395**	**(47,395)**	**—**	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)
Acquisitions, Earnouts, and related adjustments of investment properties	**—**	**2,435**	**2,435**	101,993	28,679	130,672
Dispositions	**—**	**(48,952)**	**(48,952)**	(777)	(40,726)	(41,503)
Fair value adjustment	**32,315**	**31,286**	**63,601**	(54,122)	255,956	201,834
Others	**10,860**	**58,191**	**69,051**	22,902	114,409	137,311
Ending balance	**8,585,363**	**1,751,164**	**10,336,527**	8,496,893	1,753,499	10,250,392
Investment properties classified as equity accounted investments						
Opening balance	**389,506**	**583,898**	**973,404**	319,024	518,427	837,451
Transfer from properties under development to income properties	**—**	**—**	**—**	24,736	(24,736)	—
Transfer from properties under development to equity accounted investments	**—**	**—**	**—**	—	12,500	12,500
Acquisitions, Earnouts, and related adjustments of investment properties	**—**	**4,191**	**4,191**	—	5,325	5,325
Dispositions	**—**	**(15,381)**	**(15,381)**	(8)	(14,805)	(14,813)
Fair value adjustment	**1,160**	**4,891**	**6,051**	624	—	624
Others	**12,002**	**33,520**	**45,522**	45,130	87,187	132,317
Ending balance	**402,668**	**611,119**	**1,013,787**	389,506	583,898	973,404
Total balance (including investment properties classified as equity accounted investments) – end of period (Investment Properties – non-GAAP)(1)	**8,988,031**	**2,362,283**	**11,350,314**	8,886,399	2,337,397	11,223,796
Investment properties(1)	**8,988,031**	**2,362,283**	**11,350,314**	8,886,399	2,279,026	11,165,425
Investment properties classified as held for sale(1)	**—**	**—**	**—**	—	58,371	58,371
	8,988,031	**2,362,283**	**11,350,314**	8,886,399	2,337,397	11,223,796

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

The gross leasable retail and office area consists of 34.9 million square feet. In addition, the Trust may acquire 1.6 million square feet of future potential gross leasable retail area and has the option to acquire an additional 50.0% interest in four investment properties and a 25.0% interest in another investment property (0.5 million square feet) on their completion pursuant to the terms of Mezzanine Financing. The portfolio is located across Canada, with assets in each of the ten provinces. By selecting well-located centres, the Trust seeks to attract high-quality tenants at market rental rates.

Valuation Methodology

From July 1, 2020 to June 30, 2023, the Trust has had approximately 72.6% (by value) or 62.7% (by number of properties) of its operating portfolio appraised externally by independent national real estate appraisal firms with representation and expertise across Canada.

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

The portfolio is valued internally by management utilizing valuation methodologies that are consistent with the external appraisals. Management performed these valuations by updating cash flow information reflecting current leases, renewal terms, ECL and market rents and applying updated discount rates determined, in part, through consultation with various external appraisers and available market data. In addition, the fair value of properties under development reflects the impact of development agreements.

Fair values were primarily determined through the discounted cash flows approach, which is an estimate of the present value of future cash flows over a specified horizon. For land, development and construction costs recorded at market value, fair values were marked to market, factoring in development risks such as planning, zoning, timing and market conditions.

Investment properties (including properties under development and properties classified as held for sale) as recorded in the Trust's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023, with a total carrying value of $704.9 million (December 31, 2022 – $1,454.9 million) were valued by external national appraisers, and investment properties with a total carrying value of $9,631.6 million (December 31, 2022 – $8,795.5 million) were internally valued by the Trust.

Based on these valuations, the weighted average discount rate on the Trust's income properties portfolio as at June 30, 2023 was 6.45% (December 31, 2022 – 6.43%) and the weighted average terminal capitalization rate as at June 30, 2023 remained stable at 5.93% (December 31, 2022 – 5.92%) with no material change to the range quarter over quarter.

Management's reassessment of the valuation of certain investment properties based on the Trust's continued ability to lease and generate NOI in the foreseeable future, has resulted in a net fair value adjustment (gain) on investment properties of $63.6 million (excluding investment properties recorded in equity accounted investments) for the six months ended June 30, 2023, which was primarily attributed to robust leasing performance and changes in the market for properties under development.

Dispositions of Investment Properties

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 the Trust's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023).

In February 2023, the Trust, together with its co-ownership partner, Penguin, sold a land parcel totalling 4.3 acres located in Vaughan, Ontario, for gross proceeds of $63.5 million, which was satisfied by cash. The Trust's share of such proceeds was $42.3 million 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 $4.8 million, which was satisfied by cash.

Equity Accounted Investments

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

	Six Months Ended June 30, 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)	**21,745**	**1,136**	**22,881**	4,932	(733)	4,199
Distributions – VMC Residences condominium unit closings(1)	**(653)**	**—**	**(653)**	(24,322)	—	(24,322)
Distributions – operating activities	**(2,725)**	**(490)**	**(3,215)**	(4,550)	(234)	(4,784)
Financing Activities:						
Fair value adjustment on loan	**1,454**	**—**	**1,454**	3,690	—	3,690
Investing Activities:						
Cash contribution	**7,911**	**17,795**	**25,706**	23,154	32,982	56,136
Property contribution	**—**	**—**	**—**	—	25,000	25,000
Development distributions	**(18,007)**	**—**	**(18,007)**	(33,362)	—	(33,362)
Investment – end of period	**468,497**	**240,668**	**709,165**	458,772	222,227	680,999

(1) During the six months ended June 30, 2023, the distribution in the amount of $0.7 million was satisfied by a non-cash settlement of the Residence III LP loan payable (for the year ended December 31, 2022 – $24.3 million). See also Note 10, "Debt", in the Trust's unaudited interim condensed consolidated financial statements.

The following table summarizes the asset profile (at 100%) of the Trust's equity accounted investments, grouped by their business focus:

As at June 30, 2023 (in thousands of dollars)	**Income Properties**	**Properties Under Development**	**Residential Development Inventory**	**Other Assets**	**Total Assets**
Rental					
Residential	**145,956**	**210,025**	**—**	**31,593**	**387,574**
Self-storage facilities	**186,180**	**68,566**	**—**	**9,387**	**264,133**
Retail	**134,009**	**12,318**	**—**	**3,866**	**150,193**
Office	**220,113**	**—**	**—**	**20,934**	**241,047**
Mixed-use	**129,487**	**902,310**	**—**	**119,361** (1)	**1,151,158**
Condominium and townhome residential development inventory	**—**	**—**	**192,791**	**125,481** (2)	**318,272**
	815,745	**1,193,219**	**192,791**	**310,622**	**2,512,377**

(1) Consists of loans receivable of $110.3 million in connection with the 700 Applewood purchase (see also Note 10, "Debt", in the Trust's unaudited interim condensed consolidated financial statements), and cash and cash equivalents of $5.1 million.
(2) Consists of notes receivable of $33.0 million and cash and cash equivalents of $85.0 million.

As at December 31, 2022 (in thousands of dollars)	Income Properties	Properties Under Development	Residential Development Inventory	Other Assets	Total Assets
Rental					
Residential	145,603	190,331	—	37,457	373,391
Self-storage facilities	160,844	68,770	—	6,201	235,815
Retail	131,020	7,742	—	3,335	142,097
Office	219,975	—	—	21,369	241,344
Mixed-use	130,792	870,529	—	138,296 (1)	1,139,617
Condominium and townhome residential development inventory	—	—	412,308	59,698 (2)	472,006
	788,234	1,137,372	412,308	266,356	2,604,270

(1) Consists of loans receivable of $129.2 million in connection with the 700 Applewood purchase (see also Note 10, "Debt", in the Trust's unaudited interim condensed consolidated financial statements), and cash and cash equivalents of $8.2 million.
(2) Consists of notes receivable of $2.3 million in connection with the Transit City closing, and cash and cash equivalents of $50.5 million.

Investment in associates

Summary of development credit facilities

As at June 30, 2023, PCVP and VMC Residences had credit facilities in the amount of $734.9 million (December 31, 2022 – $755.1 million), bearing annual interest rates between BA + 1.45% and BA + 1.60%, with maturity dates between September 2023 and June 2027. As at June 30, 2023, deducting amount drawn on such development credit facilities of $353.1 million (December 31, 2022 – $515.3 million) and outstanding letters of credit of $33.6 million (December 31, 2022 – $63.1 million), the remaining unused development credit facilities was $348.2 million (December 31, 2022 – $176.8 million), of which the Trust's share was $106.3 million (December 31, 2022 – $67.6 million).

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.

Investment in joint ventures

Summary of credit facilities

As at June 30, 2023, the Trust's joint ventures had credit facilities in the amount of $251.7 million (December 31, 2022 – $251.7 million), bearing annual interest rates between BA + 1.50% and BA + 2.20%, with maturity dates between December 2023 and August 2025. As at June 30, 2023, deducting amount drawn on such credit facilities of $216.7 million (December 31, 2022 – $181.6 million), and outstanding letters of credit of $1.9 million (December 31, 2022 – $1.6 million), the remaining unused development credit facilities was $33.1 million (December 31, 2022 – $68.5 million), of which the Trust's share was $18.8 million (December 31, 2022 – $40.2 million).

Development financing includes credit facilities relating to Laval C Apartments, Mascouche and Main Street Markham, comprising pre-development and construction facilities, 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.

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

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

(in thousands of dollars)	**June 30, 2023**	December 31, 2022	Variance
Amounts receivable and other			
Tenant receivables	**25,742**	26,735	(993)
Unbilled other tenant receivables	**13,666**	11,100	2,566
Receivables from related party – excluding equity accounted investments	**6,737**	11,899	(5,162)
Receivables from related party – equity accounted investments	**7,062**	616	6,446
Other non-tenant receivables	**3,162**	1,954	1,208
Other(1)	**13,496**	13,591	(95)
	69,865	65,895	3,970
Allowance for ECL	**(7,760)**	(8,771)	1,011
Amounts receivable and other, net of allowance for ECL	**62,105**	57,124	4,981
Prepaid expenses, deposits and deferred financing costs	**43,929**	14,474	29,455
	106,034	71,598	34,436

(1) The amount includes a related party amount of $7.5 million (December 31, 2022 – $6.8 million).

As at June 30, 2023, total amounts receivable and other, net of allowance for ECL, and prepaid expenses, deposits and deferred financing costs increased by $34.4 million as compared to December 31, 2022. This increase was primarily attributed to the following:

- $29.5 million increase in prepaid expenses, deposits and deferred financing costs, principally due to an increase in prepaid realty tax;
- $2.6 million increase in unbilled other tenant receivables, principally due to accruals relating to current year recoveries; and
- $2.4 million increase in non-tenant receivables.

Tenant receivables

Approximately 60% of the Trust's tenant base are businesses offering "essential" services and approximately 98% of the Trust's tenant billings for the six months ended June 30, 2023 have been collected. The Trust and its tenants are well positioned for an expected return of the economy to pre-pandemic levels and as the Trust identifies tenants for its vacant space, it also continues to work with its existing tenants on rent collections and payment solutions.

The table below represents a summary of total tenant receivables and ECL balances as at June 30, 2023 and December 31, 2022:

(in thousands of dollars)	**June 30, 2023**	December 31, 2022
Tenant receivables	**25,742**	26,735
Unbilled other tenant receivables	**13,666**	11,100
Total tenant receivables	**39,408**	37,835
Allowance for ECL	**(7,760)**	(8,771)
Total tenant receivables net of allowance for ECL	**31,648**	29,064

Mortgages, Loans and Notes Receivable

The following table summarizes mortgages, loans and notes receivable:

(in thousands of dollars)	**June 30, 2023**	December 31, 2022	Variance
Mortgages, loans and notes receivable			
Mortgages receivable (Mezzanine Financing)[1]	**24,818**	39,456	(14,638)
Loans receivable[2]	**268,617**	282,312	(13,695)
Notes receivable[1]	**2,924**	2,924	—
	296,359	324,692	(28,333)

(1) The amount is due from Penguin.
(2) Includes $82.4 million due from Penguin (December 31, 2022 – $100.3 million), see "Loans Receivable" subsection.

Mortgages Receivable (Mezzanine Financing)

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

(in thousands of dollars) Property	Amount Outstanding ($)	Committed ($)	Amount Guaranteed by Penguin ($)	Maturity Date including Extension Period	Annualized Variable Interest Rate at Year-End (%)	Potential Area Upon Exercising Purchase Option (sq. ft.)
Pitt Meadows, BC[1][4][5]	19,396	70,653	19,396	August 2028	6.90	25,003
Toronto (StudioCentre), ON[2][4][5]	5,422	28,286	5,422	August 2028	6.90	227,831
Caledon (Mayfield), ON[1][3][5]	—	15,498	—	August 2028	7.00	101,865
Salmon Arm, BC[2][3]	—	13,398	—	August 2028	6.50	—
Aurora (South), ON[3][5]	—	15,155	—	August 2028	6.75	57,741
Vaughan (7 & 427), ON[1][3][5]	—	15,781	—	August 2028	6.75	76,000
Innisfil, ON[2][3]	—	16,011	—	October 2023	7.00	—
	24,818	**174,782**	**24,818**		**6.90**	**488,440**

(1) Caledon, Vaughan and Pitt Meadows mortgages have original maturity dates of April 2024, December 2023 and November 2023, respectively. Their maturity dates 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 BA rate plus 4.00% to 5.00%.
(2) The Trust owns a 50% interest in these properties, with the other 50% interest owned by Penguin. These loans are secured against Penguin's interest in the property.
(3) Penguin fully repaid the outstanding balance of the mortgages in October 2022.
(4) The weighted average interest rate on this mortgage is subject to an upper limit of 6.90%.
(5) The Trust has a purchase option from the borrower in these properties upon a certain level of development and leasing being achieved. As at June 30, 2023, it is management's expectation that the Trust will exercise these purchase options. The purchase option for Aurora (South), ON, Pitt Meadows, BC, Vaughan (7 & 427), ON, and Caledon (Mayfield), ON are each 50%. The purchase option for Toronto (StudioCentre), ON is 25%.

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.

The following table illustrates the activity in mortgages receivable:

	Three Months Ended June 30		**Six Months Ended June 30**	
(in thousands of dollars)	**2023**	2022	**2023**	2022
Balance – beginning of period	**39,641**	138,846	**39,456**	139,589
Interest accrued	**627**	1,651	**1,299**	2,975
Interest payments	**(1,356)**	(1,211)	**(1,631)**	(4,349)
Principal advances	**—**	—	**—**	3,800
Principal repayments	**(14,094)**	—	**(14,306)**	(2,729)
Balance – end of period	**24,818**	139,286	**24,818**	139,286

Loans Receivable

The following table summarizes loans receivable:

(in thousands of dollars) **Issued to**	**June 30, 2023**	December 31, 2022
Penguin	**82,412**	100,279
Equity accounted investments	**171,108**	164,628
Unrelated parties	**15,097**	17,405
	268,617	282,312

See also Note 6(b) in the Trust's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023 for more details about loans receivable, including committed facilities, maturity dates and interest rates.

The following table illustrates the activity in loans receivable:

	Three Months Ended June 30		**Six Months Ended June 30**	
(in thousands of dollars)	**2023**	2022	**2023**	2022
Balance – beginning of period	**275,953**	293,817	**282,312**	274,523
Loans issued	**—**	10,745	**—**	24,284
Principal advances	**863**	3,909	**3,334**	8,834
Interest accrued	**2,311**	1,211	**4,343**	2,326
Fair value adjustments[1]	**781**	1,107	**1,617**	2,212
Repayments	**(11,291)**	(4,824)	**(22,989)**	(6,214)
Balance – end of period	**268,617**	305,965	**268,617**	305,965

(1) $1.6 million recorded during the six months ended June 30, 2023 (six months ended June 30, 2022 – $2.2 million) in connection with the loan issued as part of the 700 Applewood purchase.

Notes Receivable

Notes receivable of $2.9 million (December 31, 2022 – $2.9 million) have been granted to Penguin (see also, "Related Party Transactions"). These secured demand notes bear interest at 9.00% per annum (December 31, 2022 – 9.00%).

Section VII — Financing and Capital Resources

Capital Resources and Liquidity

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

(in thousands of dollars)	**June 30, 2023**	December 31, 2022	Variance
Cash and cash equivalents	**44,792**	35,255	9,537
Remaining operating facilities[1]	**541,657**	553,343	(11,686)
	586,449	588,598	(2,149)
Operating facility – accordion feature	**250,000**	250,000	—
	836,449	838,598	(2,149)

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

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

As at June 30, 2023, the Trust's capital resources available decreased by $2.1 million as compared to December 31, 2022. The decrease was mainly attributable to the following:

- $142.1 million representing net cash used in financing activities, due to the repayment of debt and distributions, partially offset by proceeds from issuance of Series Z unsecured debentures; and
- $11.7 million decrease in remaining operating facilities.

partially offset by the following:

- $143.3 million of cash provided by operating activities; and
- $8.3 million of cash provided by investing activities.

The Trust manages its cash flow from operating activities by maintaining a target debt level. The Debt to Gross Book Value, as defined in the Declaration of Trust, as at June 30, 2023 is 51.8% (December 31, 2022 – 52.0%). Including the Trust's capital resources as at June 30, 2023, the Trust could invest an additional $1,350.2 million (December 31, 2022 – $1,309.0 million) in new investments and developments and remain at the midpoint of the Trust's target Debt to Gross Book Value range of 55% to 60%.

Future obligations total $5.9 billion, as identified in the following table. Other than contractual maturity dates, the timing of payment of these obligations is management's best estimate based on assumptions with respect to the timing of leasing, construction completion, occupancy and Earnout dates at June 30, 2023.

The following table presents the estimated amount and timing of certain of the Trust's future obligations including development obligations as at June 30, 2023:

(in thousands of dollars)	Total	2023	2024	2025	2026	2027	Thereafter
Secured debt	**895,414**	165,072	151,031	411,340	98,121	5,473	64,377
Unsecured debt	**3,925,174**	12,231	111,181	889,598	570,000	850,000	1,492,164
Revolving operating facilities	**93,000**	93,000	—	—	—	—	—
Interest obligations(1)	**561,135**	104,217	116,491	101,190	83,352	67,273	88,612
Accounts payable	**256,225**	256,225	—	—	—	—	—
Other payable	**26,516**	7,072	311	9,133	—	—	10,000
	5,757,464	**637,817**	**379,014**	**1,411,261**	**751,473**	**922,746**	**1,655,153**
Mortgage receivable advances (repayments)(2)	**149,964**	517	1,130	(15,880)	1,034	378	162,785
Development obligations (commitments)	**15,303**	15,303	—	—	—	—	—
Total	**5,922,731**	**653,637**	**380,144**	**1,395,381**	**752,507**	**923,124**	**1,817,938**

(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 $24.8 million at June 30, 2023, and further forecasted commitments of $150.0 million, 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", in the Trust's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023, for timing of principal repayments.

The following table presents the estimated amount and timing of certain of the equity accounted investments' future obligations including development obligations as at June 30, 2023:

(in thousands of dollars)	Total	2023	2024	2025	2026	2027	Thereafter
Secured and unsecured debt	**654,057**	13,343	44,825	54,702	7,452	404,300	129,435
Development obligations (commitments)(1)	**59,533**	33,631	20,104	5,798	—	—	—
Total	**713,590**	**46,974**	**64,929**	**60,500**	**7,452**	**404,300**	**129,435**

(1) The Trust is in the process of refining its estimates of development obligations for the years subsequent to 2023. This total does not include expected costs associated with the Trust's mixed-use development initiatives except for current amounts outstanding for active projects currently underway.

The following table presents the estimated amount and timing of certain of the Trust's proportionate share of equity accounted investments' future obligations including development obligations as at June 30, 2023:

(in thousands of dollars)	Total	2023	2024	2025	2026	2027	Thereafter
Secured and unsecured debt	**329,876**	6,423	21,898	41,074	3,163	192,861	64,457
Development obligations (commitments)(1)	**29,168**	16,306	9,946	2,916	—	—	—
Total Trust's share	**359,044**	**22,729**	**31,844**	**43,990**	**3,163**	**192,861**	**64,457**

(1) The Trust is in the process of refining its estimates of development obligations for the years subsequent to 2023. This total does not include expected costs associated with the Trust's mixed-use development initiatives except for current amounts outstanding for active projects currently underway.

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

(in thousands of dollars)	June 30, 2023	December 31, 2022
Current assets	**401,000**	276,140
Less: Current liabilities	**(621,894)**	(720,400)
Working capital deficiency	**(220,894)**	(444,260)
Adjusted by: Current portion of debt included in current liabilities	**(364,578)**	(459,278)
Net working capital (deficiency) surplus	**143,684**	15,018

As at June 30, 2023, the Trust had a net working capital surplus of $143.7 million (December 31, 2022 – $15.0 million surplus). This surplus excludes mortgages, unsecured debentures and operating lines of credit of $364.6 million (December 31, 2022 – $459.3 million) that matures within 12 months of the balance sheet date. It is management's intention to either repay or refinance these maturing liabilities with cash and cash equivalents, newly issued secured or unsecured debt, equity or, in certain circumstances not expected to occur frequently, the disposition of certain assets. Including such mortgages, unsecured debentures and operating lines of credit, the Trust has a working capital deficiency of $220.9 million as at June 30, 2023 (December 31, 2022 – $444.3 million deficiency).

As at June 30, 2023, the Trust has unencumbered assets (a non-GAAP financial measure) with an approximate fair value totalling $8.8 billion (December 31, 2022 - $8.4 billion), which could generate gross financing proceeds on income properties of approximately $5.6 billion (December 31, 2022 - $5.4 billion) using a 65% loan to value. It is anticipated that requirements for secured and unsecured debt, mortgage receivable advances and development obligations will be funded by additional term mortgages, net proceeds on the sale of certain assets, existing cash or operating lines, the issuances of unsecured debentures, and equity, as necessary.

Maintenance Capital Requirements

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

The sustaining capital expenditures are those of a capital nature that are not considered to increase or enhance the productive capacity of the Trust, but rather maintain the productive capacity of the Trust. Leasing and related costs, which include tenant improvements, leasing commissions and related costs, vary with the timing of new leases, renewals, vacancies, tenant mix and market conditions. Leasing and related costs are generally lower for renewals of existing tenants when compared to new leases. Leasing and related costs also include internal expenses for leasing activities, primarily salaries, which are eligible to be added back to FFO based on the definition of FFO in the REALpac White Paper last revised in January 2022. The sustaining capital expenditures and leasing costs are based on actual costs incurred during the period. FFO is a non-GAAP measure (see "Presentation of Certain Terms Including Non-GAAP Measures", "Non-GAAP Measures" and "Other Measures of Performance").

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

	Three Months Ended June 30			**Six Months Ended June 30**		
(in thousands of dollars, except per Unit and other Unit amounts)	**2023**	2022	Variance	**2023**	2022	Variance
Adjusted salaries and related costs attributed to leasing	**1,954**	1,952	2	**4,034**	3,778	256
Actual leasing commissions	**864**	419	445	**1,246**	929	317
Actual tenant improvements	**3,013**	1,506	1,507	**5,743**	3,454	2,289
Total actual leasing and related costs	**5,831**	3,877	1,954	**11,023**	8,161	2,862
Actual sustaining capital expenditures (recoverable and non-recoverable)	**5,004**	2,847	2,157	**8,394**	5,022	3,372
Total actual leasing costs and sustaining capital expenditures	**10,835**	6,724	4,111	**19,417**	13,183	6,234
Weighted average number of Units outstanding – diluted	**180,045,789**	179,662,689	383,100	**179,968,836**	179,626,838	341,998
Per Unit – diluted ($)	**0.06**	0.04	0.02	**0.11**	0.07	0.04

For the six months ended June 30, 2023, the total actual leasing costs and sustaining capital expenditures were $19.4 million, as compared to $13.2 million in the same period in 2022, representing an increase of $6.2 million. This increase is primarily due to costs associated with landlord work and roof replacements. These capital expenditures were incurred to sustain rental revenue from income properties and may vary widely from period to period and from year to year.

Debt

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

As at	June 30, 2023			December 31, 2022		
(in thousands of dollars)	**Balance**	**Weighted Average Term of Debt (in years)**	**Weighted Average Interest Rate of Debt (%)**	Balance	Weighted Average Term of Debt (in years)	Weighted Average Interest Rate of Debt (%)
Secured debt	**894,350**	**2.5**	**3.94**	969,054	2.8	3.91
Unsecured debt	**3,891,174**	**4.2**	**3.91**	3,791,797	4.1	3.74
Unsecured loan from equity accounted investments	**131,807**	**N/A**	**—**	141,131	N/A	—
Revolving operating facilities	**93,000**	**4.7**	**6.44**	81,283	1.3	5.59
Total debt before equity accounted investments	**5,010,331**	**N/A**	**—**	4,983,265	N/A	—
Less: Unsecured loan from equity accounted investments(1)	**(77,570)**	**N/A**	**—**	(78,145)	N/A	—
Subtotal	**4,932,761**	**3.9**	**3.92**	4,905,120	3.8	3.75
Share of secured debt (equity accounted investments)	**153,352**	**9.4**	**4.84**	193,525	8.1	4.91
Share of unsecured debt (equity accounted investments)	**176,524**	**4.0**	**6.44**	161,408	1.8	5.92
Share of debt classified as equity accounted investments	**329,876**	**6.5**	**5.70**	354,933	5.2	5.37
Total debt including equity accounted investments	**5,262,637**	**4.1**	**4.03**	5,260,053	4.0	3.86

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

The following table summarizes the activities in debt, including debt recorded in equity accounted investments, for the six months ended June 30, 2023:

(in thousands of dollars)	**Secured Debt**	**Unsecured Debt**	**Revolving Operating Facilities**	**Equity Accounted Investments**	**Loan from Equity Accounted Investments**	**Total**
Balance – January 1, 2023	969,054	3,791,797	81,283	354,933	62,986	**5,260,053**
Borrowings	2,267	300,000	93,000	32,369	1,617	**429,253**
Scheduled amortization	(20,196)	—	—	(1,396)	—	**(21,592)**
Repayments	(56,892)	(200,000)	(80,832)	(56,041)	(10,366)	**(404,131)**
Amortization of acquisition fair value adjustments	(174)	—	—	(66)	—	**(240)**
Financing costs incurred, net of additions	291	(221)	—	77	—	**147**
Currency translation	—	(402)	(451)	—	—	**(853)**
Balance – June 30, 2023	**894,350**	**3,891,174**	**93,000**	**329,876**	**54,237**	**5,262,637**

Secured Debt

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

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

(in thousands of dollars)	Instalment Payments	Lump Sum Payments at Maturity	Total	%	Weighted Average Interest Rate of Maturing Debt (%)
2023	18,404	146,669	165,073	18.44	4.80
2024	32,336	118,696 (1)	151,032	16.87	3.63
2025	21,736	389,604	411,340	45.93	3.39
2026	11,240	86,881	98,121	10.96	3.86
2027	5,473	—	5,473	0.61	—
Thereafter	16,176	48,200	64,376	7.19	4.84
Total	**105,365**	**790,050**	**895,415**	**100.00**	**3.83**
Acquisition date fair value adjustment			380		
Unamortized financing costs			(1,445)		
			894,350		**3.94**

(1) Includes construction loans in the amount of $22.4 million, which bear interest at BA rate plus 170 basis points.

Unsecured Debt

The following table summarizes the components of unsecured debt:

(in thousands of dollars)	June 30, 2023	December 31, 2022
Unsecured debentures (a)	**2,751,959**	2,652,327
Credit facilities (b)	**995,983**	996,238
	3,747,942	3,648,565
TRS debt	**143,232**	143,232
Other unsecured debt from equity accounted investments (c)	**131,807**	141,131
	4,022,981	3,932,928

a) Unsecured debentures

As at June 30, 2023, unsecured debentures totalled $2,752.0 million (December 31, 2022 – $2,652.3 million). The unsecured debentures mature at various dates between 2023 and 2030, with interest rates ranging from 1.74% to 5.35%, and a weighted average interest rate of 3.35% as at June 30, 2023 (December 31, 2022 – 3.17%).

Unsecured debenture activities for the six months ended June 30, 2023

In May 2023, the Trust issued $300.0 million of 5.354% Series Z senior unsecured debentures (net proceeds of the issuance in aggregate after issuance costs – $299.0 million). The Series Z debentures will mature on May 29, 2028. The debentures have semi-annual payments due on May 29 and November 29 of each year, commencing on November 29, 2023. The Trust utilized the net proceeds from the issuances to fully repay the $200.0 million aggregate principal of Series I senior unsecured debentures upon their maturity, along with revolving operating facilities and other existing indebtedness.

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 May 2023, DBRS adjusted the Trust's credit rating to BBB and upgraded its outlook to stable.

b) *Credit facilities*

The following table summarizes the activity for unsecured credit facilities:

(in thousands of dollars) (Issued in)	Initial Maturity Date	Extended Maturity Date	Annual Interest Rate (%)	Facility Amount	June 30, 2023	December 31, 2022
Non-revolving:						
August 2018(1)	January 31, 2025	N/A	2.980	80,000	**80,000**	80,000
March 2019(1)	July 31, 2026	July 31, 2028	3.770	150,000	**150,000**	150,000
May 2019(1)	June 24, 2026	December 24, 2030	3.146	170,000	**170,000**	170,000
January 2022(2)	January 19, 2027	N/A	BA + 1.45	300,000	**300,000**	300,000
December 2022(1)	December 1, 2025	N/A	4.370	100,000	**100,000**	100,000
December 2022(1)	December 1, 2025	N/A	4.875	100,000	**100,000**	100,000
December 2022	December 20, 2025	N/A	SOFR + 1.60	100,000	**99,598**	100,000
Revolving:						
May 2020	May 11, 2024	May 11, 2026	BA + 1.45	100,000	**—**	—
				1,100,000	**999,598**	1,000,000
	Less:					
	Unamortized financing costs				**(1,655)**	(1,802)
	Unamortized debt modification adjustments				**(1,960)**	(1,960)
					995,983	996,238

(1) The Trust entered into interest rate swap agreements to convert the variable interest rate into a weighted average fixed interest rate of 3.77% per annum. The weighted average term to maturity of the interest rate swaps is 2.96 years. Hedge accounting has not been applied to the interest rate swap agreements. See additional details in the table below.
(2) The proceeds of this loan were mainly used for the acquisition of SmartVMC West in December 2021.

The following table summarizes the fair value gain (loss) as at June 30, 2023 and December 31, 2022, relating to the mark to market adjustments associated with the interest rate swap agreements:

Facility Amount	Maturity Date	Fixed Interest Rate (%)	Variable Interest Rate	June 30, 2023	December 31, 2022
170,000	June 24, 2026	3.146	BA + 1.20	**17,385**	16,225
150,000	July 31, 2026	3.770	BA + 1.45	**11,811**	10,151
80,000	January 31, 2025	2.980	BA + 1.20	**7,018**	6,161
100,000	December 1, 2025	4.370	BA + 1.20	**2,806**	1,120
11,403	November 3, 2025	3.470	BA + 1.50	**714**	624
100,000	December 1, 2027	4.875	BA + 1.45	**2,953**	—
				42,687	34,281

c) *Other unsecured debt from equity accounted investments*

Other unsecured debt net of fair value adjustments totalling $131.8 million (December 31, 2022 – $141.1 million) at the Trust's share pertains to loans received from equity accounted investments in connection with contribution agreements relating to joint ventures. The loans are non-interest-bearing with repayment terms based on the distributions that are to be paid pursuant to the limited partnership agreements. The balances of the loans are expected to be paid at the end of their respective terms.

Revolving Operating Facilities

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

	Annual Interest Rate (%)	Facility Amount	Amount Drawn	Outstanding Letters of Credit	Remaining Undrawn Facilities June 30, 2023	Remaining Undrawn Facilities December 31, 2022
Revolving facility maturing March 2028	BA + 1.45	500,000	**93,000**	**15,343**	**391,657**	477,626
Revolving facility maturing February 2024(1)	US$ LIBOR + 1.45	150,000	**—**	**—**	**150,000**	75,717
			93,000		**541,657**	553,343

(1) The Trust has drawn $nil from this facility as at June 30, 2023 (December 31, 2022 – drawn in US$54.9 million which was translated to $74.3 million).

In addition to the letters of credit outstanding on the Trust's revolving operating facilities (see above), the Trust also has $34.0 million of letters of credit outstanding with other financial institutions as at June 30, 2023 (December 31, 2022 – $32.9 million).

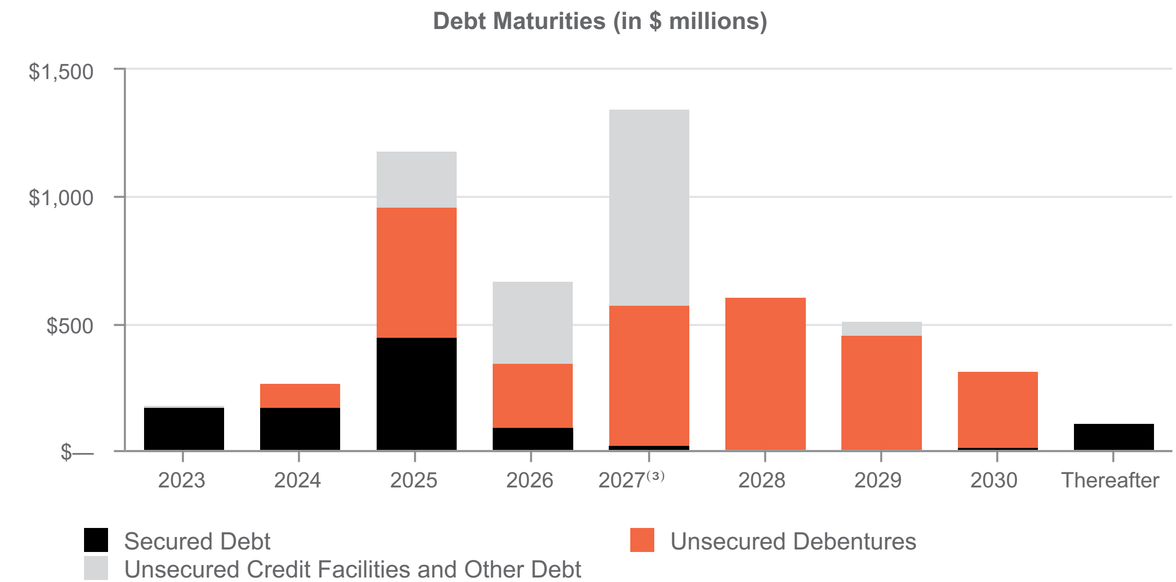
Unencumbered Assets

As at June 30, 2023, the Trust had $8.8 billion of unencumbered assets (a non-GAAP financial measure) (June 30, 2022 and December 31, 2022 – $8.4 billion), which reflects the Trust's share of the value of investment properties. Expressed as a percentage, the Trust earned approximately 68.9% of its NOI from unencumbered assets (June 30, 2022 – 72.5% and December 31, 2022 – 71.1%).

In connection with this pool of unencumbered assets, management estimates the total Forecasted Annualized NOI for 2023 to be $386.8 million (December 31, 2022 – $368.8 million). Forecasted Annualized NOI is computed by annualizing the current quarter NOI for the Trust's income properties that are not encumbered by secured debt, and is a forward-looking non-GAAP measure. See "Presentation of Certain Terms Including Non-GAAP Measures" and "Non-GAAP Measures".

Debt Maturities

The following graph illustrates the debt maturities[(1)(2)] as at June 30, 2023:



(1) Includes the Trust's proportionate share of debt in equity accounted investments.
(2) Excludes revolving operating facility of $93.0 million, which matures in March 2028.
(3) For facilities where the initial maturity date can be extended at the sole option of the Trust, the final maturity date is assumed.

Interest Income and Interest Expense

Interest Income

The following table summarizes the components of interest income:

(in thousands of dollars)	Three Months Ended June 30			Six Months Ended June 30		
	2023	2022	Variance	**2023**	2022	Variance
Mortgage interest	**627**	1,651	(1,024)	**1,299**	2,975	(1,676)
Loan interest	**3,956**	1,815	2,141	**7,545**	3,217	4,328
Notes receivable interest	**66**	66	—	**131**	131	—
TRS deposit interest	**4**	235	(231)	**8**	332	(324)
Bank interest	**519**	99	420	**1,017**	171	846
	5,172	3,866	1,306	**10,000**	6,826	3,174

For the six months ended June 30, 2023, interest income increased by $3.2 million as compared to the six months ended June 30, 2022, as a result of higher interest rates.

Interest Expense

The following table summarizes the components of interest expense:

(in thousands of dollars)	Three Months Ended June 30			Six Months Ended June 30		
	2023	2022	Variance	**2023**	2022	Variance
Interest at stated rates	**46,072**	38,900	7,172	**91,262**	76,629	14,633
Amortization of acquisition date fair value adjustments on assumed debt	**(85)**	(122)	37	**(174)**	(247)	73
Adjustment on debt modification	**—**	(1,960)	1,960	**—**	(1,960)	1,960
Amortization of deferred financing costs	**921**	884	37	**1,834**	1,906	(72)
Distributions on Units classified as liabilities – excluding SmartVMC West	**970**	970	—	**1,941**	1,902	39
Distributions on Units classified as liabilities – SmartVMC West	**2,681**	2,681	—	**5,362**	5,362	—
Distributions on vested deferred units	**861**	728	133	**1,649**	1,405	244
Total interest expense before capitalized interest	**51,420**	42,081	9,339	**101,874**	84,997	16,877
Less:						
Interest capitalized to properties under development – excluding SmartVMC West	**(4,373)**	(3,542)	(831)	**(8,524)**	(7,092)	(1,432)
Interest capitalized to properties under development – SmartVMC West	**(4,152)**	(1,866)	(2,286)	**(8,187)**	(3,086)	(5,101)
Interest capitalized to residential development inventory	**(372)**	(252)	(120)	**(698)**	(497)	(201)
Distributions capitalized to properties under development – SmartVMC West	**(2,368)**	(2,569)	201	**(4,803)**	(5,137)	334
Total capitalized interest	**(11,265)**	(8,229)	(3,036)	**(22,212)**	(15,812)	(6,400)
Interest expense net of capitalized interest expense	**40,155**	33,852	6,303	**79,662**	69,185	10,477
Capitalized interest as a percentage of interest expense	**21.9 %**	19.6 %	2.3 %	**21.8 %**	18.6 %	3.2 %

For the six months ended June 30, 2023, interest expense net of capitalized interest totalled $79.7 million, representing an increase of $10.5 million as compared to the six months ended June 30, 2022, which was primarily due to the increase in interest rates.

Financial Covenants

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

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

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

As at and for the six months ended June 30, 2023, the Trust was in compliance with all financial covenants.

Ratio	Calculation	Threshold	**June 30, 2023**	December 31, 2022
Interest coverage ratio(1)	*Adjusted EBITDA / Adjusted interest expense including capitalized interest(6)*	≥ 1.65X	**2.8X**	3.1X
Fixed charge coverage ratio(3)	*Adjusted EBITDA / Debt service expense(7)*	≥ 1.5X	**1.8X**	2.3X
Debt to aggregate assets(3)(4)(5)	*Net debt / Aggregate assets(8)*	≤ 65%	**43.2 %**	43.6 %
Debt to aggregate assets (excluding TRS debt and receivable)(2)(5)	*Net debt (excluding TRS debt)/ Aggregate assets (excluding TRS receivable)(8)*	≤ 65%	**42.6 %**	42.9 %
Debt to Gross Book Value (excluding convertible debentures)(1)(4)(5)	*Net debt / Gross book value(9)*	≤ 60%	**51.8 %**	52.0 %
Debt to Gross Book Value (including convertible debentures)(1)(4)(5)	*Net debt / Gross book value(10)*	≤ 65%	**51.8 %**	52.0 %
Adjusted Debt to Adjusted EBITDA(2)(5)	*Adjusted debt / Adjusted EBITDA(11)*	N/A	**9.9X**	10.3X
Secured debt to aggregate assets(3)(5)	*Secured debt including EAI / Aggregate assets(12)*	≤ 40%	**8.7 %**	11.2 %
Unsecured to secured debt ratio(2)(5)	*Unsecured debt including EAI / Secured debt including EAI(13)*	N/A	**80%/20%**	74%/26%
Unencumbered assets to unsecured debt(3)(5)	*Unencumbered assets / Unsecured debt including EAI(14)*	≥ 1.3X	**2.1X**	2.2X
Unitholders' equity (in thousands)(1)(3)		≥ $2,000,000	**$6,287,662**	$6,163,101
Units classified as liabilities (in thousands)		N/A	**$191,832**	$211,497
Total Unitholders' equity including Units classified as liabilities (in thousands)		N/A	**$6,479,494**	$6,374,598

(1) This ratio is required by the Trust's indentures.
(2) This ratio is disclosed for informational purposes only.
(3) This ratio is a significant financial covenant pursuant to the terms of the Trust's revolving operating facilities and other credit facilities.
(4) This ratio is stipulated by the Declaration of Trust.
(5) As at June 30, 2023, cash-on-hand of $43.3 million (December 31, 2022 – $33.4 million) was excluded for the purposes of calculating the ratios.
(6) This ratio is calculated as: Adjusted EBITDA/Adjusted interest expense including capitalized interest. The calculation of Adjusted EBITDA and Adjusted interest expense including capitalized interest are referenced in the "Non-GAAP Measures" section.
(7) This ratio is calculated as: Adjusted EBITDA/Debt service expense. The calculation of Adjusted EBITDA is referenced in the "Non-GAAP Measures" section. Debt service expense is calculated as total interest expense as per the proportionate income statement, less distributions on vested deferred units and Units classified as liabilities and interest income from mortgages and loans receivable, plus capitalized interest and mortgage principal amortization payments.
(8) This ratio is calculated as: Net debt/Aggregate assets. Net debt is calculated as total debt including equity accounted investments as referenced in "Debt," less excess cash-on-hand. Aggregate assets is calculated as total assets as per the proportionate balance sheet, less excess cash-on-hand.
When calculating this ratio excluding TRS receivable and debt, Net debt as calculated above, further minus debt borrowed concurrent with entering the TRS agreement as referenced in "Debt". Aggregate assets as calculated above further minus TRS receivable.
(9) This ratio is calculated as: Net debt/Gross book value. Net debt is calculated as total debt including equity accounted investments as referenced in "Debt". less excess cash-on-hand. Gross book value is calculated as total assets as per the proportionate balance sheet, less excess cash-on-hand and fair value adjustment net of accumulated amortization.
(10) This ratio is calculated as: Net debt/Gross book value. Net debt is calculated as total debt including equity accounted investments as referenced in "Debt". less excess cash-on-hand. Gross book value is calculated as total assets as per the proportionate balance sheet, less excess cash-on-hand and fair value adjustment net of accumulated amortization.
(11) This ratio is calculated as: Adjusted Debt/Adjusted EBITDA. Adjusted debt is calculated as total debt including equity accounted investments as referenced in "Debt", less excess cash-on-hand and less loans receivable. The calculation of Adjusted EBITDA is referenced in the "Non-GAAP Measures" section.
(12) This ratio is calculated as: Secured debt including EAI/Aggregate assets. Secured debt is calculated as the Trust's secured debt plus secured debt on equity accounted investments as referenced in "Debt". Aggregate assets is calculated as total assets as per the proportionate balance sheet, less excess cash-on-hand.
(13) This ratio is calculated as: Unsecured debt including EAI/Secured debt including EAI. Unsecured debt is calculated as the Trust's unsecured debt plus unsecured debt on equity accounted investments as referenced in "Debt". Secured debt is calculated as the Trust's secured debt plus secured debt on equity accounted investments as referenced in "Debt".
(14) This ratio is calculated as: Unencumbered assets/Unsecured debt including EAI. Unencumbered assets is calculated as referenced in "Debt." Unsecured debt is calculated as the Trust's unsecured debt plus unsecured debt on equity accounted investments as referenced in "Debt".

Unitholders' Equity

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

Type	Class	June 30, 2023	December 31, 2022
Trust Units	N/A	**144,625,322**	144,625,322
Smart Limited Partnership	Class B	**16,424,430**	16,424,430
Smart Limited Partnership II	Class B	**756,525**	756,525
Smart Limited Partnership III(1)	Class B	**4,110,670**	4,062,801
Smart Limited Partnership IV	Class B	**3,112,565**	3,112,565
Smart Oshawa South Limited Partnership	Class B	**710,416**	710,416
Smart Oshawa Taunton Limited Partnership	Class B	**374,223**	374,223
Smart Boxgrove Limited Partnership	Class B	**170,000**	170,000
Total Units classified as equity		**170,284,151**	170,236,282
Smart Limited Partnership	Class D	**311,022**	311,022
Smart Limited Partnership	Class F	**8,708**	8,708
Smart Oshawa South Limited Partnership	Class D	**260,417**	260,417
ONR Limited Partnership	Class B	**1,248,140**	1,248,140
ONR Limited Partnership I	Class B	**272,183**	272,183
SmartVMC West Limited Partnership	Class D	**5,797,101**	5,797,101
Total Units classified as liabilities		**7,897,571**	7,897,571
Total Units		**178,181,722**	178,133,853

(1) The increase in number of Units relates to Units issued in connection with Earnout transactions completed during the six months ended June 30, 2023. See also Note 14, "Unit equity", in the Trust's unaudited interim condensed consolidated financial statements.

As of August 9, 2023, the Trust has 170,284,151 Units outstanding which are classified as equity, and 7,897,571 Units outstanding which are classified as liabilities. The following table is a summary of the activities having an impact on Unitholders' Equity:

(in thousands of dollars)	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Unitholders' Equity – beginning of period	**6,163,101**	5,841,315
Unit issuance costs	**—**	(250)
Issuance of LP Units classified as equity	**1,310**	1,279
Net income and comprehensive income	**280,763**	635,965
Distributions	**(157,512)**	(315,208)
Unitholders' Equity – end of period	**6,287,662**	6,163,101
LP Units classified as liabilities – beginning of period	**211,497**	254,223
Change in carrying value	**(19,665)**	(42,726)
LP Units classified as liabilities – end of period	**191,832**	211,497
Unitholders' Equity and LP Units classified as liabilities – end of period	**6,479,494**	6,374,598

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

For the six months ended June 30, 2023, the Trust paid $164.8 million in cash distributions (for the six months ended June 30, 2022 – $165.0 million in cash distributions). The following table summarizes declared distributions:

	Three Months Ended June 30		**Six Months Ended June 30**	
(in thousands of dollars)	**2023**	2022	**2023**	2022
Distributions declared on:				
Trust Units	**66,892**	66,892	**133,781**	133,781
LP Units	**11,865**	11,840	**23,731**	23,677
Other non-controlling interest	**—**	—	**—**	283
Distributions on Units classified as equity	**78,757**	78,732	**157,512**	157,741
Distributions on LP Units classified as liabilities – excluding SmartVMC West	**972**	972	**1,941**	1,941
Distributions on LP Units classified as liabilities – SmartVMC West	**2,681**	2,681	**5,362**	5,362
Distributions on LP Units classified as liabilities	**3,653**	3,653	**7,303**	7,303
Total distributions declared	**82,410**	82,385	**164,815**	165,044

Section VIII — Related Party Transactions

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

Transactions and Agreements with Penguin
a) Penguin's Ownership Interest and Voting Right
Pursuant to the Declaration of Trust, provided certain ownership thresholds are met, the Trust is required to issue such number of additional Special Voting Units to Penguin that will entitle Penguin to cast 25.0% of the aggregate votes eligible to be cast at a meeting of the Unitholders and Special Voting Unitholders ("Voting Top-Up Right"). As at June 30, 2023, there were 9,697,522 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 discussion, see the Trust's management information circular dated November 6, 2020, filed on SEDAR+.

As at June 30, 2023, Penguin owned 20.9% of the aggregate issued and outstanding Trust Units in addition to the Special Voting Units previously noted above. Penguin's ownership of Trust Units would increase to 24.7% if Penguin exercised all remaining options to purchase Units pursuant to existing development and exchange agreements (Earnouts). In addition, the Trust has entered into property management, leasing, development and exchange, and co-ownership agreements with Penguin. Pursuant to its rights under the Declaration of Trust, as at June 30, 2023, Penguin has appointed two of the eight trustees on the Board of Trustees.

b) Agreements with Penguin entered into on November 6, 2020
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 discussion, see below and the Trust's management information circular dated November 6, 2020, filed on SEDAR+.

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

i) 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,
ii) 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,

iii) 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,
iv) 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
v) 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 $1.0 million (subject to inflation-related increments after 2018) and ii) an annual variable fee between $1.5 million and $3.5 million (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 ("Mezzanine Loan Agreements")
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" in the Trust's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023). The Trust's purchase option periods have been extended and because these properties may now be subject to mixed-use development projects, the agreements provide that the parties establish a new framework for the purchase options for the Trust related to mixed-use development.

Non-Competition Agreement
A non-competition agreement with Penguin entered into in 2020 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 DUP and the EIP (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 (ranging from $26.00 to $34.00). The performance period for this award granted under the EIP is from January 1, 2021 to December 31, 2027. The vesting period for these performance units will commence on the date that the applicable performance measure is achieved, and will end on the earlier of the third anniversary of the date that the applicable performance measure 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 20, "Related party transactions", in the Trust's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023). Under the award granted to Mitchell Goldhar, the $26.00 Unit price threshold was achieved on April 5, 2021, and the $28.00 Unit price threshold was achieved on May 18, 2021, and under the awards 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 award granted to Mitchell Goldhar:

(in thousands of dollars)	**Six Months Ended June 30, 2023**	Year Ended December 31, 2022
Balance – beginning of period	**13,380**	8,500
Amortization costs capitalized to properties under development(1)	**2,645**	5,182
Fair value adjustment to financial instruments	**(1,422)**	(302)
Balance – end of period	**14,603**	13,380

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

c) Summary of transactions and balances with Penguin

Related party transactions and balances are also disclosed elsewhere in the Trust's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023, 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 June 30		**Six Months Ended June 30**	
(in thousands of dollars)	**2023**	2022	**2023**	2022
Related party transactions with Penguin				
Acquisitions and Earnouts:				
Earnouts	**1,993**	—	**7,657**	7,363
Revenues:				
Service and other revenues:				
Management fee and other services revenue pursuant to the Development Services Agreement	**2,128**	662	**5,756**	1,234
Supplement to the Development Services Agreement fees – time billings	**—**	1,274	**—**	2,548
Support services	**397**	266	**695**	532
	2,525	2,202	**6,451**	4,314
Interest income from mortgages and loans receivable	**1,302**	2,020	**2,625**	3,673
Rents and operating cost recoveries included in rentals from income properties (includes rental income from Penguin Pick-Up of $84 (three months ended June 30, 2022 – $74))	**781**	254	**1,552**	366
	4,608	4,476	**10,628**	8,353
Expenses and other payments:				
Fees paid pursuant to the Penguin Services Agreement – capitalized to properties under development	**1,949**	1,819	**3,290**	3,642
EIP – capitalized to properties under development	**1,298**	1,172	**2,645**	2,559
Development fees and interest expense – capitalized to investment properties	**27**	—	**68**	—
Opportunity fees pursuant to the development management agreements – capitalized to properties under development(1)	**15**	15	**30**	30
Marketing and other costs – included in general and administrative expense and property operating costs	**17**	1	**36**	1
Disposition fees pursuant to the Development and Services Agreement – included in general and administrative expense	**79**	—	**497**	48
	3,385	3,007	**6,566**	6,280

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

(in thousands of dollars)	**June 30, 2023**	December 31, 2022
Related party balances with Penguin disclosed elsewhere in the financial statements		
Receivables:		
Amounts receivable and other(1)	**14,253**	18,734
Mortgages receivable	**24,818**	39,456
Loans receivable	**82,412**	100,280
Notes receivable	**2,924**	2,924
Total receivables	**124,407**	161,394
Payables and other accruals:		
Accounts payable and accrued liabilities	**2,130**	3,504
Future land development obligations	**17,857**	17,646
Total payables and other accruals	**19,987**	21,150

(1) Excludes amounts receivable presented below as part of balances with equity accounted investments. This amount includes amounts receivable of $6.7 million and other of $7.5 million (December 31, 2022 – amounts receivable of $11.9 million and other of $6.8 million).

Transactions and Agreements with the Trust's equity accounted investments

a) Supplemental Development Fee Agreements

In accordance with the Supplemental Development Fee Agreements, the Trust invoiced PCVP and certain joint ventures a net amount related to associated development fees. See Note 5, "Equity accounted investments", in the Trust's unaudited interim condensed consolidated financial statements.

b) Loans receivable issued

A loan receivable was provided to PCVP pursuant to a loan agreement. "PCVP" is a partnership in which each of SmartCentres and a Penguin group company owns a 50% interest. Loans receivable were issued to certain joint ventures partnered with SmartStop pursuant to a master credit loan agreement. See Note 6(b) in the Trust's unaudited interim condensed consolidated financial statements.

c) Other unsecured debt

Other unsecured debt pertains to loans received from equity accounted investments in connection with either the 700 Applewood purchase or contribution agreements relating to joint ventures. See Note 10(b)(iv) in the Trust's unaudited interim condensed consolidated financial statements.

d) Summary of transactions and balances with the Trust's equity accounted investments

The following table summarizes related party transactions and balances with PCVP:

	Three Months Ended June 30		**Six Months Ended June 30**	
(in thousands of dollars)	**2023**	2022	**2023**	2022
Related party transactions with PCVP				
Revenues:				
Supplemental Development Fee	**1,484**	1,097	**6,228**	2,174
Interest income from mortgages and loans receivable	**765**	327	**1,368**	649
Expenses and other payments:				
Rent and operating costs (included in general and administrative expense and property operating costs)	**674**	740	**1,375**	1,344

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

(in thousands of dollars)	**June 30, 2023**	December 31, 2022
Related party balances disclosed elsewhere in the financial statements		
Amounts receivable(1)	**7,062**	616
Loans receivable(2)	**171,108**	164,628
Other unsecured debt(3)	**131,807**	141,131

(1) Amounts receivable includes Penguin's portion, which represents $0.2 million (December 31, 2022 – $0.03 million) relating to Penguin's 50% investment in the PCVP and 50% in Residences (One) LP.
(2) Loans receivable includes Penguin's portion, which represents $25.0 million (December 31, 2022 – $24.3 million) relating to Penguin's 50% investment in PCVP.
(3) Other unsecured debt does not consist of Penguin's portion as at June 30, 2023 (December 31, 2022 – $0.2 million relating to Penguin's 25% investment in Residences LP).

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

	Three Months Ended June 30		Six Months Ended June 30	
(in thousands of dollars)	**2023**	2022	**2023**	2022
Legal fees incurred from a law firm in which a partner is a Trustee:				
Capitalized to investment properties	**319**	539	**554**	1,122
Included in general and administrative expense	**148**	121	**620**	685
	467	660	**1,174**	1,807

Section IX — Accounting Policies, Risk Management and Compliance

Significant Accounting Estimates and Policies

In preparing the Trust's unaudited interim condensed consolidated financial statements and accompanying notes, it is necessary for management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the period. The significant items requiring estimates are discussed in the Trust's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023, and the Notes contained therein.

The Trust's MD&A for the year ended December 31, 2022 also contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the audited consolidated financial statements for the year ended December 31, 2022. Management determined that as at June 30, 2023, there is no change to the assessment of significant accounting policies most affected by estimates and judgments described in the Trust's MD&A for the year ended December 31, 2022, except as noted below:

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.

Risks and Uncertainties

The ability of the Trust to meet its performance targets is dependent on its success in mitigating the various forms of risks that it has identified. For a comprehensive list of risks and uncertainties pertinent to the Trust, please see the risk factors disclosed in the AIF under the headings "Risk Factors" and the Trust's MD&A for the year ended December 31, 2022 under the heading "Risks and Uncertainties".

Income Taxes and the REIT Exception

In accordance with the Declaration of Trust, distributions to Unitholders are declared at the discretion of the Board of Trustees. The Trust endeavours to distribute to Unitholders, in cash or in Units, in each taxation year its taxable income to such an extent that the Trust will not be liable to income tax under Part I of the *Income Tax Act* (Canada) (the "Tax Act"). For specified investment flow-through trusts (each a "SIFT"), the Tax Act imposes a special taxation regime (the "SIFT Rules"). A SIFT includes a trust resident in Canada with publicly traded units that holds one or more "non-portfolio properties". "Non-portfolio properties" include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada. Under the SIFT Rules, a SIFT is subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (as defined in the Tax Act), at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income. The SIFT Rules are not applicable to a SIFT that meets certain specified criteria relating to the nature of its revenues and investments in order to qualify as a real estate investment trust for purposes of the Tax Act (the "REIT Exception"). The Trust qualifies for the REIT Exception as at June 30, 2023.

Environmental, Social and Governance ("ESG")

The Trust reviews and analyzes environmental, social and governance initiatives of all levels of government and industry associations and has piloted and adopted various energy efficiency and sustainability practices. In addition, the Board of Trustees established a sub-committee of its audit committee to focus on ESG issues. The Trust has published its 2022 ESG report, which can be found on the Trust's website (www.smartcentres.com). The information on SmartCentres' website does not form part of this MD&A.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

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

No changes were made to the Trust's internal controls over financial reporting during the three and six months ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

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

Section X — Glossary of Terms

Term	Definition
Anchors or Anchor tenants	Anchors or Anchor tenants are defined as tenants within a retail or office property with gross leasable area greater than 30,000 square feet.
CAM	Defined as common area maintenance expenses.
ECL	Refers to expected credit losses.
Exchangeable Securities	Exchangeable Securities are securities issued by the limited partnership subsidiaries of the Trust that are convertible or exchangeable directly for Units without the payment of additional consideration, including Class B Smart Limited Partnership Units ("Class B Smart LP Units") and Units classified as liabilities. Such Exchangeable Securities are economically equivalent to Units as they are entitled to distributions equal to those on the Units and are exchangeable for Units on a one-for-one basis. The issue of a Class B Smart LP Unit and Units classified as liabilities is accompanied by a Special Voting Unit that entitles the holder to vote at meetings of Unitholders.
Net Asset Value ("NAV")	NAV represents the total assets less total liabilities of the Trust.
Penguin	Penguin refers to entities controlled by Mitchell Goldhar, a Trustee, Executive Chairman, Chief Executive Officer and significant Unitholder of the Trust.
Shadow Anchor	A Shadow Anchor is a store or business that satisfies the criteria for an Anchor tenant, but may be located at an adjoining property or on a portion.
Total Return Swap ("TRS")	A contractual agreement to exchange payments based on a specified notional amount and the underlying financial assets for a specific period. The Trust has a total return swap agreement with a Canadian financial institution to exchange returns based on a notional amount of up to 6.5 million Trust Units with a notional value of approximately $156.0 million for a 48-month period, which, subject to certain conditions, may be unwound prior to its maturity, either in whole or in part.
Voting Top-Up Right	Mitchell Goldhar (either directly or indirectly through Penguin) is entitled to have a minimum of 25.0% of the votes eligible to be cast at any meeting of Unitholders provided certain ownership thresholds are met. Pursuant to the Voting Top-Up Right, the Trust may issue additional Special Voting Units of the Trust to Mitchell Goldhar and/or Penguin to increase his voting rights to 25.0% in advance of a meeting of Unitholders. The total number of Special Voting Units is adjusted for each meeting of the Unitholders based on changes in Mitchell Goldhar's, and Penguin's, ownership interest. At the Trust's annual meeting of Unitholders in December 2020, Unitholders approved an extension of the Voting Top-Up Right to December 31, 2025.

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

As at	Note	**June 30, 2023**	December 31, 2022
Assets			
Non-current assets			
Investment properties	4	**10,336,527**	10,208,071
Equity accounted investments	5	**709,165**	680,999
Mortgages, loans and notes receivable	6	**89,212**	238,099
Other financial assets	7	**167,426**	171,807
Other assets	8	**86,790**	83,230
Intangible assets		**43,142**	43,807
		11,432,262	11,426,013
Current assets			
Assets held for sale	4	**—**	42,321
Residential development inventory		**43,027**	40,373
Current portion of mortgages, loans and notes receivable	6	**207,147**	86,593
Amounts receivable and other	9	**62,105**	57,124
Prepaid expenses, deposits and deferred financing costs	9	**43,929**	14,474
Cash and cash equivalents	19	**44,792**	35,255
		401,000	276,140
Total assets		**11,833,262**	11,702,153
Liabilities			
Non-current liabilities			
Debt	10	**4,645,753**	4,523,987
Other financial liabilities	11	**260,407**	277,400
Other payables	12	**17,546**	17,265
		4,923,706	4,818,652
Current liabilities			
Current portion of debt	10	**364,578**	459,278
Accounts payable and current portion of other payables	12	**257,316**	261,122
		621,894	720,400
Total liabilities		**5,545,600**	5,539,052
Equity			
Trust Unit equity		**5,220,146**	5,126,197
Non-controlling interests		**1,067,516**	1,036,904
		6,287,662	6,163,101
Total liabilities and equity		**11,833,262**	11,702,153

Commitments and contingencies (Note 24)

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

Approved by the Board of Trustees.

Michael Young
Trustee

Garry Foster
Trustee

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

		Three Months Ended June 30		Six Months Ended June 30	
	Note	**2023**	2022	**2023**	2022
Net rental income and other					
Rentals from investment properties and other	16	**206,950**	198,585	**417,544**	401,413
Property operating costs and other	17	**(77,063)**	(73,332)	**(162,836)**	(155,441)
Net rental income and other		**129,887**	125,253	**254,708**	245,972
Other income and expenses					
General and administrative expense, net	18	**(9,313)**	(7,916)	**(18,067)**	(14,783)
Earnings from equity accounted investments	5	**13,438**	3,785	**22,881**	3,211
Fair value adjustment on investment properties	4	**34,435**	9,669	**63,601**	281,014
Gain (loss) on sale of investment properties		**(45)**	18	**(23)**	(104)
Interest expense	10(d)	**(40,155)**	(33,852)	**(79,662)**	(69,185)
Interest income		**5,172**	3,866	**10,000**	6,826
Fair value adjustment on financial instruments	7, 11	**34,483**	61,497	**27,325**	79,479
Acquisition-related costs		**—**	(323)	**—**	(323)
Net income and comprehensive income		**167,902**	161,997	**280,763**	532,107
Net income and comprehensive income attributable to:					
Trust Units		**136,200**	131,444	**227,730**	431,896
Non-controlling interests		**31,702**	30,553	**53,033**	100,211
		167,902	161,997	**280,763**	532,107

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)

	Note	Three Months Ended June 30		Six Months Ended June 30	
		2023	2022	**2023**	2022
Cash provided by (used in)					
Operating activities					
Net income and comprehensive income		**167,902**	161,997	**280,763**	532,107
Items not affecting cash and other items	19	**(43,461)**	(42,593)	**(36,391)**	(296,690)
Cash interest paid	10(d)	**(49,687)**	(43,034)	**(73,599)**	(61,175)
Interest received		**3,502**	2,294	**5,838**	6,093
Distributions from equity accounted investments	5	**1,125**	1,533	**3,215**	1,959
Expenditures on direct leasing costs and tenant incentives		**(3,883)**	(1,922)	**(6,953)**	(4,361)
Expenditures on tenant incentives for properties under development		**(1,381)**	(596)	**(2,237)**	(2,276)
Changes in other non-cash operating items	19	**(12,795)**	(33,709)	**(27,383)**	(28,868)
Cash flows provided by operating activities		**61,322**	43,970	**143,253**	146,789
Financing activities					
Proceeds from issuance of unsecured debentures, net of issuance costs	10(b)	**298,950**	—	**298,950**	—
Proceeds from secured debt		**667**	—	**2,267**	—
Proceeds from unsecured debt		**9,259**	20,000	**9,259**	360,000
Proceeds from revolving operating facilities		**63,000**	125,000	**93,000**	250,000
Repayment of unsecured debentures	10(b)	**(200,000)**	—	**(200,000)**	—
Repayments of secured debt		**(59,132)**	(22,950)	**(78,591)**	(182,790)
Repayments of unsecured debt		**(2,270)**	(2,325)	**(20,347)**	(23,450)
Repayments of revolving operating facility		**(58,832)**	—	**(80,832)**	(165,000)
Distributions paid on Trust Units		**(66,892)**	(66,892)	**(133,781)**	(133,781)
Distributions paid on non-controlling interests and Units classified as liabilities		**(15,518)**	(15,493)	**(31,034)**	(31,295)
Payment of lease liability		**922**	(506)	**(955)**	(941)
Cash flows (used in) provided by financing activities		**(29,846)**	36,834	**(142,064)**	72,743
Investing activities					
Acquisitions and Earnouts of investment properties	3	**(349)**	(23,437)	**(2,420)**	(125,760)
Additions to investment properties		**(36,845)**	(30,652)	**(63,509)**	(50,095)
Additions to equity accounted investments		**(7,808)**	(3,612)	**(7,697)**	(17,133)
Additions to equipment	8	**(494)**	(196)	**(601)**	(283)
Decrease in cash held as collateral		**—**	(50,235)	**—**	(50,332)
Advances of mortgages and loans receivable		**(863)**	(14,655)	**(3,334)**	(36,918)
Repayments of mortgages and loans receivable		**25,230**	4,696	**36,980**	8,675
Net proceeds from sale of investment properties		**1,807**	18,365	**48,929**	24,765
Cash flows (used in) provided by investing activities		**(19,322)**	(99,726)	**8,348**	(247,081)
Increase (decrease) in cash and cash equivalents during the period		**12,154**	(18,922)	**9,537**	(27,549)
Cash and cash equivalents – beginning of period		**32,638**	53,608	**35,255**	62,235
Cash and cash equivalents – end of period		**44,792**	34,686	**44,792**	34,686
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
(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	**—**	**—**	**—**	**1,310**	**—**	**1,310**	**—**	**1,310**
Net income and comprehensive income		**—**	**227,730**	**227,730**	**—**	**52,819**	**52,819**	**214**	**280,763**
Distributions	15	**—**	**(133,781)**	**(133,781)**	**—**	**(23,731)**	**(23,731)**	**—**	**(157,512)**
Equity – June 30, 2023		**3,090,118**	**2,130,028**	**5,220,146**	**644,533**	**419,209**	**1,063,742**	**3,774**	**6,287,662**
Equity – January 1, 2022		3,090,368	1,787,593	4,877,961	641,944	317,965	959,909	3,445	5,841,315
Issuance of Units	14	—	—	—	964	—	964	—	964
Unit issuance costs	14	(250)	—	(250)	—	—	—	—	(250)
Net income and comprehensive income		—	431,896	431,896	—	100,013	100,013	198	532,107
Distributions	15	—	(133,781)	(133,781)	—	(23,677)	(23,677)	(283)	(157,741)
Equity – June 30, 2022		3,090,118	2,085,708	5,175,826	642,908	394,301	1,037,209	3,360	6,216,395

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

SMARTCENTRES REAL ESTATE INVESTMENT TRUST
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2023 and June 30, 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 August 9, 2023. The Board of Trustees has the power to amend the unaudited interim condensed consolidated financial statements after issue.

As at June 30, 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 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 year ended December 31, 2022.

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 year ended December 31, 2022, except as noted below:

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.

3. Acquisitions and Earnouts

Earnouts completed during the six months ended June 30, 2023

During the six months ended June 30, 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 10,577 square feet of retail space and one parcel of land.

The following table summarizes the consideration for Earnouts completed for the six months ended June 30, 2023:

	Note	**Total**
Cash		**2,420**
LP Units issued	4(d)(ii)	**1,310**
Adjustments for other working capital amounts		**3,927**
		7,657

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

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

	Note	Acquisitions	Earnouts	Total
Cash		119,356	6,404	125,760
LP Units issued	4(d)(ii)	—	964	964
Adjustments for other working capital amounts		2,013	(5)	2,008
		121,369	7,363	128,732

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

4. Investment properties

The following table summarizes the activities in investment properties:

		Six Months Ended June 30, 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)	**1,220**	**—**	**1,220**	1,401	—	1,401
Transfer to income properties from properties under development		**47,395**	**(47,395)**	**—**	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		**8,394**	**—**	**8,394**	19,912	—	19,912
Deferred leasing costs		**1,246**	**—**	**1,246**	1,589	—	1,589
Development expenditures		**—**	**36,677**	**36,677**	—	79,373	79,373
Capitalized interest	10(d)	**—**	**21,514**	**21,514**	—	35,036	35,036
Dispositions	4(b)	**—**	**(48,952)**	**(48,952)**	(777)	(40,726)	(41,503)
Fair value adjustment on investment properties		**32,315**	**31,286**	**63,601**	(54,122)	255,956	201,834
Balance – end of period		**8,585,363**	**1,751,164**	**10,336,527**	8,496,893	1,753,499	10,250,392
Investment properties		**8,585,363**	**1,751,164**	**10,336,527**	8,496,893	1,711,178	10,208,071
Investment properties classified as held for sale		**—**	**—**	**—**	—	42,321	42,321
		8,585,363	**1,751,164**	**10,336,527**	8,496,893	1,753,499	10,250,392

The historical costs of both income properties and properties under development as at June 30, 2023 totalled $6,821,661 and $1,303,626, respectively (December 31, 2022 – $6,765,293 and $1,338,313, respectively).

Secured debt with a carrying value of $894,350 (December 31, 2022 – $969,054) is secured by investment properties with a fair value of $2,505,493 (December 31, 2022 – $2,807,896).

Presented separately from investment properties is $82,712 (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:

		June 30, 2023			
		Terminal Capitalization Rate		**Discount Rate**	
Valuation Method	**Carrying Value**	**Weighted Average (%)**	**Range (%)**	**Weighted Average (%)**	**Range (%)**
Income properties					
Discounted cash flow	**8,585,363**	**5.93**	**4.20 – 7.55**	**6.45**	**4.60 – 8.05**
Properties under development					
Land, development and construction costs recorded at market value	**1,626,323**	**N/A**	**N/A**	**N/A**	**N/A**
Discounted cash flow	**124,841**	**6.04**	**5.20 – 7.40**	**6.64**	**5.70 – 7.90**
	1,751,164				
Total	**10,336,527**				

		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	1,834,800	829,300	395,700	(364,000)	(697,700)	(1,291,700)
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	(861,800)	(430,200)	(215,600)	214,700	430,400	860,400

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	28,500	13,000	6,200	(5,900)	(10,800)	(20,200)
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	(10,700)	(5,400)	(2,500)	2,800	5,400	11,100

b) Dispositions

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

c) Leasehold property interests

At June 30, 2023, 16 (December 31, 2022 – 16) investment properties with a fair value of $973,822 (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 $2,460 (December 31, 2022 – $2,350), net of imputed interest at 9.18% of $7,540 (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 $6,021 (December 31, 2022 – $6,061), net of imputed interest at 6.25% of $167 (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	**June 30, 2023**	December 31, 2022
Properties under development not subject to development management agreements i)	**1,691,090**	1,698,652
Properties under development subject to development management agreements ii)	**60,074**	54,847
	1,751,164	1,753,499
Less: Properties under development classified as held for sale	**—**	42,321
	1,751,164	1,711,178

i) Properties under development not subject to development management agreements

During the six months ended June 30, 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 have been reclassified from properties under development to income properties.

For the three months ended June 30, 2023, the Trust incurred land and development costs of $36,443 (three months ended June 30, 2022 – $4,383). For the six months ended June 30, 2023, the Trust incurred land and development costs of $43,132 (six months ended June 30, 2022 – $24,293).

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 June 30		**Six Months Ended June 30**	
Unit Type	Class and Series	**2023**	2022	**2023**	2022
Smart Limited Partnership III	Class B Series 6	**128**	—	**1,310**	392
Smart Limited Partnership IV	Class B Series 1	**—**	—	**—**	572
		128	—	**1,310**	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 June 30		**Six Months Ended June 30**	
	2023	2022	**2023**	2022
Development costs incurred	**1,786**	—	**4,263**	6,735
Earnout Fees paid	**466**	—	**1,220**	612
	2,252	—	**5,483**	7,347

5. Equity accounted investments

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

	Six Months Ended June 30, 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)	**21,745**	**1,136**	**22,881**	4,932	(733)	4,199
Distributions – VMC Residences condominium unit closings(1)	**(653)**	**—**	**(653)**	(24,322)	—	(24,322)
Distributions – operating activities	**(2,725)**	**(490)**	**(3,215)**	(4,550)	(234)	(4,784)
Financing Activities:						
Fair value adjustment on loan	**1,454**	**—**	**1,454**	3,690	—	3,690
Investing Activities:						
Cash contribution	**7,911**	**17,795**	**25,706**	23,154	32,982	56,136
Property contribution	**—**	**—**	**—**	—	25,000	25,000
Development distributions	**(18,007)**	**—**	**(18,007)**	(33,362)	—	(33,362)
Investment – end of period	**468,497**	**240,668**	**709,165**	458,772	222,227	680,999

(1) During the six months ended June 30, 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**	**June 30, 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 & 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 & 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 $71,082 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 six months ended June 30, 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	**June 30, 2023**			December 31, 2022		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Non-current assets	**1,377,625**	**—**	**1,377,625**	1,333,107	—	1,333,107
Current assets(1)	**14,974**	**318,272**	**333,246**	47,854	471,995	519,849
Total assets	**1,392,599**	**318,272**	**1,710,871**	1,380,961	471,995	1,852,956
Non-current liabilities(2)	**460,780**	**—**	**460,780**	416,283	—	416,283
Current liabilities	**99,823**	**162,929**	**262,752**	113,075	385,011	498,086
Total liabilities	**560,603**	**162,929**	**723,532**	529,358	385,011	914,369
Net assets	**831,996**	**155,343**	**987,339**	851,603	86,984	938,587
Trust's share of net assets before adjustments	**415,998**	**51,260**	**467,258**	425,802	31,565	457,367
Fair value adjustment on loan	**922**	**317**	**1,239**	1,003	402	1,405
Trust's share of net assets	**416,920**	**51,577**	**468,497**	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 property classified as held for sale was subsequently disposed in February 2023.
(2) Balance as at June 30, 2023 includes loan payable to the Trust of $49,900 (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 $11,981, of which the Trust's share is $5,587 (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 June 30, 2023			Three Months Ended June 30, 2022		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Revenue						
Rental revenue(1)	**9,008**	**—**	**9,008**	7,990	—	7,990
Residential sales revenue	**—**	**245,725**	**245,725**	—	17,178	17,178
Operating expense						
Rental operating costs	**(4,396)**	**—**	**(4,396)**	(3,463)	53	(3,410)
Residential cost of sales	**—**	**(198,998)**	**(198,998)**	—	(12,927)	(12,927)
Revenue net of operating expense	**4,612**	**46,727**	**51,339**	4,527	4,304	8,831
Fair value adjustment on investment properties	**(1,390)**	**—**	**(1,390)**	912	—	912
Interest (expense) income	**(2,391)**	**802**	**(1,589)**	(1,799)	66	(1,733)
Earnings	**831**	**47,529**	**48,360**	3,640	4,370	8,010
Trust's share of earnings before supplemental cost and additional profit sharing	**415**	**12,084**	**12,499**	1,821	966	2,787
Additional Trust's share of earnings(2)	**—**	**1,246**	**1,246**	—	234	234
Supplemental cost	**(742)**	**—**	**(742)**	(549)	—	(549)
Trust's share of earnings (losses)	**(327)**	**13,330**	**13,003**	1,272	1,200	2,472

(1) Includes office rental from the Trust in the amount of $674 for the three months ended June 30, 2023 (three months ended June 30, 2022 – $740).
(2) Additional profit allocated to the Trust for Transit City closing pursuant to the development agreement and limited partnership agreement.

	Six Months Ended June 30, 2023			Six Months Ended June 30, 2022		
	PCVP	**VMC Residences**	**Total**	PCVP	VMC Residences	Total
Revenue						
Rental revenue[1]	**17,808**	**—**	**17,808**	15,461	—	15,461
Residential sales revenue	**—**	**345,180**	**345,180**	—	17,198	17,198
Operating expense						
Rental operating costs	**(8,982)**	**—**	**(8,982)**	(6,672)	—	(6,672)
Residential cost of sales	**—**	**(279,425)**	**(279,425)**	—	(12,921)	(12,921)
Revenue net of operating expense	**8,826**	**65,755**	**74,581**	8,789	4,277	13,066
Fair value adjustment on investment properties	**8,393**	**—**	**8,393**	1,730	—	1,730
Interest (expense) income	**(4,662)**	**2,014**	**(2,648)**	(3,520)	78	(3,442)
Earnings	**12,557**	**67,769**	**80,326**	6,999	4,355	11,354
Trust's share of earnings before supplemental cost and additional profit sharing	**6,278**	**17,335**	**23,613**	3,500	951	4,451
Additional Trust's share of earnings[2]	**—**	**1,246**	**1,246**	—	234	234
Supplemental cost	**(3,114)**	**—**	**(3,114)**	(1,087)	—	(1,087)
Trust's share of earnings (losses)	**3,164**	**18,581**	**21,745**	2,413	1,185	3,598

(1) Includes office rental revenue from the Trust in the amount of $1,375 for the six months ended June 30, 2023 (six months ended June 30, 2022 – $1,344).
(2) Additional profit allocated to the Trust for Transit City closing pursuant to the development agreement and limited partnership agreement.

In accordance with the VMC Supplemental Development Fee Agreement, the Trust invoiced PCVP a net amount of $6,228 related to associated development fees for the six months ended June 30, 2023 (six months ended June 30, 2022 – $2,174).

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 June 30, 2023 and December 31, 2022, PCVP and VMC Residences had the following credit facilities available:

As at			**June 30, 2023**	December 31, 2022
(in thousands of dollars)	**Maturity**	**Annual Interest Rate (%)[1]**	**Facility Amount**	Facility Amount
Development facility amount	Between September 2023 and June 2027	From BA + 1.45 to BA + 1.60	**734,863**	755,140
Amount drawn on development credit facilities			**(353,100)**	(515,287)
Letters of credit – outstanding			**(33,589)**	(63,083)
Remaining unused development credit facilities			**348,174**	176,770
Trust's share of remaining unused development credit facilities			**106,272**	67,634

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

b) *Investment in joint ventures*

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

As at		**June 30, 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 six months ended June 30, 2023, the Trust contributed $1,542 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 six months ended June 30, 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	**June 30, 2023**	December 31, 2022
Non-current assets	**786,228**	729,104
Current assets	**17,277**	13,864
Total assets	**803,505**	742,968
Non-current liabilities	**310,665**	285,955
Current liabilities	**36,023**	36,683
Total liabilities	**346,688**	322,638
Net assets	**456,817**	420,330
Trust's share of net assets	**240,668**	222,227

The joint ventures listed above have entered into various development construction contracts with existing commitments totalling $47,552, of which the Trust's share is $23,581 (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 June 30		Six Months Ended June 30	
	2023	2022	**2023**	2022
Revenue	**8,043**	6,137	**15,070**	11,675
Operating expense	**(3,527)**	(2,560)	**(6,886)**	(5,502)
Revenue net of operating expense	**4,516**	3,577	**8,184**	6,173
Fair value adjustment on investment properties	**1,658**	557	**4,898**	739
Interest expense	**(3,755)**	(1,631)	**(7,233)**	(2,860)
Earnings	**2,419**	2,503	**5,849**	4,052
Trust's share of earnings before supplemental cost	**486**	1,369	**1,540**	1,793
Supplemental cost	**(51)**	(55)	**(404)**	(2,180)
Trust's share of earnings (losses)	**435**	1,314	**1,136**	(387)

In accordance with the Supplemental Development and Construction Fee Agreements, the Trust invoiced certain investments in joint ventures for a net amount of $808 related to associated supplemental development fees for the six months ended June 30, 2023 (six months ended June 30, 2022 – $4,360).

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 June 30, 2023 and December 31, 2022, the Trust's joint ventures had the following credit facilities:

As at			**June 30, 2023**	December 31, 2022
(in thousands of dollars)	**Maturity**	**Annual Interest Rate (%)[1]**	**Facility Amount**	Facility Amount
Development Facility Amount	Between December 2023 and August 2025	From BA + 1.50 to BA + 2.20	**251,722**	251,722
Amount drawn on development credit facilities			**(216,713)**	(181,610)
Letters of credit – outstanding			**(1,903)**	(1,648)
Remaining unused development credit facilities			**33,106**	68,464
Trust's share of remaining unused development credit facilities			**18,783**	40,234

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

6. Mortgages, loans and notes receivable

The following table summarizes mortgages, loans and notes receivable:

As at	Note	June 30, 2023	December 31, 2022
Mortgages receivable (a)	20	**24,818**	39,456
Loans receivable (b)		**268,617**	282,312
Notes receivable (c)	20	**2,924**	2,924
		296,359	324,692
Current		**207,147**	86,593
Non-current		**89,212**	238,099
		296,359	324,692

a) Mortgages receivable of $24,818 (December 31, 2022 – $39,456) are provided pursuant to agreements with Penguin. 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 $174,782 (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)	June 30, 2023	December 31, 2022
Pitt Meadows, BC(4)	70,653	November 2023	August 2028	6.90	50	**19,396**	23,594
Toronto (StudioCentre), ON(3)(4)	28,286	August 2028	N/A	6.90	25	**5,422**	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	**—**	—
	174,782			**6.90**		**24,818**	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 BA 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 June 30, 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 BA 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 BA rate plus 4.00% to 5.00%. Additional interest of $96,366 (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	June 30, 2023	December 31, 2022
Penguin[(1)]	12,493	December 2023	Variable	20	**7,621**	7,389
Penguin[(2)]	26,227	March 2024	6.21 %	20	**13,321**	13,266
Penguin[(3)]	N/A	December 2029	Interest-free	10(b)(iv), 20	**54,237**	62,986
Penguin[(4)]	18,450	August 2030	Variable	20	**7,233**	16,638
Total loans issued to Penguin					**82,412**	100,279
PCVP[(5)]	N/A	March 2024	6.21 %	20	**49,900**	48,532
Self-storage facilities[(6)]	120,700	May 2024	Variable	20	**121,208**	116,096
Total loans issued to equity accounted investments					**171,108**	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
					268,617	282,312

(1) Pursuant to a development management agreement with Penguin, 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) 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) The loan has a principal amount outstanding of $71,082, is non-interest-bearing, and is repayable at the end of 10 years. As at June 30, 2023, the loan balance of $54,237 is net of a cumulative fair value adjustment totalling $16,845.
(4) The loan bears interest at: i) the BA rate plus 220 basis points, up to 60% of the facility limit, and ii) the BA rate plus 370 basis points, for the remainder.
(5) 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.
(6) 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 bears interest at a variable rate based on the BA rate plus 245 basis points.
(7) The loan was fully repaid in January 2023.
(8) The loan agreement in connection with the acquisition of a 50% interest in development lands in Barrie, Ontario, 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.
(9) The loan agreement to fund the acquisition of Greenwin's 25% interest in development lands in Toronto, Ontario, includes security of a first charge on the development lands and is guaranteed by Greenwin, 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.
(10) 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.

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. As at June 30, 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 measurement".

7. Other financial assets

The following table summarizes the components of other financial assets:

As at	**June 30, 2023**	December 31, 2022
Total return swap receivable (a)	**124,739**	137,526
Interest rate swap agreements	**42,687**	34,281
	167,426	171,807

a) Total return swap receivable

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

	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Balance – beginning of period	**137,526**	46,869
Additions	**—**	101,041
Distributions received	**(4,750)**	(5,466)
Fair value adjustments	**(8,037)**	(4,918)
Balance – end of period	**124,739**	137,526

8. Other assets

The following table summarizes the activity in other assets:

	December 31, 2022	**Additions**	**Write-offs**	**Amortization and other adjustments**	**June 30, 2023**
Straight-line rents receivable	44,061	**4,007**	**(35)**	**(4,124)**	**43,909**
Tenant incentives	34,759	**7,944**	**—**	**(3,900)**	**38,803**
	78,820	**11,951**	**(35)**	**(8,024)**	**82,712**
Equipment	2,335	**601**	**—**	**(240)**	**2,696**
Right-of-use assets	2,075	**245**	—	**(938)**	**1,382**
	83,230	**12,797**	**(35)**	**(9,202)**	**86,790**

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

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

As at	**June 30, 2023**	December 31, 2022
Amounts receivable and other		
Tenant receivables	**25,742**	26,735
Unbilled other tenant receivables	**13,666**	11,100
Receivables from related party – excluding equity accounted investments	**6,737**	11,899
Receivables from related party – equity accounted investments	**7,062**	616
Other non-tenant receivables	**3,162**	1,954
Other(1)	**13,496**	13,591
	69,865	65,895
Allowance for ECL	**(7,760)**	(8,771)
Amounts receivable and other, net of allowance for ECL	**62,105**	57,124
Prepaid expenses, deposits and deferred financing costs(2)	**43,929**	14,474
	106,034	71,598

(1) The amount includes a related party amount of $7,516 (December 31, 2022 – $6,835).
(2) Includes prepaid realty tax of $31,831 (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:

	Six Months Ended June 30	
	2023	2022
Balance – beginning of period	**8,771**	18,954
Net allowance	**(1,011)**	(7,772)
Balance – end of period	**7,760**	11,182

10. Debt

The following table presents debt balances:

As at	**June 30, 2023**	December 31, 2022
Secured debt (a)	**894,350**	969,054
Unsecured debt (b)	**4,022,981**	3,932,928
Revolving operating facilities (c)	**93,000**	81,283
	5,010,331	4,983,265
Current	**364,578**	459,278
Non-current	**4,645,753**	4,523,987
	5,010,331	4,983,265

a) Secured debt

As at June 30, 2023, the secured debt balance of $894,350 (December 31, 2022 – $969,054) bears a weighted average interest rate of 3.94% (December 31, 2022 – 3.91%), and comprises $871,950 (December 31, 2022 – $948,921) at fixed interest rates, and $22,400 (December 31, 2022 – $20,133) bears variable interest rate of BA plus 170 basis points. The secured debt maturing 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	**June 30, 2023**	December 31, 2022
Unsecured debentures i)	**2,751,959**	2,652,327
Credit facilities ii)	**995,983**	996,238
TRS debt iii)	**143,232**	143,232
Other unsecured debt iv)	**131,807**	141,131
	4,022,981	3,932,928

i) Unsecured debentures

As at June 30, 2023, unsecured debentures totalled $2,751,959 (December 31, 2022 – $2,652,327). Unsecured debentures mature at various dates between 2023 and 2030, with interest rates ranging from 1.74% to 5.35%, and a weighted average interest rate of 3.35% as at June 30, 2023 (December 31, 2022 – 3.17%).

Unsecured debenture activities for the six months ended June 30, 2023

In May 2023, the Trust issued $300,000 of 5.354% Series Z senior unsecured debentures (net proceeds of the issuance in aggregate after issuance costs – $298,950). The Series Z debentures will mature on May 29, 2028. The debentures have semi-annual payments due on May 29 and November 29 of each year, commencing on November 29, 2023. Concurrently, the Trust repaid the $200,000 aggregate principal of Series I senior unsecured debentures in full upon their maturity.

Credit rating of unsecured debentures

Dominion Bond Rating Services ("DBRS") provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfil its obligations. An investment-grade rating must exceed "BB", with the highest rating being "AAA". In May 2023, DBRS adjusted the Trust's credit rating to BBB and upgraded its outlook to stable.

ii) Credit facilities

The following table summarizes the activity for unsecured credit facilities:

(Issued In)	**Initial Maturity Date**	**Annual Interest Rate (%)**	**Facility Amount**	**June 30, 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	3.770	150,000	**150,000**	150,000
May 2019[(1)]	June 24, 2026	3.146	170,000	**170,000**	170,000
January 2022	January 19, 2027	BA + 1.45	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	4.875	100,000	**100,000**	100,000
December 2022	December 20, 2025	SOFR + 1.60	100,000	**99,598**	100,000
Revolving:					
May 2020	May 11, 2024	BA + 1.45	100,000	**—**	—
				999,598	1,000,000
	Less:				
	Unamortized financing costs			**(1,655)**	(1,802)
	Unamortized debt modification adjustments			**(1,960)**	(1,960)
				995,983	996,238

(1) The Trust entered into interest rate swap agreements to convert the variable interest rate into a weighted average fixed interest rate of 3.77% per annum. The weighted average term to maturity of the interest rate swaps is 2.96 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 June 30, 2023, TRS unsecured debt of $143,232 (December 31, 2022 – $143,232) carries variable interest of CDOR plus 120 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.

iv) Other unsecured debt

Other unsecured debt net of fair value adjustments totalling $131,807 (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	**June 30, 2023**	December 31, 2022
PCVP (5.00% discount rate)[(1)]	**56,081**	64,992
PCVP (5.75% discount rate)[(2)]	**54,237**	62,986
Vaughan NW RR PropCo LP	**12,231**	12,500
VMC Residences[(3)]	**9,258**	653
	131,807	141,131

(1) In connection with the 700 Applewood purchase in December 2019, the loan has a principal amount outstanding of $71,082 (December 31, 2022 – $81,448), is non-interest-bearing, and is repayable at the end of 10 years. As at June 30, 2023, the loan balance of $56,081 is net of the unamortized fair value adjustment totalling $15,001 (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 $71,082 (December 31, 2022 – $81,448), is non-interest-bearing, and is repayable at the end of 10 years. As at June 30, 2023, the loan balance of $54,237 is net of the unamortized fair value adjustment totalling $16,845 (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 closing, $9,258 was received and $653 was settled during the six months ended June 30, 2023 (year ended December 31, 2022 – $nil was received and $24,322 was settled). See Note 5, "Equity accounted investments."

c) *Revolving operating facilities*

As at June 30, 2023, the Trust had:

i) a $500,000 unsecured revolving operating facility bearing a variable interest rate based on either bank prime rate plus 45 basis points or BA plus 145 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 BA rate for Canadian dollar-denominated borrowings, and LIBOR rates or U.S. prime rates for U.S. dollar-denominated borrowings. Concurrently with the U.S. dollar draws, the Trust enters into cross currency swaps to exchange its U.S. dollar borrowings into Canadian dollar borrowings.

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

	Annual Interest Rate (%)	Facility Amount	Amount Drawn	Outstanding Letters of Credit	Remaining Undrawn Facilities	
					June 30, 2023	December 31, 2022
Revolving facility maturing March 2028	BA + 1.45	500,000	**93,000**	**15,343**	**391,657**	477,626
Revolving facility maturing February 2024[(1)]	US$ LIBOR + 1.45	150,000	**—**	**—**	**150,000**	75,717
			93,000		**541,657**	553,343

(1) The Trust has drawn $nil from this facility as at June 30, 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 June 30		Six Months Ended June 30	
	2023	2022	**2023**	2022
Interest at stated rates	**46,072**	38,900	**91,262**	76,629
Amortization of acquisition date fair value adjustments on assumed debt	**(85)**	(122)	**(174)**	(247)
Amortization of deferred financing costs	**921**	884	**1,834**	1,906
Distributions on Units classified as liabilities and vested deferred units	**4,512**	4,379	**8,952**	8,669
Adjustment on debt modification	**—**	(1,960)	**—**	(1,960)
	51,420	42,081	**101,874**	84,997
Capitalized to properties under development	**(10,893)**	(7,977)	**(21,514)**	(15,315)
Capitalized to residential development inventory	**(372)**	(252)	**(698)**	(497)
	40,155	33,852	**79,662**	69,185

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

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	**2023**	2022
Interest expense	**40,155**	33,852	**79,662**	69,185
Amortization of acquisition date fair value adjustments on assumed debt	**85**	122	**174**	247
Adjustment on debt modification	**—**	1,960	**—**	1,960
Amortization of deferred financing costs	**(921)**	(884)	**(1,834)**	(1,906)
Distributions on Units classified as liabilities and vested deferred units, net of amounts capitalized to properties under development	**(2,144)**	(4,379)	**(4,149)**	(8,669)
Change in accrued interest payable	**12,512**	12,363	**(254)**	358
Cash interest paid	**49,687**	43,034	**73,599**	61,175

For the six months ended June 30, 2023, total interest paid was $95,811 (six months ended June 30, 2022 – $76,987) which includes cash interest paid of $73,599 (six months ended June 30, 2022 – $61,175) and interest capitalized to both properties under development and residential development inventory of $22,212 (six months ended June 30, 2022 – $15,812).

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	**895,415**	165,073	151,032	411,340	98,121	5,473	64,376
Unsecured debt	**3,925,174**	12,231	111,181	889,598	570,000	850,000	1,492,164
Revolving operating facilities	**93,000**	93,000	—	—	—	—	—
Interest obligations(1)	**561,135**	104,217	116,491	101,190	83,352	67,273	88,612
Accounts payable	**256,225**	256,225	—	—	—	—	—
Other payable	**26,516**	7,072	311	9,133	—	—	10,000
	5,757,465	**637,818**	**379,015**	**1,411,261**	**751,473**	**922,746**	**1,655,152**
Mortgage receivable advances (repayments)(2)	**149,964**	517	1,130	(15,880)	1,034	378	162,785
Development obligations (commitments)	**15,303**	15,303	—	—	—	—	—
Total	**5,922,732**	**653,638**	**380,145**	**1,395,381**	**752,507**	**923,124**	**1,817,937**

(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 $24,818 at June 30, 2023, and further forecasted commitments of $149,964, 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	June 30, 2023	December 31, 2022
Units classified as liabilities (a)	**191,832**	211,497
Deferred unit plan (c)	**50,210**	48,402
LTIP (d)	**—**	580
EIP (e)	**17,999**	16,204
Currency swap agreement(1)	**366**	717
	260,407	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 measurement".

	Number of Units Issued and Outstanding (#)	Carrying Value ($)
Balance – January 1, 2023	**7,897,571**	**211,497**
Change in carrying value	**N/A**	**(19,665)**
Balance – June 30, 2023	**7,897,571**	**191,832**
Balance – January 1, 2022	7,897,571	254,223
Change in carrying value	N/A	(37,119)
Balance – June 30, 2022	7,897,571	217,104

b) Earnout options

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

The following table summarizes the number of Earnout options exercised and proceeds received during the six months ended June 30, 2023 and 2022:

		Six Months Ended June 30, 2023		Six Months Ended June 30, 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	**54,072**	**1,310**	121,426	392
Options to acquire Class B Smart LP IV Units[2]	Market price	**—**	**—**	21,785	572
		54,072	**1,310**	143,211	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	**75,344**	**63,979**	**11,365**
Vested	**—**	**60,458**	**(60,458)**
Redeemed for cash	**(9,723)**	**(9,723)**	**—**
Forfeited	**(5,664)**	**—**	**(5,664)**
Balance – June 30, 2023	**2,217,665**	**1,855,423**	**362,242**
Balance – January 1, 2022	1,667,421	1,397,141	270,280
Granted			
Trustees	44,970	44,970	—
Eligible associates	181,388	92,043	89,345
Reinvested units from distributions	56,407	47,129	9,278
Vested	—	47,566	(47,566)
Redeemed for cash	(82,637)	(82,637)	—
Forfeited	(8,969)	—	(8,969)
Balance – June 30, 2022	1,858,580	1,546,212	312,368

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

	Three Months Ended June 30		**Six Months Ended June 30**	
	2023	2022	**2023**	2022
Carrying value – beginning of period	**52,950**	54,265	**48,402**	50,660
Deferred units granted for trustee fees	**—**	—	**677**	712
Deferred units granted for bonuses	**—**	1,486	**2,928**	2,900
Reinvested distributions on vested deferred units	**861**	729	**1,649**	1,405
Compensation expense – reinvested distributions and amortization	**1,054**	848	**1,879**	1,576
Redeemed for cash	**(50)**	(1,423)	**(267)**	(2,593)
Fair value adjustment – vested and unvested deferred units	**(4,605)**	(8,901)	**(5,058)**	(7,656)
Carrying value – end of period	**50,210**	47,004	**50,210**	47,004

d) LTIP

The following table summarizes the activities in the LTIP:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	**2023**	2022
Balance – beginning of period	**—**	722	**580**	697
Amortization	**—**	72	**3**	144
Fair value adjustment	**—**	(53)	**—**	(100)
LTIP vested and paid out	**—**	—	**(583)**	—
Balance – end of period	**—**	741	**—**	741

e) Equity Incentive Plan

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 specified in the participants' award notices. 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 June 30		Six Months Ended June 30	
Number of Units (#)	**2023**	2022	**2023**	2022
Balance – beginning of period(1) (2)	**1,413,521**	1,359,457	**1,370,540**	1,339,699
Granted	**50,000**	—	**69,000**	—
Reinvested units from distributions	**26,071**	21,051	**50,052**	40,809
Balance – end of period	**1,489,592**	1,380,508	**1,489,592**	1,380,508

(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 June 30		Six Months Ended June 30	
Carrying Value ($)	**2023**	2022	**2023**	2022
Balance – beginning of period	**18,359**	14,052	**16,204**	10,377
Amortization costs	**1,988**	1,739	**4,028**	3,936
Fair value adjustment	**(2,348)**	(2,672)	**(2,233)**	(1,194)
Balance – end of period	**17,999**	13,119	**17,999**	13,119

12. Accounts and other payables

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

As at	Note	**June 30, 2023**	December 31, 2022
Accounts payable		**78,855**	83,088
Accounts payable and accrued liabilities with Penguin	20	**2,130**	3,504
Tenant prepaid rent, deposits, and other payables		**103,138**	108,364
Residential sales deposits		**11,690**	11,690
Accrued interest payable		**14,348**	14,094
Distributions payable		**26,576**	26,569
Realty taxes payable		**10,390**	2,946
Current portion of other payables		**10,189**	10,867
		257,316	261,122

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

As at	Note	**June 30, 2023**	December 31, 2022
Future land development obligations with Penguin		**17,857**	17,646
Lease liability – investment properties[1]	4(c)(ii)	**8,481**	8,411
Lease liability – other		**1,397**	2,075
Total other payables		**27,735**	28,132
Less: Current portion of other payables		**(10,189)**	(10,867)
Total non-current portion of other payables		**17,546**	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 2023 to 2025, which may be extended up to 2027. The accrued future land development obligations are measured at their amortized values using imputed interest rates ranging from 4.50% to 5.50%. For the six months ended June 30, 2023, imputed interest of $218 (six months ended June 30, 2022 – $209) was capitalized to properties under development.

13. Fair value measurement

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.

Assets and liabilities carried at amortized cost

The fair values of the Trust's accounts receivable and other, cash and cash equivalents and accounts and other payables approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments.

The fair values of certain mortgage receivables, secured debt and unsecured debt have been determined by discounting the cash flows of these financial obligations using market rates of debt of similar terms and credit risks.

Fair value of assets and liabilities

Assets and liabilities measured at fair value in the unaudited interim condensed consolidated balance sheets, or disclosed in the notes to the financial statements, are categorized using fair value hierarchy that reflects the significance of the inputs used in determining the fair values as follows:

The use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

			Fair Value		
June 30, 2023	**Note**	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value:					
Investment properties	4	**10,336,527**	—	—	10,336,527
Other financial assets	7	**167,426**	—	167,426	—
Assets measured at amortized cost:					
Mortgages, loans and notes receivable	6	**296,359**	—	295,666	—
Liabilities measured at fair value:					
Units classified as liabilities	11	**191,832**	—	191,832	—
Deferred unit plan	11	**50,210**	—	50,210	—
EIP	11	**17,999**	—	17,999	—
Currency swap agreements	11	**366**	—	366	—
Financial liabilities measured at amortized cost:					
Secured debt	10	**894,350**	—	866,493	—
Unsecured debt	10	**4,022,981**	—	3,768,106	—
Revolving operating facilities	10	**93,000**	—	93,000	—

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)	**—**	**47,869**	**47,869**	**—**	**1,310**	**1,310**
Balance – June 30, 2023		**144,625,322**	**25,658,829**	**170,284,151**	**3,090,118**	**644,533**	**3,734,651**
Balance – January 1, 2022		144,625,322	25,568,688	170,194,010	3,090,368	641,944	3,732,312
Options exercised	4(d), 11(b)	—	31,074	31,074	—	964	964
Unit issuance costs		—	—	—	(250)	—	(250)
Balance – June 30, 2022		144,625,322	25,599,762	170,225,084	3,090,118	642,908	3,733,026

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 – June 30, 2023**	**Balance – January 1, 2023**	**Value From Options Exercised (Note 11(b))**	**Balance – June 30, 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**	**47,869**	**4,110,670**	**108,804**	**1,310**	**110,114**
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	**47,869**	**25,658,829**	**643,223**	**1,310**	**644,533**

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

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 *Income Tax Act*.

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

As at June 30, 2023, there were 33,547,692 (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 *Income Tax Act*. The following table presents Unit distributions declared:

	Six Months Ended June 30	
Unit Type Subject to Distributions	**2023**	2022
Trust Units	**133,781**	133,781
Limited Partnership Units	**23,731**	23,677
Other non-controlling interest	**—**	283
Distributions on Units classified as equity	**157,512**	157,741
Distributions on Units classified as liabilities	**7,303**	7,303
Total Unit distributions	**164,815**	165,044

On July 18, 2023, the Trust declared a distribution for the month of July 2023 of $0.15417 per Unit, representing $1.85 per Unit on an annualized basis, to Unitholders of record on July 31, 2023.

16. Rentals from investment properties and other

The following table presents rentals from investment properties and other:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	**2023**	2022
Gross base rent	**131,852**	128,831	**262,683**	255,790
Less: Amortization of tenant incentives	**(1,879)**	(1,599)	**(3,903)**	(3,284)
Net base rent	**129,973**	127,232	**258,780**	252,506
Property tax and insurance recoveries	**43,955**	44,788	**88,496**	89,850
Property operating cost recoveries	**23,576**	20,331	**53,111**	47,655
	67,531	65,119	**141,607**	137,505
Miscellaneous revenue	**5,402**	3,416	**8,543**	5,731
Rentals from investment properties	**202,906**	195,767	**408,930**	395,742
Service and other revenues	**4,044**	2,818	**8,614**	5,671
Rentals from investment properties and other	**206,950**	198,585	**417,544**	401,413

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

As at	**June 30, 2023**	June 30, 2022
2022(1)	**—**	251,927
2023(1)	**257,301**	468,180
2024	**473,381**	396,815
2025	**403,608**	327,986
2026	**336,936**	264,222
2027	**272,034**	201,924
Thereafter	**610,303**	442,174

(1) Amounts related to remainder of the year.

17. Property operating costs and other

The following table summarizes property operating costs and other:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	**2023**	2022
Recoverable property operating costs[1]	**69,752**	68,354	**147,190**	145,440
Property management fees and costs	**944**	882	**2,054**	1,940
Expected credit recovery	**(657)**	(1,237)	**(98)**	(2,350)
Non-recoverable costs	**1,605**	2,435	**3,358**	4,939
Property operating costs	**71,644**	70,434	**152,504**	149,969
Residential cost of sales and marketing costs	**1,663**	369	**2,313**	395
Other expenses relating to service and other revenues[2]	**3,756**	2,529	**8,019**	5,077
Other expenses	**5,419**	2,898	**10,332**	5,472
Property operating costs and other	**77,063**	73,332	**162,836**	155,441

(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

The following table summarizes general and administrative expense:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	**2023**	2022
Salaries and benefits	**6,291**	4,253	**11,271**	8,851
Professional fees	**1,540**	1,724	**3,439**	2,964
Public company costs	**372**	525	**754**	688
Amortization of intangible assets	**333**	333	**666**	666
Other costs including office rent, information technology, marketing, communications, and other employee expenses	**777**	1,081	**1,937**	1,614
General and administrative expense	**9,313**	7,916	**18,067**	14,783

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 June 30		Six Months Ended June 30	
	Note	**2023**	2022	**2023**	2022
Fair value adjustments		**(68,918)**	(71,166)	**(90,926)**	(360,493)
Loss (gain) on sale of investment properties		**45**	(18)	**23**	104
Earnings from equity accounted investments	5	**(13,438)**	(3,785)	**(22,881)**	(3,211)
Interest expense	10(d)	**40,155**	33,852	**79,662**	69,185
Other financing costs		**(497)**	(30)	**(875)**	(1,017)
Interest income		**(5,172)**	(3,866)	**(10,000)**	(6,826)
Amortization of other assets and intangible assets		**2,954**	2,217	**5,896**	4,783
Lease obligation interest		**(283)**	138	**295**	281
Deferred unit compensation expense, net of redemptions	11	**1,003**	(575)	**1,612**	(1,017)
LTIP and EIP amortization, net of payment	11	**690**	640	**803**	1,521
		(43,461)	(42,593)	**(36,391)**	(296,690)

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

		Three Months Ended June 30		Six Months Ended June 30	
	Note	**2023**	2022	**2023**	2022
Amounts receivable and other	9	**(2,057)**	(5,957)	**(4,981)**	(6,287)
Prepaid expenses, deposits and deferred financing costs	9	**(18,565)**	(19,356)	**(29,456)**	(19,279)
Accounts payable	12	**2,538**	(13,404)	**(5,607)**	(13,404)
Realty taxes payable	12	**(1,804)**	(9,488)	**7,444**	(9,488)
Tenant prepaid rent, deposits and other payables, and residential sales deposits	12	**7,256**	10,352	**(5,226)**	10,352
Other working capital changes		**(163)**	4,144	**10,443**	9,238
		(12,795)	(33,709)	**(27,383)**	(28,868)

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

		Three Months Ended June 30		Six Months Ended June 30	
Non-cash investing and financing balances	Note	**2023**	2022	**2023**	2022
Total return swap receivable	7	**124,739**	96,201	**124,739**	96,201
Units issued on acquisition	3	**128**	—	**1,310**	964
Liabilities assumed on acquisition, net of other assets	3	**1,516**	2,008	**3,927**	2,008
Distributions payable at period end	12	**26,576**	26,567	**26,576**	26,567
Total return swap debt	10	**143,232**	99,109	**143,232**	99,109

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

As at	**June 30, 2023**	December 31, 2022
Cash	**44,792**	35,255
Cash and cash equivalents	**44,792**	35,255

20. Related party transactions

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

Transactions and Agreements with Penguin

a) Penguin's Ownership Interest and Voting Right

The Trust's largest Unitholder is Penguin, which as at June 30, 2023, held approximately 20.9% of the issued and outstanding Units (December 31, 2022 – 20.8%) of the Trust. The following table presents Units owned by Penguin:

		Units owned by Penguin	
Type	**Class**	**June 30, 2023**	December 31, 2022
Trust Units	N/A	**15,254,463**	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	**4,110,670**	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		**37,278,820**	37,052,651

Pursuant to the Declaration of Trust, provided certain ownership thresholds are met, the Trust is required to issue or cancel such number of additional Special Voting Units to Penguin that will entitle Penguin to cast 25.0% of the aggregate votes eligible to be cast at a meeting of the Unitholders and Special Voting Unitholders ("Voting Top-Up Right"). As at June 30, 2023, there were 9,697,522 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+").

Pursuant to its rights under the Declaration of Trust, at June 30, 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.

b) Distributions declared to Penguin

During the six months ended June 30, 2023, distributions declared to Penguin totalled $34,412 (year ended December 31, 2022 – $68,471).

c) Properties under development subject to development management agreements ("Earnout Agreements")

Properties under development in amount of $60,074 (December 31, 2022 – $54,847) are subject to various development management agreements with Penguin and Walmart. See Note 3, Acquisitions and Earnouts and Note 4(d)(ii).

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

Type	**Class**	**June 30, 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	**1,638,008**	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
		9,157,520	9,211,592

At June 30, 2023, Penguin's ownership would increase to 24.7% (December 31, 2022 – 24.6%) if Penguin were to exercise all remaining Earnout options.

Omnibus Agreement between the Trust and Penguin
The Trust and Penguin amended the development management agreements in November 2020. 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.

d) Leasehold property interest
At June 30, 2023, the Trust had lease obligations for the 14 leasehold interests without bargain purchase options and one leasehold interest with bargain purchase options with Penguin. See Note 4(c).

e) Loans receivable issued
Four loans receivable were issued to Penguin, either pursuant to development management agreement or in connection with acquisitions of land parcels. See Note 6(b).

f) Future land development obligations
The future land development obligations represent payments required to be made to Penguin for certain undeveloped lands acquired. See Note 12, "Accounts and other payables".

g) Other agreements with Penguin
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 ("Development and Services Agreement")
The following represent the key elements of this agreement which is effective from July 1, 2020 until December 31, 2025:

i) 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,
ii) 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,
iii) 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,
iv) 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
v) 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.

Mezzanine Loan Amending Agreements between the Trust and its Affiliates and Penguin ("Mezzanine Loan Agreements")
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.

In January 2021, the Trust granted 900,000 performance units to Mitchell Goldhar pursuant to the EIP adopted by Unitholders effective December 9, 2020. See also Note 11, "Other financial liabilities".

h) Summary of transactions and balances with Penguin

The following tables summarize related party transactions and balances with Penguin:

		Three Months Ended June 30		Six Months Ended June 30	
	Note	**2023**	2022	**2023**	2022
Related party transactions with Penguin					
Acquisitions and Earnouts:					
Earnouts	3	**1,993**	—	**7,657**	7,363
Revenues:					
Service and other revenues:					
Management fee and other services revenue pursuant to the Development and Services Agreement		**2,128**	662	**5,756**	1,234
Supplement to the Development and Services Agreement fees – time billings		**—**	1,274	**—**	2,548
Support services		**397**	266	**695**	532
		2,525	2,202	**6,451**	4,314
Interest income from mortgages and loans receivable		**1,302**	2,020	**2,625**	3,673
Rents and operating cost recoveries included in rentals from income properties (includes rental income from Penguin Pick-Up of $84 (three months ended June 30, 2022 – $74))		**781**	254	**1,552**	366
		4,608	4,476	**10,628**	8,353
Expenses and other payments:					
Fees paid pursuant to the Penguin Services Agreement – capitalized to properties under development		**1,949**	1,819	**3,290**	3,642
EIP – capitalized to properties under development		**1,298**	1,172	**2,645**	2,559
Development fees and interest expense – capitalized to investment properties		**27**	—	**68**	—
Opportunity fees pursuant to the development management agreements – capitalized to properties under development(1)		**15**	15	**30**	30
Marketing and other costs – included in general and administrative expense and property operating costs		**17**	1	**36**	1
Disposition fees pursuant to the Development and Services Agreement – included in general and administrative expense		**79**	—	**497**	48
		3,385	3,007	**6,566**	6,280

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

As at	Note	**June 30, 2023**	December 31, 2022
Related party balances with Penguin disclosed elsewhere in the financial statements			
Receivables:			
Amounts receivable and other(1)	9	**14,253**	18,734
Mortgages receivable	6(a)	**24,818**	39,456
Loans receivable	6(b)	**82,412**	100,280
Notes receivable	6(c)	**2,924**	2,924
Total receivables		**124,407**	161,394
Payables and other accruals:			
Accounts payable and accrued liabilities	12	**2,130**	3,504
Future land development obligations	12	**17,857**	17,646
Total payables and other accruals		**19,987**	21,150

(1) Excludes amounts receivable presented below as part of balances with equity accounted investments. This amount includes amounts receivable of $6,737 and other of $7,516 (December 31, 2022 – amounts receivable of $11,899 and other of $6,835).

Transactions and Agreements with the Trust's equity accounted investments

a) Supplemental Development Fee Agreements

In accordance with the Supplemental Development Fee Agreements, the Trust invoiced PCVP and certain joint ventures a net amount related to associated development fees. See Note 5, "Equity accounted investments".

b) Loans receivable issued

A loan receivable was provided to PCVP pursuant to a loan agreement. Loans receivable were issued to certain joint ventures partnered with SmartStop pursuant to a master credit loan agreement. See Note 6(b).

c) Other unsecured debt

Other unsecured debt pertains to loans received from equity accounted investments in connection with either the 700 Applewood purchase or contribution agreements relating to joint ventures. See Note 10(b)(iv).

d) Summary of transactions and balances with the Trust's equity accounted investments

The following table summarizes related party transactions and balances with PCVP:

		Three Months Ended June 30		Six Months Ended June 30	
	Note	**2023**	2022	**2023**	2022
Related party transactions with PCVP					
Revenues:					
Supplemental Development Fee		**1,484**	1,097	**6,228**	2,174
Interest income from mortgages and loans receivable	6	**765**	327	**1,368**	649
Expenses and other payments:					
Rent and operating costs (included in general and administrative expense and property operating costs)	17, 18	**674**	740	**1,375**	1,344

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

As at	Note	**June 30, 2023**	December 31, 2022
Related party balances disclosed elsewhere in the financial statements			
Amounts receivable(1)	9	**7,062**	616
Loans receivable(2)	6(b)	**171,108**	164,628
Other unsecured debt(3)	10(b)(iv)	**131,807**	141,131

(1) Amounts receivable includes Penguin's portion, which represents $220 (December 31, 2022 – $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 $24,950 (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 June 30, 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 June 30		Six Months Ended June 30	
	2023	2022	**2023**	2022
Legal fees incurred from a law firm in which a partner is a Trustee:				
Capitalized to investment properties	**319**	539	**554**	1,122
Included in general and administrative expense	**148**	121	**620**	685
	467	660	**1,174**	1,807

21. Key management and Trustees' compensation

The following table presents the compensation relating to key management:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	**2023**	2022
Salaries and other short-term employee benefits	**675**	692	**1,287**	1,385
Deferred unit plan	**646**	679	**1,250**	1,338
EIP	**(416)**	(893)	**1,659**	2,590
LTIP	**—**	19	**3**	44
	905	497	**4,199**	5,357

The following table presents the compensation relating to Trustees:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	**2023**	2022
Trustees' fees	**172**	168	**364**	337
Deferred unit plan	**172**	168	**364**	337
	344	336	**728**	674

22. Segmented information

As at June 30, 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 24.2% of the Trust's annualized rentals from investment properties for the six months ended June 30, 2023 (six months ended June 30, 2022 – 25.4%).

23. 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	9,879	6,586	3,293	(3,293)	(6,586)	(9,879)
Net income increase (decrease) from variable-rate mortgages and loans receivable	(2,413)	(1,609)	(804)	804	1,609	2,413

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	(38,885)	(25,070)	(11,418)	15,405	28,584	41,614

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

24. Commitments and contingencies

The Trust has certain obligations and commitments pursuant to development management agreements to complete the purchase of Earnouts totalling approximately 128,000 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 June 30, 2023, the carrying value of these obligations and commitments included in properties under development was $60,074 (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 $15,303 (December 31, 2022 – $20,669) and commitments relating to equity accounted investments that total $59,533 (December 31, 2022 – $200,956), of which the Trust's share is $29,168 (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 $174,782 (December 31, 2022 – $190,720) (see also Note 6, "Mortgages, loans and notes receivable"), of which $24,818 has been provided as at June 30, 2023 (December 31, 2022 – $39,456).

As at June 30, 2023, letters of credit totalling $49,297 (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.

CORPORATE INFORMATION

TRUSTEES

1 Audit Committee
2 Investment Committee
3 Corporate Governance and Compensation Committee

EXECUTIVE OFFICERS

Mitchell Goldhar
Executive Chairman and CEO

Peter Slan
Chief Financial Officer

Rudy Gobin
Executive Vice President
Portfolio Management & Investments

Paula Bustard
Executive Vice President of Development

Allan Scully
Executive Vice President of Development

BANKERS

BMO Capital Markets
Canaccord Genuity Corp.
CIBC World Markets
Desjardins Securities Inc.
HSBC Bank Canada
Mizuho Bank, Ltd.
National Bank of Canada
RBC Capital Markets
Scotia Capital
TD Bank Financial Group

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