SMARTREIT®

SMARTJOURNEY

2016 ANNUAL REPORT

IN 2016, we found new ways to nurture the development and growth of exceptional places to shop, work and live.

LETTER FROM THE CEO

DEAR FELLOW UNITHOLDERS

In 2016, SmartREIT continued on its journey to find new and innovative ways to operate and create future growth, building from strength to strength while continuing to nurture our core business of value-based shopping centres. It was yet another excellent year for us for a variety of reasons that I'm pleased to report to you here.

As the owner of one of Canada's largest retail real estate portfolios, SmartREIT experienced an increase in net asset value of $181 million in 2016, with assets now totalling approximately $8.7 billion, comprising approximately 32.0 million square feet of owned gross leasable area with more than a 98% occupancy rate. It's an asset base of extraordinary scope, one that we strongly feel must be managed with great vigilance, as well as vision, to help ensure we continue to grow year over year. We will continue to follow our philosophy of judiciously managing and maintaining the portfolio while exploring viable growth opportunities as we have always done for our Unitholders.

Continuity is indeed a critical aspect of our approach as can be seen in our ongoing multi-year relationship with Walmart, the world's leading retailer and the only large-format discount mass merchant now in Canada. Anchoring the majority of SmartCentres across Canada, Walmart is an important contributor to consumer traffic volumes in these shopping centres focused on value and convenience. At the same time, the introduction of Premium Outlets to Toronto and Montreal has proven to be extremely successful. These joint ventures with Simon Property Group have performed well beyond expectations, with sales revenues at exceptional levels given the size of the facilities. This has led us to start a major expansion at our Toronto location after only three-and-a-half years in business.

There's also exciting news at Vaughan Metropolitan Centre (VMC), Canada's largest mixed-use urban development project, where we've experienced another excellent year. The KPMG office tower is now virtually fully leased, and construction of a second tower, for PwC and the YMCA, will begin in spring 2017. We are also partnering with CentreCourt Developments and Penguin Investments to construct two condominium towers where positive market conditions have led us to increase the size of the proposed towers to 53–55 storeys, or some 1,200 units. Sales for these units will begin in mid-summer 2017, helping to further the vision of a truly dynamic community comprising work, residential and retail spaces.

We have many other major urban intensification projects in progress, including the development of two phases of high-rise residential rental units in Laval Centre in Montreal, the ongoing development of StudioCentre in Toronto, preliminary planning at Westside Mall in Toronto, and more development planned along Highways 400 and 7 near the VMC lands.

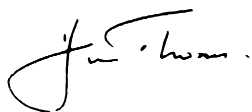
In addition to our urban properties, we are very focused on intensification opportunities for our shopping centres and any associated available lands. We have already announced a joint venture with SmartStop Management Inc. for self-storage opportunities. We are also working on another joint-venture opportunity in the Greater Toronto Area to develop up to 300 townhomes and we expect to make further announcements in the coming months. Looking at the scope and potential of our many initiatives, I am confident that we will have the ability to grow our asset base even further for our Unitholders. This is due largely to three main factors: the financial stability of our core platform, our joint-venture initiatives with skilled and knowledgeable partners and our ready access to mortgage and unsecured debt capital when needed. This year, our excess of AFFO over distributions paid is a very healthy $114 million, giving us a large cushion to support both our future growth and distribution program.

An equally important factor in our potential to grow is the reasoned and disciplined approach we take in developing new projects. Because the acquisition supply for retail centres is slowing, with more competitive bidding coming from pension funds and other institutions, as well as continued investment from outside Canada, we see a need to diversify our income sources to manage risk. Our growth will come from a wide variety of areas, including development of office and residential properties, and we will continue to work with key partners to drive this growth, leveraging their expertise as needed.

Of course, none of it would be possible without the extraordinary talents of our multidisciplinary team. We take a cross-functional approach to the work we do, involving our in-house experts in acquisition, asset management, real estate planning, development, construction, leasing and operations, all working together to help achieve our goals. I can't thank them enough for their remarkable dedication to the continued success of SmartREIT.

Equally important, I thank our business partners and our Trustees, whose involvement has helped us maintain our position as one of Canada's leading real estate trusts. Most of all, I thank you, our Unitholders, for your commitment to SmartREIT and the future it promises. We have many things to achieve in the coming months and years and, with your support, together we'll continue on our journey to create greater value for you.

Sincerely,

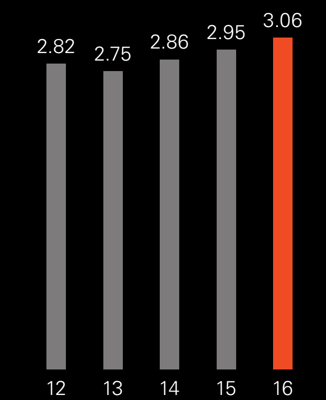


Huw Thomas
Chief Executive Officer
SmartREIT

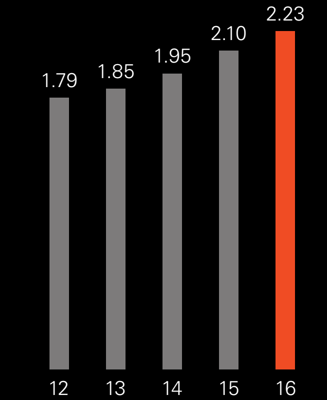
SMART PERFORMANCE

WE ARE ON A JOURNEY TO ACHIEVE GREATER VALUE FOR OUR UNITHOLDERS

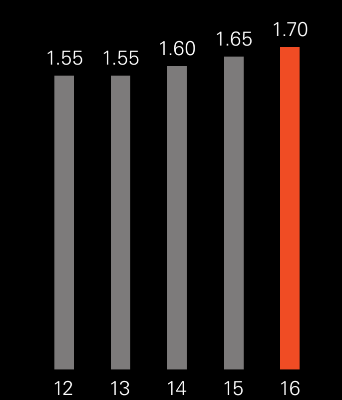
Building on the combined power of our portfolio and our multidisciplinary team, as well as the ongoing intensification and redevelopment of selected properties, SmartREIT enjoyed another year of solid performance. We experienced continued high occupancy rates, good increases in our Funds From Operations and solid growth in the value of our portfolio. As always, we take a disciplined, measured approach to every initiative we undertake, which enables us to maintain a healthy balance sheet while exploring new and innovative ways to derive greater value from our portfolio with sustained growth.



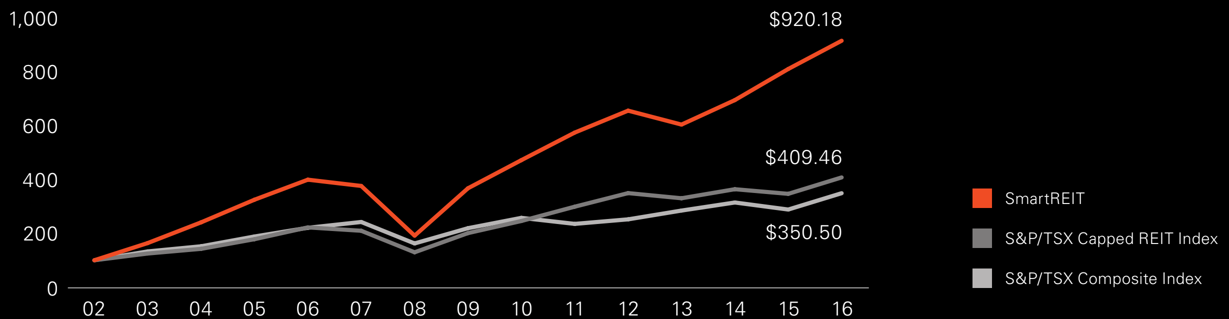
Net Operating Income
($ per unit)



Funds From Operations
($ per unit)



Distributions
($ per unit)
Annualized as at December 31



Total Return to Unitholders
(in dollars)

SMART SHOPPING

OUR JOURNEY STARTED WITH VALUE-FOCUSED RETAIL

Value. Convenience. Community. These are the three hallmarks of our SmartCentres. Introduced to Canadian shoppers in the 1990s, the value-based shopping concept offered by SmartCentres has proven itself to be a remarkable success.

One of the reasons for our ongoing stability and growth is the strong relationships we have with our tenants. Throughout Canada, retailers choose our open-format, value-focused retail shopping centres for their strategic locations and ready market access, as well as our competitive leasing rates. And because our shopping centres are relatively new, with an average age of just 13 years, we have the ability to keep capital expenditures on physical upkeep at a minimum.

Walmart, our key tenant anchoring or shadow-anchoring more than 100 of our shopping centres, maintains a strong presence in Canada, is a critical

Hamilton South SmartCentre, Hamilton, ON

OUR FAMILY OF PROPERTIES
is growing to meet the changing lifestyle needs of Canadians.

partner for SmartREIT and continues to choose our properties to locate its stores. With Walmart as a draw, shoppers also take advantage of the many other retail options offered in our shopping centres, from restaurants to pharmacies to specialty clothing.

Shopping behaviour is changing in Canada, and SmartREIT is changing with it. Our triumvirate of value, convenience and community – the right mix of value-based retail, great locations and a sense of neighbourhood – continues to bring shoppers to our locations, but we're adding more services to our shopping centres to meet changing needs.

Penguin Pick-Up and Penguin Fresh, for example, enable consumers to shop online and pick up purchases of goods and groceries at their nearest SmartCentre. Shoppers receive notification of when their purchases are ready and use the drive-up service without leaving their cars.

Leaside SmartCentre, East York, ON

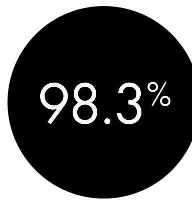
London North SmartCentre, London, ON

With the changing retail landscape in Canada comes stiffer competition. To help ensure we maintain a competitive edge, SmartREIT will continue to focus on value for our tenants.

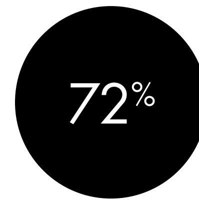
The combination of a strong portfolio, low capital expenditures, stable cash flow and a solid income base puts SmartREIT at a decided advantage for future retail growth. While the pace of new shopping centre development has slowed, our team is still exploring a number of retail development opportunities for Walmart and other retailers with a view to placing the company in an even stronger position in the future.

Sq. Ft. of Gross Leasable Area

Sq. Ft. of Lease Renewals



Occupancy



Properties Anchored by Walmart
(including shadows)

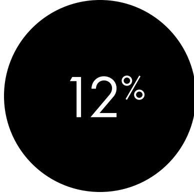
SMART PREMIUM

OUR SUCCESSFUL VENTURE INTO PREMIUM RETAIL

When we initially partnered with Simon Property Group five years ago to develop Premium Outlets in Montreal and Toronto, we were confident it was a retail concept that would meet a unique market need and perform very well. And it certainly has. Both of our locations have been extremely successful, performing well beyond expectations, with sales revenues up significantly over the past year in both cities. They've been a remarkable success.

Location has played an important role in their strong performance, with more than 10 million people living within a one-hour drive of the two shopping centres. And, of course, the stores themselves – international luxury retailers such as Saks Fifth Avenue OFF 5TH, Burberry, Armani, Coach and Tumi (to name a few) – have been the core reason for the Premium Outlets' immense popularity as highly desirable shopping destinations.

Montreal Premium Outlets, Mirabel, QC



Increase in Annual
Store Sales – Toronto

PSF Average
Store Sales – Toronto

As a result, we've recently broken ground for Phase 2 at the Toronto location. New top-tier tenants will be announced over the next year, and a new parking facility will be completed by the end of 2017 to help better accommodate the high volume of shoppers. In this new phase, we expect to add a further 140,000 square feet of retail space and up to 40 new tenants to truly make Toronto Premium Outlets a "destination shopping" location.

Parking Facility Concept Rendering, Toronto Premium Outlets, Halton Hills, ON

Toronto Premium Outlets, Halton Hills, ON

WE'RE ALWAYS SCOUTING
for new ways to further
develop our properties.

SMART DEVELOPMENT

OUR NEW DESTINATION IS INTENSIFICATION

As our retail operations move ahead, so, too, do our urban and mixed-use developments. We're leveraging our in-house expertise and capabilities to further develop our land holdings with a wide range of property types, from retail to commercial to residential.

Our focus is on diversifying and moving into different markets in an effort to develop land holdings that will include a wide range of property types, including commercial office space, residential condominiums, residential apartments, retail, self-storage, seniors housing and single-family dwellings.

We are moving forward with these opportunities for further development by often working with best-in-class joint-venture partners, strengthening existing relationships with municipalities and planning councils, evolving our partnerships with existing clients and leveraging our own in-house skills. We've established a reputation for fulfilling our promises and being on time with the projects we undertake and are committed to doing the same in the future.

KPMG Tower, VMC, Vaughan, ON

Civic Square and SmartCentres Bus Terminal Concept Rendering, VMC, Vaughan, ON

Vaughan Metropolitan Centre (VMC)

Vaughan Metropolitan Centre (VMC), Canada's largest urban mixed-use project, experienced another excellent year. Part of our intensification efforts, VMC when fully built out will be an integrated mix of retail, office and residential properties together with a nine-acre park and many municipal uses – an entirely new and vibrant city centre located just northwest of Toronto.

The KPMG office tower is now substantively committed, and a second tower with PwC and the YMCA as the lead tenants will be breaking ground in the spring of 2017. This next phase will include public spaces for the local community, including a library, a fitness facility and a daycare facility, all of which will help contribute to the life of this newly emerging, dynamic community.

In addition, SmartREIT has entered into a joint venture with CentreCourt Developments and Penguin Investments in the development of two new condominium properties in the VMC together with a parking facility, with sales beginning in the summer of 2017. Based on expected market demand, the projected height of the two buildings has increased to 55 storeys from the original 35, providing a total of 1,200 units. SmartREIT has 25% ownership in this new development.

Tower Two Concept Rendering, VMC, Vaughan, ON

VMC Concept Rendering (looking west), VMC, Vaughan, ON

Vaughan is quickly becoming a major new urban centre, supported by major highways and new public transit infrastructure for easy accessibility. With realigned access off Highway 400 to commence soon, as well as the construction of new local roads, and a newly opened VMC subway station expected by the end of 2017, Vaughan is a truly viable business hub. SmartREIT together with Mitchell Goldhar, its key business partner, is now focused on the next phase of VMC, with office, residential and retail developments to run along Highway 7, the location of which will provide excellent exposure for the companies that choose to locate there.

53

Acres VMC

Laval Centre Concept Rendering, Laval, QC

StudioCentre Concept Rendering, Toronto, ON

Other landholdings that are currently undergoing intensification:

Laval Centre

Laval Centre, easily accessible by major roads and public transportation, is the city of Laval's official downtown – an ideal location for retail, office and residential uses. The Laval Centre property is 48.5 acres.

StudioCentre

Located east of the Don Valley in Toronto, the 19-acre StudioCentre serves the ever-growing Canadian movie industry with multiple film and television production facilities. SmartREIT has begun developing an additional nearly 1.0 million square feet of mixed-use space on the site, which when built out will include office and retail space, as well as a potential new hotel.

Westside Mall

Westside Mall, which is a 145,000-square-foot shopping centre at Eglinton Avenue and Caledonia Road in Toronto, represents another significant long-term mixed-use project. Based on discussions with the City's planners, overall support for our 2.0–2.5 million square feet of future density remains strong, and the construction of the LRT and GO access will clearly have major benefits to prospective residents and tenants as part of one of the largest inner-city residential developments planned in the GTA.

400/7

The approximately 20 acres that make up SmartREIT's Highways 400/7 location are currently leased to retail tenants, but given its strategic location fronting on Highway 7 and immediately west of the VMC, over time the best use of this property will be the creation of a mixed-use project with upwards of 2.5–3.0 million square feet of density, consistent with the developments already under way in the area.

SMART HIGHLIGHTS

ON THE RIGHT PATH FOR ONGOING EXPANSION

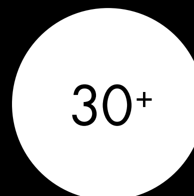
SmartREIT boasts an exceptionally robust portfolio of real estate assets, with 142 shopping centres across the country and a growing number of potential mixed-use developments that include office and residential spaces, as well as retail. Equally important, we provide a comprehensive range of services, with in-house expertise in acquisition, asset management, planning, development, construction, leasing operations and property management.

Total Asset Value

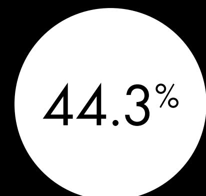
Unencumbered Asset Pool

Liquidity

Sq. Ft. of Future Development Area



Sites With Intensification Potential



Debt to Total Assets

WE ARE COMMITTED
to building strong communities.

SMART BUSINESS

PROUD OF THE ROUTE WE ARE TAKING

SmartREIT is proud to say that its team of more than 300 employees is among the most experienced fully integrated real estate development and operations teams in Canada, with deep capabilities in leasing, operations and management. We are an integrated team, working together to respond to the needs of our tenants and their customers, while exploring new opportunities on the Canadian real estate landscape to further broaden our scope, reach and value.

Proudly Canadian, we believe in contributing to our communities across the country by providing retail, work and living spaces that enhance the lives of local residents. We're here for the long term.

SmartREIT will continue to be focused in Canada. We will continue building communities and providing dynamic places to shop, work and live, responding to the needs of Canada's diverse population.

Blainville SmartCentre, Blainville, QC

VMC Concept Rendering, VMC, Vaughan, ON

OUR LIST OF PROPERTIES

RETAIL PROPERTIES	LOCATION	OWNERSHIP	NRA[1] (SQ. FT.)	OCCUPANCY	MAJOR TENANTS
Courtenay SmartCentre	Courtenay	100%	273,289	97.7%	Walmart Supercentre, Winners, Staples, Best Buy, Sport Chek, Mark's, Reitmans, RBC
Cowichan Commons East	Duncan	100%	248,003	94.3%	Walmart Supercentre*, RONA*, Canadian Tire, Home Depot, Best Buy, Bulk Barn
Cranbrook SmartCentre	Cranbrook	100%	164,025	100.0%	Walmart Supercentre, Real Canadian Superstore*, Home Hardware*, Sport Chek, Dollar Tree
Kamloops SmartCentre	Kamloops	100%	232,800	97.3%	Walmart Supercentre, Michaels, Lordco Auto Parts, Pier 1 Imports, Sleep Country
Langley SmartCentre	Langley	100%	351,224	99.3%	Walmart Supercentre, Home Depot*, Save-On-Foods*, Home Outfitters, London Drugs, Best Buy
Maple Ridge SmartCentre	Maple Ridge	100%	215,684	100.0%	Walmart Supercentre, Thrifty Foods, Westminster Savings Credit Union, Dollar Tree, Rexall
New Westminster SmartCentre	New Westminster	100%	407,577	96.4%	Walmart Supercentre, Home Outfitters, Tommy Hilfiger, Carter's OshKosh, The Gap
Peachtree Square	Penticton	100%	54,915	100.0%	Walmart Supercentre*, Sport Chek, Dollar Tree, Valley First Credit Union, Bulk Barn
Penticton Power Centre	Penticton	100%	202,322	98.6%	Real Canadian Superstore, Staples, Winners, Sleep Country, TD Canada Trust
Prince George SmartCentre	Prince George	100%	313,390	98.4%	Walmart Supercentre, Home Depot*, Canadian Tire*, Michaels, Old Navy, Mark's, Petland
Salmon Arm SmartCentre	Salmon Arm	50%	67,324	100.0%	Walmart Supercentre, Winners, Dollarama, Bulk Barn
Surrey West SmartCentre	Surrey	100%	187,156	100.0%	Walmart Supercentre, Dollar Tree, Ardene, Sleep Country, Reitmans, Carter's OshKosh
Vernon SmartCentre	Vernon	100%	259,302	94.3%	Walmart Supercentre, RONA*, Best Buy, Value Village, Mark's, Petland, Sleep Country
Calgary Southeast SmartCentre	Calgary	100%	246,085	100.0%	Walmart Supercentre, London Drugs, Mark's, Reitmans, Carter's OshKosh, Bulk Barn
Crowchild Corner	Calgary	100%	23,377	100.0%	RE/MAX, Respiratory Homecare Solutions Inc.
Edmonton East SmartCentre	Edmonton	50%	179,125	100.0%	Walmart Supercentre, Safeway, Winners, Petland, Dollarama, TD Canada Trust
Edmonton Northeast SmartCentre	Edmonton	100%	274,353	97.5%	Walmart Supercentre, Michaels, Bulk Barn, Moores, Penningtons, Reitmans
Lethbridge SmartCentre	Lethbridge	100%	333,092	100.0%	Walmart Supercentre, Home Depot*, Ashley Furniture, Best Buy, Mark's, Gap Outlet
Lethbridge SmartCentre (II)	Lethbridge	100%	53,392	100.0%	Sobeys
St. Albert SmartCentre	St. Albert	100%	251,329	100.0%	Walmart Supercentre, Save-On-Foods*, RONA*, Mark's, Canadian Western Bank
Sylvan Lake SmartCentre	Sylvan Lake	100%	131,983	100.0%	Walmart Supercentre, Canadian Tire*, Dollarama
Regina East SmartCentre (I)	Regina	100%	398,003	100.0%	Walmart Supercentre, HomeSense, London Drugs, Home Outfitters, Best Buy, Michaels
Regina East SmartCentre (II)	Regina	100%	198,134	99.4%	RONA, Real Canadian Superstore*, Wholesale Sports, Old Navy, Petland
Regina North SmartCentre	Regina	100%	276,251	99.5%	Walmart Supercentre, IGA, Mark's, Dollarama, Bulk Barn, Reitmans, TD Canada Trust
Saskatoon South SmartCentre	Saskatoon	100%	374,722	100.0%	Walmart Supercentre, Home Depot*, HomeSense, The Brick, Ashley Furniture, Golf Town
Kenaston Common SmartCentre	Winnipeg	100%	257,222	100.0%	RONA, Costco*, Indigo Books, Golf Town, Petland, Nygard, CIBC, HSBC, RBC
Winnipeg Southwest SmartCentre	Winnipeg	100%	528,180	98.1%	Walmart Supercentre, Home Depot*, Safeway, Home Outfitters, HomeSense, Urban Planet
Winnipeg West SmartCentre	Winnipeg	100%	354,667	97.3%	Walmart Supercentre, Canadian Tire*, Sobeys, Winners, Value Village, Sport Chek, Staples
401 & Weston Power Centre	North York	44%	128,973	99.3%	Real Canadian Superstore*, Canadian Tire, The Brick, Home Outfitters, Best Buy, LCBO
Alliston SmartCentre	Alliston	100%	170,770	100.0%	Walmart Supercentre, Dollarama, Tim Hortons
Ancaster SmartCentre	Ancaster	100%	264,833	99.0%	Walmart Supercentre, Canadian Tire*, Winners, GoodLife Fitness, Bouclair, Dollar Tree
Aurora North SmartCentre	Aurora	100%	508,567	98.5%	Walmart Supercentre, RONA, Best Buy, Golf Town, LCBO, Dollarama, RBC, TD Canada Trust
Aurora SmartCentre	Aurora	100%	51,186	85.1%	Winners, Bank of Nova Scotia
Barrie Essa Road Shopping Centre	Barrie	100%	104,922	89.4%	Food Basics, Pharma Plus, Dollarama, Anytime Fitness, Pet Valu, Tim Hortons
Barrie North SmartCentre	Barrie	100%	234,700	98.3%	Walmart Supercentre, Loblaws*, Old Navy, Carter's OshKosh, Addition Elle, Reitmans
Barrie South SmartCentre	Barrie	100%	409,884	100.0%	Walmart Supercentre, Sobeys, Winners, La-Z-Boy, PetSmart, Stitches, Dollar Tree

* Non-owned anchor.
[1] Represents SmartREIT's interest in the net rentable area of the property.

RETAIL PROPERTIES	LOCATION	OWNERSHIP	NRA[1] (SQ. FT.)	OCCUPANCY	MAJOR TENANTS
Bolton SmartCentre	Bolton	100%	242,444	99.2%	Walmart Supercentre, LCBO, Mark's, The Beer Store, Reitmans
Bracebridge SmartCentre	Bracebridge	100%	142,501	100.0%	Walmart Supercentre, Home Depot*, Dollar Tree, Boston Pizza, Bulk Barn
Bradford SmartCentre	Bradford	100%	240,536	100.0%	Walmart Supercentre, GoodLife Fitness, Dollarama, Bulk Barn, CIBC, RBC
Bramport SmartCentre	Brampton	100%	153,130	100.0%	LA Fitness, Value Village, LCBO, Dollarama, Swiss Chalet, CIBC, Bank of Montreal
Bramport SmartCentre (II)	Brampton	100%	37,857	100.0%	No Frills
Brampton East SmartCentre	Brampton	100%	360,695	100.0%	Walmart Supercentre, The Brick, Winners, Staples, Mark's, Carter's OshKosh, Sleep Country
Brampton North SmartCentre	Brampton	100%	58,765	92.6%	Fortinos*, Shoppers Drug Mart, RBC, Synergy Performing Arts Academy
Brampton Northeast SmartCentre	Brampton	100%	227,242	100.0%	Walmart Supercentre, LCBO, Dollarama, CIBC, Bank of Nova Scotia, RBC
Brockville SmartCentre	Brockville	100%	144,084	100.0%	Walmart Supercentre*, Real Canadian Superstore*, Home Depot*, Winners, Michaels, LCBO
Burlington (Appleby) SmartCentre	Burlington	100%	151,115	100.0%	Toys R Us, LA Fitness, Shoppers Drug Mart, Golf Town, Bank of Montreal
Burlington North SmartCentre	Burlington	100%	226,451	100.0%	Walmart Supercentre, Dollar Tree, Reitmans, Moores, Bank of Nova Scotia
Cambridge SmartCentre (I)	Cambridge	100%	738,034	95.0%	Walmart Supercentre, RONA, LA Fitness, Best Buy, Staples, Bed Bath & Beyond, Michaels
Cambridge SmartCentre (II)	Cambridge	100%	23,938	53.4%	Canadian Tire*, Home Depot*, 2001 Audio Video, Henry's Photography
Carleton Place SmartCentre	Carleton Place	100%	148,885	100.0%	Walmart Supercentre, Dollarama, Mark's, Bulk Barn
Centennial Parkway Plaza	Stoney Creek	100%	133,748	91.5%	Food Basics, JYSK, King's Buffet, Salvation Army Thrift Store
Chatham SmartCentre	Chatham	50%	154,553	98.4%	Walmart Supercentre, Real Canadian Superstore*, Winners, Mark's, PetSmart, Dollarama, LCBO
Cobourg SmartCentre	Cobourg	100%	197,935	97.9%	Walmart Supercentre, Home Depot*, Winners, Dollar Tree, Swiss Chalet
Cornwall SmartCentre	Cornwall	100%	165,954	100.0%	Walmart Supercentre, Dollar Tree
Etobicoke (Index) SmartCentre	Etobicoke	100%	188,059	100.0%	Sail, Marshalls, PetSmart, Party Packagers, Structube, Bouclair
Etobicoke SmartCentre	Etobicoke	100%	294,734	100.0%	Walmart Supercentre, Home Depot*, Best Buy, Old Navy, Mark's, Urban Barn
Fort Erie SmartCentre	Fort Erie	100%	12,738	100.0%	Walmart Supercentre*, No Frills*, LCBO, Bank of Nova Scotia
Guelph SmartCentre	Guelph	100%	296,116	100.0%	Walmart Supercentre, Home Depot*, HomeSense, Michaels, Dollarama, CIBC, RBC
Hamilton South SmartCentre	Hamilton	100%	239,409	99.1%	Walmart Supercentre, Shoppers Drug Mart, LCBO, Dollarama, The Beer Store, CIBC
Huntsville SmartCentre	Huntsville	100%	126,436	100.0%	Walmart Supercentre, Your Independent Grocer*, Dollar Tree, Mark's, Reitmans
Kanata SmartCentre	Kanata	100%	201,548	99.2%	Walmart Supercentre, Dollarama, Bulk Barn, CIBC, RBC
Laurentian Power Centre	Kitchener	100%	69,223	100.0%	RONA*, Zehrs*, Home Outfitters, Staples, CIBC
Leaside SmartCentre	East York	100%	258,187	95.4%	Home Depot*, Winners, Sobeys, Sport Chek, Best Buy, LCBO, Golf Town, RBC
London East Argyle Mall	London	100%	424,986	98.4%	Walmart Supercentre, Toys R Us, No Frills, Winners, Staples, Sport Chek, GoodLife Fitness
London North SmartCentre	London	50%	250,118	98.7%	Walmart Supercentre, Canadian Tire*, Winners, Sport Chek, HomeSense, Old Navy, LCBO
London Northwest SmartCentre	London	100%	36,214	100.0%	Lowe's*, Boston Pizza, Montana's, Bank of Montreal, TD Canada Trust, RBC
Markham East SmartCentre	Markham	40%	69,008	100.0%	Walmart Supercentre, Dollar Tree, CIBC
Markham Woodside SmartCentre	Markham	50%	179,950	98.6%	Home Depot, Longo's*, Winners, Staples, Chapters, Michaels, La-Z-Boy, LCBO
Milton Walmart Centre	Milton	50%	116,602	94.1%	Walmart Supercentre*, Canadian Tire*, Sport Chek, Indigo, Michaels, Mark's, Staples, RBC
Mississauga (Erin Mills) SmartCentre	Mississauga	100%	287,035	97.0%	Walmart Supercentre, No Frills, GoodLife Fitness, Shoppers Drug Mart, Dollarama
Mississauga (Go Lands) SmartCentre	Mississauga	100%	113,005	100.0%	Real Canadian Superstore*, Toys R Us, Marshalls, Dollarama, TD Canada Trust
Mississauga (Meadowvale) SmartCentre	Mississauga	100%	557,902	99.7%	Walmart Supercentre, RONA, Home Outfitters, Winners, Staples, Michaels, Mark's, PetSmart
Niagara Falls SmartCentre	Niagara Falls	100%	249,745	100.0%	Walmart Supercentre, PetSmart, Penningtons, Dollarama, LCBO, Bulk Barn, Sleep Country
Oakville SmartCentre	Oakville	100%	457,185	99.0%	Walmart Supercentre, Real Canadian Superstore, LCBO, The Beer Store, The Keg, CIBC, RBC
Orleans SmartCentre (I)	Orleans	100%	384,015	96.9%	Walmart Supercentre, Canadian Tire*, Home Outfitters, Best Buy, Shoppers Drug Mart
Oshawa North SmartCentre	Oshawa	100%	558,157	99.6%	Walmart Supercentre, Real Canadian Superstore, Home Depot*, Marshalls, Sport Chek, Best Buy, Michaels
Oshawa North SmartCentre (II)	Oshawa	100%	159,995	100.0%	Home Outfitters, Winners, PetSmart, Party Packagers, Boston Pizza, TD Canada Trust
Oshawa South SmartCentre	Oshawa	100%	536,707	100.0%	Walmart Supercentre, Lowe's, Sail, Dollarama, Urban Barn, Moores, Reitmans, CIBC, RBC

* Non-owned anchor.
[1] Represents SmartREIT's interest in the net rentable area of the property.

RETAIL PROPERTIES	LOCATION	OWNERSHIP	NRA[1] (SQ. FT.)	OCCUPANCY	MAJOR TENANTS
Ottawa (Laurentian Place) SmartCentre	Ottawa	50%	127,585	100.0%	Walmart Supercentre, Stantec, CIBC
Ottawa South SmartCentre	Ottawa	50%	261,551	96.3%	Walmart Supercentre, Loblaws, Cineplex Odeon, Winners, Staples, Chapters
Owen Sound SmartCentre	Owen Sound	100%	158,074	100.0%	Walmart Supercentre, Home Depot*, Penningtons, Dollarama, Carter's OshKosh, Reitmans
Pickering SmartCentre	Pickering	100%	546,195	96.1%	Walmart Supercentre, Lowe's, Sobeys, Canadian Tire*, Toys R Us, Winners, PetSmart, LCBO
Port Elgin SmartCentre	Port Elgin	100%	115,524	100.0%	Walmart Supercentre
Port Perry SmartCentre	Port Perry	100%	137,280	100.0%	Walmart Supercentre, LCBO, Mark's, Dollarama, Bulk Barn, Bank of Nova Scotia
Rexdale SmartCentre	Etobicoke	100%	35,174	100.0%	Walmart Supercentre*, Dollarama, Bank of Nova Scotia
Richmond Hill SmartCentre	Richmond Hill	50%	136,306	97.0%	Walmart Supercentre, Food Basics, Shoppers Drug Mart, HSBC, Bank of Montreal
Rutherford Village Shopping Centre	Vaughan	100%	104,243	97.8%	Sobeys, TD Canada Trust, Rogers Video, Tim Hortons
Sarnia SmartCentre	Sarnia	100%	342,617	99.4%	Walmart Supercentre, Winners, Michaels, PetSmart, LCBO, Penningtons, Dollarama
Scarborough (1900 Eglinton) SmartCentre	Scarborough	100%	380,090	100.0%	Walmart Supercentre, Winners, Mark's, LCBO, David's Bridal, Bank of Montreal
Scarborough East SmartCentre	Scarborough	100%	282,156	100.0%	Walmart Supercentre, Cineplex Odeon, LCBO, Reitmans, Boston Pizza, Sleep Country
South Oakville Centre	Oakville	100%	188,337	99.0%	Metro, Shoppers Drug Mart, LCBO, The Beer Store, CIBC, TD Canada Trust
St. Catharines West SmartCentre (I)	St. Catharines	100%	370,106	98.3%	Walmart Supercentre, Real Canadian Superstore*, Canadian Tire*, Home Outfitters, Best Buy
St. Catharines West SmartCentre (II)	St. Catharines	100%	120,438	94.8%	The Brick, Michaels, Shoppers Drug Mart, Golf Town, Bouclair
St. Thomas SmartCentre	St. Thomas	100%	224,382	94.8%	Walmart Supercentre, Real Canadian Superstore*, Canadian Tire*, Staples, Dollar Tree
Stoney Creek SmartCentre	Stoney Creek	100%	257,064	99.5%	Walmart Supercentre, Toys R Us, Dollar Tree
Stouffville SmartCentre	Stouffville	100%	162,968	100.0%	Walmart Supercentre*, Canadian Tire, Winners, Staples, Dollarama, Bouclair, Bulk Barn
Sudbury South SmartCentre	Sudbury	100%	233,046	100.0%	Walmart Supercentre, LCBO, Mark's, Dollarama, Bouclair
Toronto Premium Outlets	Halton Hills	50%	179,334	98.7%	Saks Fifth Avenue OFF 5TH, Polo Ralph Lauren, Restoration Hardware, Nike, Columbia, Coach
Toronto Stockyards SmartCentre	Toronto	100%	8,615	100.0%	Walmart Supercentre*, Bank of Montreal, CitiFinancial
Vaughan (400 & 7) SmartCentre	Vaughan	100%	229,557	100.0%	Sail, The Brick, Home Depot*, Staples, Value Village, GoodLife Fitness
Vaughan Northwest SmartCentre	Vaughan	100%	163,989	100.0%	Walmart Supercentre, CIBC
Waterloo SmartCentre	Waterloo	100%	181,623	100.0%	Walmart Supercentre, Value Village, Mark's, Dollarama
Welland SmartCentre	Welland	100%	240,663	100.0%	Walmart Supercentre, Canadian Tire*, RONA, Mark's, Dollar Tree
Westside Mall	Toronto	100%	144,401	95.8%	Canadian Tire, FreshCo., Dollar Tree, Rogers, CIBC
Whitby North SmartCentre	Whitby	100%	279,153	98.2%	Walmart Supercentre, Real Canadian Superstore*, Mark's, LCBO, Bank of Nova Scotia
Whitby Northeast SmartCentre	Whitby	100%	39,249	97.5%	Boston Pizza, Swiss Chalet, Popeyes, Bell World, RBC
Whitby Shores Shopping Centre	Whitby	100%	85,470	100.0%	Metro, LCBO, Bank of Nova Scotia, Lovell Drugs, Pet Valu, Tim Hortons
Windsor South SmartCentre	Windsor	100%	231,473	94.7%	Walmart Supercentre, PartSource, Dollarama, PetSmart, Moores, The Beer Store, CIBC
Woodbridge SmartCentre	Woodbridge	50%	216,983	95.6%	Canadian Tire*, Fortinos*, Winners, Best Buy, Toys R Us, Chapters, Michaels, Sport Chek
Woodstock SmartCentre	Woodstock	100%	257,220	97.9%	Walmart Supercentre, Canadian Tire*, Staples, Mark's, Carter's OshKosh, Reitmans, Dollar Tree
Blainville SmartCentre	Blainville	100%	197,812	100.0%	Walmart Supercentre, Winners, Dollarama, Bulk Barn, Bank of Nova Scotia, RBC
Hull SmartCentre	Hull	50%	161,239	99.2%	Walmart Supercentre, Loblaws*, RONA*, Famous Players*, Super C*, Winners, Staples
Kirkland SmartCentre	Kirkland	100%	207,216	100.0%	Walmart Supercentre, The Brick
Lachenaie SmartCentre	Lachenaie	50%	141,292	100.0%	Walmart Supercentre, HomeSense, Value Village, Michaels, SAQ, Bouclair, Structube
Laval Central SmartCentre	Laval	100%	159,779	100.0%	Walmart Supercentre, Leon's*
Laval East SmartCentre	Laval	100%	540,056	98.0%	Walmart Supercentre, Canadian Tire, IGA, Winners, Michaels, Bouclair, Dollarama, SAQ
Laval West SmartCentre	Laval	100%	575,676	98.8%	Walmart Supercentre, RONA, Canadian Tire*, IGA*, Michaels, Home Outfitters, Staples
Mascouche North SmartCentre	Mascouche	100%	56,228	97.2%	RONA*, Jean Coutu, Structube, McDonald's, Bulk Barn
Mascouche SmartCentre	Mascouche	100%	407,799	97.7%	Walmart Supercentre, IGA, Home Outfitters, Winners, Staples, Best Buy, Bouclair, Mark's
Montreal (Decarie) SmartCentre	Montreal	50%	132,434	100.0%	Walmart, Toys R Us, Baton Rouge, Suzy Shier, P.F. Chang's, Bulk Barn, Carter's OshKosh
Montreal North SmartCentre	Montreal	100%	267,702	98.7%	Walmart Supercentre, IGA, Winners, Dollarama, Le Château, Sleep Country, TD Canada Trust
Montreal Premium Outlets	Mirabel	50%	182,972	96.4%	The Bay Outlet, Polo Ralph Lauren, Old Navy, Nike, Urban Planet, Tommy Hilfiger, Coach

* Non-owned anchor.
[1] Represents SmartREIT's interest in the net rentable area of the property.

RETAIL PROPERTIES	LOCATION	OWNERSHIP	NRA[1] (SQ. FT.)	OCCUPANCY	MAJOR TENANTS
Place Bourassa Mall	Montreal	100%	219,748	96.0%	Canadian Tire, Super C, Pharmaprix, L'Aubainerie, SAQ, Yellow
Pointe Claire SmartCentre	Pointe Claire	100%	381,966	97.5%	Walmart Supercentre, Home Depot, Mark's, Dollarama, Baron Sports, Pier 1 Imports
Rimouski SmartCentre	Rimouski	100%	243,740	98.9%	Walmart Supercentre, Tanguay*, Super C*, Winners, Best Buy, SAQ, Dollarama, Clement, Scores
Saint-Constant SmartCentre	Saint-Constant	100%	361,610	99.4%	Walmart Supercentre, Home Depot*, Super C, L'Aubainerie Concept Mode, Michaels
Saint-Jean SmartCentre	Saint-Jean	100%	249,981	97.0%	Walmart Supercentre, Maxi*, Michaels, Mark's, Bouclair, Reitmans, TD Canada Trust
Saint-Jerome SmartCentre	Saint-Jerome	100%	164,001	100.0%	Walmart Supercentre*, Home Depot*, IGA, Best Buy, Michaels, Bouclair, Dollarama
Sherbrooke SmartCentre	Sherbrooke	100%	243,804	99.2%	Walmart Supercentre, Canadian Tire*, Home Depot*, The Brick, Michaels, Mark's
Valleyfield SmartCentre	Valleyfield	100%	188,252	100.0%	Walmart Supercentre, Dollarama, SAQ, Reitmans, Claire France, Yellow
Vaudreuil SmartCentre	Vaudreuil-Dorion	100%	16,941	100.0%	Walmart Supercentre*, Brunet, Coco Fruitti
Victoriaville SmartCentre	Victoriaville	100%	37,784	100.0%	Walmart Supercentre*, Home Depot*, Maxi*, Winners, Reitmans
Fredericton North SmartCentre	Fredericton	100%	11,390	100.0%	Walmart Supercentre*, Canadian Tire*, Kent*, Dollarama
Saint John SmartCentre	Saint John	100%	261,298	94.8%	Walmart Supercentre, Kent*, Canadian Tire*, Winners, Best Buy, Old Navy, Pier 1 Imports
Colby Village Plaza	Dartmouth	100%	152,633	96.5%	Walmart, Atlantic Superstore, Cleve's Source for Sports, Pharmasave, Bank of Nova Scotia
Halifax Bayers Lake Centre	Halifax	100%	167,788	76.0%	Atlantic Superstore*, Winners, Cleve's Warehouse Sporting Goods, Bouclair
Charlottetown SmartCentre	Charlottetown	100%	225,057	98.2%	Walmart Supercentre, Toys R Us*, Michaels, Best Buy, Old Navy
Corner Brook SmartCentre	Corner Brook	100%	178,988	100.0%	Walmart, Canadian Tire*, Dominion (Loblaw)*, Staples, Mark's, Buck or Two, Bulk Barn
Mount Pearl SmartCentre	Mount Pearl	100%	268,534	100.0%	Walmart, Dominion (Loblaw)*, Canadian Tire*, Staples, GoodLife Fitness, Mark's, CIBC
Pearlgate Shopping Centre	Mount Pearl	100%	42,951	89.0%	Shoppers Drug Mart, Bulk Barn, TD Canada Trust
St. John's Central SmartCentre	St. John's	100%	157,649	100.0%	Walmart*, Home Depot*, Canadian Tire*, Sobeys, Staples, Mark's, Dollarama, Moores
St. John's East SmartCentre	St. John's	100%	370,621	93.6%	Walmart, Dominion (Loblaw)*, Winners, Staples, Michaels, Sport Chek, Old Navy, Mark's
Total Net Rentable Area			31,761,509		

* Non-owned anchor.
[1] Represents SmartREIT's interest in the net rentable area of the property.

OFFICE PROPERTIES	LOCATION	OWNERSHIP	NRA[1] (SQ. FT.)	OCCUPANCY	MAJOR TENANTS
British Colonial Building	Toronto	100%	16,226	100.0%	Irish Embassy Pubs
Total Net Rentable Area			16,226		

[1] Represents SmartREIT's interest in the net rentable area of the property.

MIXED-USE PROPERTIES	LOCATION	OWNERSHIP	NRA[1] (SQ. FT.)	OCCUPANCY	MAJOR TENANTS
Vaughan Metropolitan Centre	Vaughan	50%	161,552	100.0%	Walmart Supercentre, KPMG, Home Outfitters
Total Net Rentable Area			161,552		

[1] Represents SmartREIT's interest in the net rentable area of the property.

RETAIL DEVELOPMENT LANDS	LOCATION	OWNERSHIP	AREA UPON COMPLETION[1]	MAJOR TENANTS
Quesnel SmartCentre	Quesnel	100%	0	Walmart Supercentre*
Dunnville SmartCentre	Dunnville	100%	92,720	Canadian Tire*, Sobeys*
Innisfil SmartCentre	Innisfil	50%	69,872	–
Orleans SmartCentre (II)	Orleans	60%	134,711	–
StudioCentre	Toronto	50%	451,161	–
Jonquière SmartCentre[2]	Jonquière	100%	0	–
Mirabel SmartCentre (I)	Mirabel	33%	85,333	–
Mirabel SmartCentre (II)	Mirabel	25%	44,517	–
Total Area Upon Completion			878,314	

* Non-owned anchor.
[1] Represents SmartREIT's interest in the net rentable area of the property. Future area may include existing area that requires further redevelopment.
[2] Acquired 100% interest in the property on December 7, 2015. Redevelopment of the property is currently under review.

SMARTREIT

MD&A AND FINANCIALS

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2016 FINANCIAL HIGHLIGHTS

(in millions of dollars, except per Unit information)	**2016**	2015	Change
Net income excluding loss on disposition and fair value adjustments	**315.4**	285.5	29.9
Rentals from investment properties[1]	**727.8**	670.3	57.5
NOI[1,2]	**476.3**	438.0	38.3
FFO excluding adjustments[3]	**347.0**	309.6	37.4
Per Unit Information			
FFO excluding adjustments[3]	**$2.23**	$2.10	$0.13
AFFO[3]	**$2.10**	$1.99	$0.11
Distributions	**$1.67**	$1.61	$0.06
Payout ratio (to AFFO)[4]	**79.8%**	81.1%	(1.3)%

1 Includes the Trust's share of investment in associates.

2 Defined as rentals from investment properties less property operating costs.

3 See "Other Measures of Performance" for a reconciliation of these measures to the nearest consolidated financial statement measure.

4 Payout ratio is calculated as distributions per Unit divided by Adjusted Funds From Operations per Unit.

Management's Discussion and Analysis

For the Year Ended December 31, 2016

This Management's Discussion and Analysis ("MD&A") sets out Smart Real Estate Investment Trust's ("SmartREIT" or the "Trust") strategies and provides an analysis of the financial performance and financial condition for the year ended December 31, 2016, the risks facing the business and management's outlook.

This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2016 and 2015, and the notes contained therein. Such consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Canadian dollar is the functional and reporting currency for purposes of preparing the consolidated financial statements.

This MD&A is dated February 15, 2017, which is the date of the press release announcing the Trust's results for the year ended December 31, 2016. Disclosure contained in this MD&A is current to that date, unless otherwise noted.

Presentation of Non-GAAP Measures

Readers are cautioned that certain terms used in this MD&A such as Funds From Operations ("FFO"), Adjusted Funds From Operations ("AFFO"), Net Operating Income ("NOI"), "Interest Coverage", "Aggregate Assets", "Gross Book Value", "Debt to Service", Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), "Secured Indebtedness", "Payout Ratio", and any related per Variable Voting Unit of the Trust (a "Trust Unit") and per unit of the Trust's subsidiary limited partnerships (a "LP Unit") amounts used by management to measure, compare and explain the operating results and financial performance of the Trust do not have any standardized meaning prescribed under IFRS and, therefore, should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. These terms are defined in this MD&A and reconciled to the closest IFRS measure in the consolidated financial statements of the Trust for the year ended December 31, 2016. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities. See "Other Measures of Performance", "Net Operating Income", "Debt" and "Financial Covenants".

Earnings before interest expense, income taxes, depreciation expense and amortization expense ("EBITDA") is a non-IFRS measure that can be used to help determine the Trust's ability to service its debt, finance capital expenditures and provide for distributions to its unitholders ("Unitholders"). EBITDA is reconciled with net income, which is the closest IFRS measure (see Financial Covenants).

Adjusted EBITDA, as defined by the Trust, is a non-IFRS measure that comprises net earnings less income taxes, interest expense, amortization expense and depreciation expense, as well as gains and losses on disposal of investment properties and the fair value changes associated with investment properties and financial instruments, and also excludes non-recurring one-time adjustments. It is a metric that can be used to help determine the Trust's ability to service its debt, finance capital expenditures and provide for distributions to its Unitholders. Additionally, Adjusted EBITDA removes the non-cash impact of the fair value changes and gains and losses on investment property dispositions. Adjusted EBITDA is reconciled with net income, which is the closest IFRS measure (see "Capital Resources and Liquidity").

The ratio of total debt to Adjusted EBITDA is included and calculated each period to provide information on the level of the Trust's debt versus the Trust's ability to service that debt. Adjusted EBITDA is used as part of this calculation because the fair value changes and gains and losses on investment property dispositions do not have an impact on cash flow, which is a critical part of this measure (see Financial Covenants).

Forward-Looking Statements

Certain statements in this MD&A are "forward-looking statements" that reflect management's expectations regarding the Trust's future growth, results of operations, performance and business prospects and opportunities as outlined under the headings "Business Overview and Strategic Direction" and "Outlook". More specifically, certain statements contained in this MD&A, including statements related to the Trust's maintenance of productive capacity, estimated future development plans and costs, view of term mortgage renewals including rates and upfinancing amounts, timing of future payments of obligations, intentions to secure additional financing and potential financing sources, and vacancy and leasing assumptions, and statements that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may" and similar expressions and statements relating to matters that are not historical facts, constitute "forward-looking statements." These forward-looking statements are presented for the purpose of assisting Unitholders and financial analysts in understanding 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, including those discussed under the heading "Risks and Uncertainties" and elsewhere in this MD&A. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. 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. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. 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 thousands of Canadian dollars, except where otherwise stated. Per Unit amounts are expressed on a diluted basis, except where otherwise stated.

Additional information relating to the Trust, including the Trust's Annual Information Form for the year ended December 31, 2016 can be found at www.sedar.com.

Business Overview and Strategic Direction

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

The Trust's vision is to create exceptional places to shop, work and live. The Trust's purpose is to develop, lease, construct, own and manage shopping centres that provide retailers with a platform to reach their customers through convenient locations, intelligent designs, and a desirable tenant mix, and more recently to provide high quality office space for tenants to locate effective workspaces. The Trust is also now working on opportunities to provide residential (in various forms), seniors housing, and self-storage facilities at certain of its shopping centre properties across Canada, as well as developing certain of its urban properties to provide a mix of retail, residential and office space.

The Trust's shopping centres focus on value oriented retailers and include the strongest national and regional names as well as strong neighbourhood merchants. It is expected that Walmart will continue to be the dominant anchor tenant in the portfolio and that its presence will continue to attract other retailers and consumers.

As at December 31, 2016, the Trust owned 142 shopping centres with total gross leasable area of 31.9 million square feet, one office property, eight development properties and one mixed-use property, located in communities across Canada. Generally, the Trust's centres are conveniently located close to major highways, which, along with the anchor stores, provide significant draws to the Trust's portfolio, attracting both value-oriented retailers and consumers. The Trust, through a subsidiary limited partnership, acquired the right from Penguin (in this MD&A, "Penguin" refers to entities controlled by Mitchell Goldhar, a Trustee and significant Unitholder of the Trust) to use the "SmartCentres" brand, which represents a family and value-oriented shopping experience. In addition, the Trust acquired the "Smart Urban" brand, which the Trust uses to describe mixed-use developments in urban settings that include a mix of retail, office and residential space.

Two current examples of the Trust's evolution into mixed-use development are: the Vaughan Metropolitan Centre ("VMC") in Vaughan, Ontario, and the Toronto StudioCentre ("StudioCentre") in Toronto, Ontario. The VMC is one of the largest urban mixed-use development sites proposed in Canada. The Trust owns a 50% interest in 53 acres through a joint venture with Penguin and plans to develop an expected total of approximately 8.0 million to 10.0 million square feet of commercial, residential and retail real estate at VMC. Phase 1 of the development at VMC includes a 365,000 square foot office complex with KPMG as lead tenant, with possession taken by KPMG in March 2016. The site will also contain the terminus of the Spadina-York University subway extension, which is expected to open in late 2017. The StudioCentre site has become a mainstay of the Canadian movie production industry, housing multiple facilities for all elements of film and television production. The Trust has received approval from Toronto City Council to upgrade and redevelop the 19-acre site to include 1.2 million square feet of mixed-use space, including office, retail and potentially a hotel as well as the existing studio space to service the arts, film and media community. The Trust expects that the existing 230,000 square feet of former industrial buildings will continue to benefit from a thriving movie production industry in Canada.

On August 2, 2016, the Trust announced the commencement of the second phase of office development at VMC. The next phase of development is expected to be completed in 2019 and will feature a new 220,000 square foot Class A facility, which will be home to lead occupants, PwC, YMCA, and a new library and community uses for the City of Vaughan. In December 2016, the Trust announced the completion of lease transactions with Harley Davidson and GFL in the KPMG Tower at VMC. The premises of Harley Davidson opened in January, 2017 and represent Harley Davidson's new Canadian head office. GFL's office, expected to open in the fourth quarter of 2017, will span three full floors and represent GFL's new corporate head office. The recently opened 365,000 square foot KPMG Tower has direct access to the VMC subway station, which connects to downtown Toronto and is expected to be open and operational in December 2017. In addition, the Trust and Mitchell Goldhar announced a joint venture with CentreCourt to commence the marketing and development of the first two high-rise residential towers of approximately 1,200 units at VMC, capitalizing on its close proximity to the VMC subway station. Originally announced at 35 storeys, based on market conditions, the two towers are now expected to be up to 55 storeys.

On December 13, 2016, the Trust announced that it has entered into a letter of intent for a 50/50 joint-venture with Jadco Corporation, a Montreal area based residential developer, to build two 15-storey towers on a portion of SmartREIT's shopping centre lands at the corner of boul. St-Martin and boul. Daniel-Johnson in Laval. The two towers will contain a total of approximately 330 units connected

to a common podium structure that will contain streetfront retail units as well as service and leisure amenities for the residents. The total investment is expected to exceed $75.0 million and, subject to normal approvals, construction will begin in spring 2017 with occupancy of the first tower in summer 2018.

Acquisitions

Subject to the availability of acquisition opportunities, the Trust intends to grow distributions, in part through the accretive acquisition of properties. The current environment for acquisitions is very competitive with limited supply of quality properties coming to the market. The Trust explores acquisition opportunities as they arise but will pursue only acquisitions that management believes are accretive relative to its long-term cost of capital.

Developments, Earnouts and Mezzanine Financing

Developments, Earnouts and Mezzanine Financing continue to be a significant component of the Trust's strategic plan. "Developments" represent the gross leasable area that the Trust plans to develop for its own account, which includes the Trust's share of VMC. The gross leasable area to be developed and leased to third parties, which favour Penguin (controlled by Mitchell Goldhar, a Trustee and significant Unitholder of the Trust) is defined as "Earnouts". "Mezzanine Financing" purchase options are exercisable once a shopping centre is substantially complete and typically allow the Trust as a lender to acquire 50% of the completed shopping centre at agreed-upon formulas.

As at December 31, 2016, the Trust's potential gross leasable area subject to Developments, Earnouts and Mezzanine Financing is summarized as follows:

(in thousands of square feet)	**December 31, 2016**
Developments	**3,275**
Premium Outlets	**122**
VMC	**160**
Planned internal development	**3,557**
Planned third party development subject to Earnouts	**572**
Future estimated development area	**4,129**
Lands under Mezzanine Financing	**698**
Potential gross leasable area	**4,827**

Pursuant to the transaction completed on May 28, 2015 (the "Transaction"), which involved the acquisition of both a very significant portfolio of real estate and the Penguin platform (see MD&A for the year ended December 31, 2015 for details) – all leasing and development work on behalf of Penguin and other vendors is now managed by, and will be completed by, the Trust under contract with those parties. Earnouts occur where the vendors retain responsibility for certain developments on behalf of the Trust for additional proceeds calculated based on a predetermined, or formula-based, capitalization rate, net of land and development costs incurred by the Trust. Pursuant to the Transaction, the Trust is now responsible for managing the completion of Earnouts and Developments and charges fees to the vendors for such management.

Professional Management

Through professional management of the portfolio, the Trust intends to ensure its properties portray an image that will continue to attract consumers as well as provide preferred locations for its tenants. Well-managed properties enhance the shopping experience and ensure customers continue to visit the centres. Professional management of the portfolio permitted the maintenance of a high occupancy level of 98.3% at December 31, 2016 (December 31, 2015 – 98.7%).

Financial and Operational Highlights in 2016

The Trust continued its growth through Developments and Earnouts in 2016. During the year, the Trust also focused on managing the operation and development of existing properties, the acquisition of properties and raising the capital required for future growth of the business.

Highlights for the year include the following:

- For the three months ended December 31, 2016, FFO excluding adjustments increased by $6.5 million or 8.1% to $87.0 million and by 7.7% to $0.56 on a per Unit basis compared to the same quarter of 2015. For the year ended December 31, 2016, FFO excluding adjustments increased by $37.4 million or 12.1% to $347.0 million and by 6.2% to $2.23 on a per Unit basis compared to 2015
- For the three months ended December 31, 2016, AFFO increased by $3.5 million or 4.6% to $80.3 million and by 2.0% to $0.51 on a per Unit basis compared to the same quarter of 2015. For the year ended December 31, 2016, AFFO increased by $33.1 million or 11.3% to $326.0 million and by 5.5% to $2.10 on a per Unit basis compared to 2015
- AFFO payout ratio for the three months ended December 31, 2016 increased by 0.5% to 83.1% compared to the same quarter last year. For the year ended December 31, 2016, AFFO payout ratio decreased by 1.3% to 79.8% compared to last year
- Same properties NOI for the year ended December 31, 2016 increased by $4.9 million or 1.3% over last year

- The Trust maintained its occupancy at 98.3% (December 31, 2015 – 98.7%) based on leased and occupied space. Including executed deals for which tenants will take occupancy in 2017, occupancy levels increased to 98.5% (December 31, 2015 – 98.8%)
- On October 3, 2016, KPMG opened for business at the KPMG Tower at VMC in Vaughan and new leasing at the centre is very positive, with timing ahead of expectations
- In December 2016, the Trust announced the completion of lease transactions with Harley Davidson and GFL in the KPMG Tower at VMC. The premises of Harley Davidson opened in January, 2017 and represent Harley Davidson's new Canadian head office. GFL's office, expected to open in the fourth quarter of 2017, will span three full floors and represent GFL's new corporate head office. The recently opened 365,000 square foot KPMG Tower has direct access to the VMC subway station, which connects to downtown Toronto and is expected to be open and operational in December 2017. In addition, the Trust and Mitchell Goldhar announced a joint venture with CentreCourt to commence the marketing and development of the first two high-rise residential towers of approximately 1,200 units at VMC, capitalizing on its close proximity to the VMC subway station. Originally announced at 35 storeys, based on market conditions, the two towers are now expected to be up to 55 storeys
- On December 13, 2016, the Trust entered into a letter of intent for a 50/50 joint-venture with Jadco Corporation, a Montreal area based residential developer, to build two 15-storey towers on a portion of the Trust's shopping centre lands at the corner of boul. St-Martin and boul. Daniel-Johnson in Laval. The two towers will contain a total of approximately 330 units connected to a common podium structure that will contain streetfront retail units as well as service and leisure amenities for the residents. Total investment will exceed $75.0 million and, subject to normal approvals, construction will begin in spring 2017 with occupancy of the first tower in summer 2018
- During the three months ended December 31, 2016, $43.8 million of Earnouts and Developments including VMC were completed and transferred to income properties, which represents a decrease of $46.3 million or 51.4% compared to the same quarter in 2015. During the year ended December 31, 2016, $154.5 million of Earnouts and Developments including VMC were completed and transferred to income properties, which represents an increase of $21.0 million or 15.7% compared to 2015
- On August 16, 2016, $100.0 million of 2.987% Series O senior unsecured debentures and $250.0 million of 3.444% Series P senior unsecured debentures were issued for combined net proceeds including issuance costs totalling $347.4 million
- On September 14, 2016, $100.0 million aggregate principal amount of 5.00% Series F senior unsecured debentures and $90.0 million aggregate principal amount of 4.70% Series G senior unsecured debentures were redeemed
- On August 16, 2016, the Trust completed the acquisition of a property in Lethbridge, Alberta, from a third party, totalling 53,392 square feet of leasable area. The total purchase price of this acquisition was $15.3 million, for which the Trust assumed an existing mortgage totalling $9.2 million with a term of 3.9 years and an interest rate of 2.73%
- On October 25, 2016, the Trust completed the acquisition of a property in Pointe Claire, Quebec, from a third party, totalling 381,966 square feet of leasable area. The total purchase price of this acquisition was $63.4 million, for which the Trust assumed an existing mortgage totalling $34.5 million with an interest rate of 2.87% that matures in 2017
- Fixed rate secured debt totalling $82.2 million (including $43.7 million assumed debt from acquisitions) was obtained with a weighted average term of 4.9 years and a weighted average interest rate of 2.99%
- Secured debt of $89.9 million with a weighted average interest rate of 5.78% was repaid

Subsequent to Year End:

- On January 11, 2017, the Trust announced the signing of a 10 year (plus two five year extensions) lease transaction with law firm Miller Thomson in the KPMG Tower at VMC. Miller Thomson will occupy a full floor (22,000 square feet) and expects to open its Vaughan office in the first quarter of 2017 with 30 lawyers
- On January 25, 2017, Revival 629 Film Studios, an entity co-owned by the Trust, announced it will make a further investment in its film studios at 629 Eastern Avenue. Revival 629 will build a new 7,500 square foot studio called Revival XP. Revival XP will lease space on a short term basis to those that require easily accessible space for a specific period. In addition, there will be approximately 1,500 square feet of support space. The facility will offer 40 foot ceiling height, green walls and lighting grids. It is expected that Revival XP will be available for lease by July 2017
- A parking lot expansion at the Toronto Premium Outlets has commenced, which the Trust anticipates will be completed by the end of 2017 comprising a total of five storeys with a net additional 900 parking spots. Once complete, the Trust expects to commence the 144,000 square foot expansion of the Toronto Premium Outlets
- On February 15, 2017, the Trust announced that it has entered into a Letter of Intent to form a 50/50 joint venture partnership with SmartStop Asset Management LLC, a leading North American developer and operator of self-storage facilities, to build self-storage facilities in Canada

Selected Consolidated Information:

The operational and financial consolidated information shown in the table below includes the Trust's share of investment in associate, which is disclosed in Note 6 of the consolidated financial statements.

(in thousands of dollars, except per Unit and other non-financial data)	**2016**	2015	2014
Operational information			
Number of retail and other properties	**142**	139	121
Number of properties under development	**8**	11	7
Number of office properties	**1**	–	–
Number of mixed-use properties	**1**	–	–
Total number of properties owned	**152**	150	128
Gross leasable area (in thousands of sq. ft.)	**31,939**	31,055	27,340
Future estimated development area (in thousands of sq. ft.)	**4,129**	5,037	2,678
Lands under Mezzanine Financing (in thousands of sq. ft.)	**698**	700	755
Occupancy	**98.3%**	98.7%	99.0%
Average lease term to maturity	**6.2 years**	6.9 years	6.8 years
Net rental rate (per occupied sq. ft.)	**$15.29**	$15.16	$15.01
Net rental rate excluding anchors (per occupied sq. ft.)[1]	**$21.97**	$21.87	$21.43
Financial information			
Investment properties[2]	**8,424,860**	8,168,551	6,801,370
Total assets	**8,738,878**	8,505,003	7,107,403
Total unencumbered assets	**2,701,700**	2,453,000	2,443,100
Debt[2]	**3,894,671**	3,823,229	3,003,121
Debt to gross book value[3]	**51.9%**	52.2%	50.5%
Debt to aggregate assets	**44.3%**	44.7%	42.8%
Interest coverage[4]	**3.1X**	3.0X	2.7X
Debt to Adjusted EBITDA[5]	**8.4X**	8.4X	7.4X
Equity (book value)	**4,663,944**	4,482,571	3,906,424
Rentals from investment properties[2]	**727,750**	670,323	607,553
NOI[2,6,7]	**476,346**	437,984	395,932
Net income excluding loss on disposition and fair value adjustments[7]	**315,394**	285,526	242,211
Net income and comprehensive income[7]	**386,135**	319,489	263,708
Cash provided by operating activities[7]	**316,337**	296,248	240,649
FFO excluding adjustments[7,8]	**347,013**	309,584	264,883
AFFO[7,8]	**325,962**	292,906	251,474
Distributions declared	**259,096**	239,647	212,339
Surplus of AFFO over distributions declared[7]	**66,866**	53,259	39,135
Units outstanding[9]	**155,686,295**	154,088,207	136,315,194
Weighted average – basic	**154,940,163**	146,594,883	135,363,993
Weighted average – diluted[10]	**155,544,454**	148,297,732	138,338,422
Per Unit Information (Basic/Diluted)			
Net income and comprehensive income[7]	**$2.49/$2.48**	$2.18/$2.15	$1.95/$1.94
Net income excluding loss on disposition and fair value adjustments[7]	**$2.04/$2.03**	$1.95/$1.93	$1.79/$1.78
FFO excluding adjustments[7,8]	**$2.24/$2.23**	$2.11/$2.10	$1.96/$1.95
AFFO[7,8]	**$2.10/$2.10**	$2.00/$1.99	$1.86/$1.84
Distributions	**$1.67**	$1.61	$1.56
Payout ratio (to AFFO)[7,11]	**79.8%**	81.1%	84.7%

1 Anchors are defined as tenants within a property with leasable area greater than 30,000 square feet.

2 Includes the Trust's share of investment in associate.

3 Defined as debt (excluding convertible debentures) divided by total assets plus accumulated amortization less cumulative unrealized fair value gain or loss with respect to investment property.

4 Defined as earnings before interest, income taxes, amortization, loss on sale of investment property, acquisition costs, fair value gain or loss with respect to investment property and financial instruments and adjustments relating to the early redemption of unsecured debentures over interest expense, where interest expense excludes the distributions on deferred units and LP Units classified as liabilities and adjustments relating to the early redemption of unsecured debentures.

5 Defined as debt over earnings before interest, income taxes, amortization, loss on sale of investment property, acquisition costs, fair value gain or loss with respect to investment property and financial instruments, adjustments relating to the early redemption of unsecured debentures in 2016 and non-recurring one-time adjustments.

6 Defined as rentals from investment properties less property operating costs.

7 Includes $9.9 million settlement proceeds associated with the Target lease terminations net of other amounts recorded during the year ended December 31, 2016 (year ended December 31, 2015 – $nil).

8 See "Other Measures of Performance" for a reconciliation of these measures to the nearest consolidated financial statement measure.

9 Total Units outstanding include Trust Units and LP Units, including LP Units classified as liabilities. LP Units classified as equity in the consolidated financial statements are presented as non-controlling interests.

10 The diluted weighted average includes the vested portion of the deferred unit plan and convertible debentures but does not include unvested Earnout options.

11 Payout ratio is calculated as distributions per Unit divided by Adjusted Funds From Operations per Unit.

Results of Operations

The Trust's real estate portfolio has grown through acquisitions, completed Developments and Earnouts during the course of the past year resulting in increases in operating results for the year ended December 31, 2016, compared to the year ended December 31, 2015.

Three Months Ended December 31, 2016

(in thousands of dollars)	**Three Months Ended December 31, 2016[1]**	Three Months Ended December 31, 2015[1]
Net rental income		
Rentals from investment properties	**186,702**	178,085
Property operating costs	**(66,656)**	(63,961)
Net rental income	**120,046**	114,124
Other income and expenses		
Service and other revenues	**3,856**	3,797
Other expenses	**(3,851)**	(3,804)
General and administrative expense	**(5,786)**	(6,381)
Fair value adjustment on revaluation of investment properties	**64,986**	15,617
(Loss) gain on sale of investment properties	**(20)**	17
Interest expense	**(32,968)**	(33,978)
Interest income	**2,647**	2,848
Fair value adjustment on financial instruments	**4,979**	(563)
	33,843	(22,447)
Net income and comprehensive income for the quarter	**153,889**	91,677

1 Includes share of investments in associate.

Net income and comprehensive income for the quarter ended December 31, 2016 increased by $62.2 million or 67.9% from the same quarter in 2015. The increase is primarily attributed to the increase in fair value gain on revaluation of investment properties of $49.4 million, the increase in fair value gain with respect to the fair value adjustment on financial instruments of $5.5 million and the increase in NOI of $5.9 million, discussed in further detail below.

(in thousands of dollars)	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015
Net base rent	**117,659**	117,130
Property operating cost recoveries	**64,860**	58,636
Miscellaneous revenue	**4,183**	2,319
Rentals from investment properties[1]	**186,702**	178,085
Service and other revenues	**3,856**	3,797
Other expenses	**(3,851)**	(3,804)
Recoverable costs	**(64,693)**	(60,541)
Property management fees and costs	**(1,356)**	(2,152)
Non-recoverable costs	**(607)**	(1,268)
Total property specific costs[1]	**(66,651)**	(63,968)
NOI	**120,051**	114,117
NOI as a percentage of base rent	**102.0%**	97.4%
NOI as a percentage of rentals from investment properties	**64.3%**	64.1%
Recovery ratio (including prior year adjustments)[2]	**100.3%**	96.9%
Recovery ratio (excluding prior year adjustments)[2]	**97.3%**	97.6%

1 Includes the Trust's share of rentals from investment in associate of $1.3 million (three months ended December 31, 2015 – $0.4 million) and property specific costs from investment in associate of $0.5 million (three months ended December 31, 2015 – $0.2 million), for a net increase to NOI of $0.8 million for the three months ended December 31, 2016 (three months ended December 31, 2015 – $0.2 million).

2 Defined as property operating cost recoveries divided by recoverable costs.

Rentals from investment properties for the three months ended December 31, 2016, totalled $186.7 million, an $8.6 million or 4.8% increase over the same period last year. Net base rent increased by $0.5 million or 0.5%, due to rent increases from new and renewing tenants partially offset by higher vacancies, and income from acquisitions that closed during 2015 and 2016, as well as Earnouts and completed Developments that occurred during 2015 and 2016. Property operating cost recoveries increased by $6.2 million or 10.6%, which included $2.4 million of prior year adjustments to common area maintenance ("CAM") and property tax provisions, and $3.8 million due to increases in recoverable costs attributable to the growth in the portfolio. In addition, miscellaneous revenue increased by $1.9 million primarily due to an increase in lease terminations over the prior year of $0.9 million.

The Trust recovered 100.3% of total recoverable expenses during the three months ended December 31, 2016, compared to 96.9% in the same quarter last year. The increase was largely due to the prior year adjustments noted above, partially offset by higher vacancies.

In comparison to the same quarter in 2015, NOI increased by $5.9 million or 5.2% in 2016, for the reasons noted above.

Year Ended December 31, 2016

(in thousands of dollars)	**Year Ended December 31, 2016**	Year Ended December 31, 2015
Net base rent	**467,269**	440,275
Property operating cost recoveries	**236,192**	218,525
Miscellaneous revenue[1]	**24,289**	11,523
Rentals from investment properties[2]	**727,750**	670,323
Service and other revenues	**11,548**	9,006
Other expenses	**(11,543)**	(8,974)
Recoverable costs	**(242,077)**	(222,404)
Property management fees and costs	**(5,883)**	(6,270)
Non-recoverable costs	**(3,449)**	(3,697)
Total property specific costs[2]	**(251,404)**	(232,339)
NOI[1]	**476,346**	437,984
NOI as a percentage of base rent[1]	**101.9%**	99.5%
NOI as a percentage of rentals from investment properties[1]	**65.5%**	65.3%
Recovery ratio[3]	**97.6%**	98.3%

1 Includes $9.9 million settlement proceeds associated with the Target lease terminations net of other amounts recorded during the year ended December 31, 2016 (year ended December 31, 2015 – $nil).

2 Includes the Trust's share of rentals from investment in associate of $2.5 million (year ended December 31, 2015 – $1.7 million) and property specific costs from investment in associate of $1.0 million (year ended December 31, 2015 – $0.6 million), for a net increase to NOI of $1.5 million for the year ended December 31, 2016 (December 31, 2015 – $1.1 million).

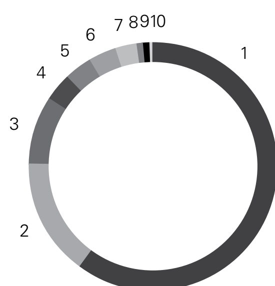
3 Defined as property operating cost recoveries divided by recoverable costs.

Rentals from investment properties for the year ended December 31, 2016, totalled $727.8 million, a $57.4 million or 8.6% increase over the year ended December 31, 2015. Net base rent increased by $27.0 million or 6.1%, primarily due to rent increases from new and renewing tenants partially offset by higher vacancies, and income from acquisitions that closed during 2015 and 2016, as well as Earnouts and completed Developments that occurred during 2015 and 2016. Property operating cost recoveries increased by $17.7 million or 8.1% primarily due to the related increases in recoverable costs with the growth of the Trust's portfolio. In addition, the increase in miscellaneous revenue for the year ended December 31, 2016 was primarily due to $9.9 million settlement proceeds associated with the Target lease terminations net of other amounts.

The Trust recovered 97.6% of total recoverable expenses during the year ended December 31, 2016, compared to 98.3% last year. Non-recovery of most of the remaining costs resulted from higher vacancies, fixed recovery rates for some tenants and restrictions contained in certain anchor tenant leases.

In comparison to the year ended December 31, 2015, NOI increased by $38.4 million or 8.8% in 2016, primarily as a result of the expansion to the Trust's portfolio mainly due to the Transaction that closed on May 28, 2015 (2015 results reflect seven months versus a full 12 month period in 2016) resulting in an increase in NOI of $24.9 million and an increase in miscellaneous revenue of $12.8 million, which was primarily attributable to the $9.9 million settlement proceeds associated with the Target lease terminations, net of other amounts.

Gross Revenue by Province
(per cent)



1. Ontario – 60.2%
2. Quebec – 15.2%
3. British Columbia – 8.8%
4. Manitoba – 3.7%
5. Alberta – 3.7%
6. Saskatchewan – 3.4%
7. Newfoundland and Labrador – 2.9%
8. Nova Scotia – 0.9%
9. New Brunswick – 0.7%
10. Prince Edward Island – 0.5%

The Trust's portfolio is located across Canada with properties in each of the provinces. With respect to the portfolio's gross revenue, 75.4% is derived from Ontario and Quebec, primarily in the Greater Toronto and Montreal areas.

Top 10 Tenants

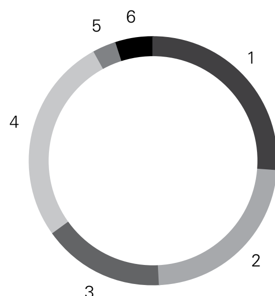
The 10 largest tenants (by rental revenue) account for 49.3% of portfolio revenue as follows:

#	Tentant	Number of Stores	Rental Revenue[1] ($ millions)	Percentage of Total Rental Revenue	Area (sq. ft.)	Percentage of Total Gross Leasable Area
1	Walmart[2]	95	189.0	26.3%	13,434,443	42.1%
2	Canadian Tire, Mark's and FGL Sports	67	31.8	4.4%	1,232,848	3.9%
3	Winners, HomeSense, Marshalls	48	28.1	3.9%	1,237,483	3.9%
4	Lowe's, RONA	9	18.6	2.6%	1,023,223	3.2%
5	Sobeys	17	17.2	2.4%	735,485	2.3%
6	Reitmans	102	16.9	2.3%	554,917	1.7%
7	Loblaws and Shoppers Drug Mart	19	16.5	2.3%	710,484	2.2%
8	Best Buy	23	13.9	1.9%	524,027	1.6%
9	Dollarama	46	11.3	1.6%	436,720	1.4%
10	Michaels	24	11.2	1.6%	459,589	1.4%
		450	354.5	49.3%	20,349,219	63.7%

1 Annualized as at December 31, 2016.

2 The Trust has a total of 95 Walmart locations under lease, of which 90 are Supercentres. The Trust has 14 shopping centres with Walmart as shadow anchors, of which 13 are Supercentres.

Gross Rental Revenue by Tenant
(per cent)



1. Walmart – 26.3%
2. Top 2–10 Retailers – 23.1%
3. Top 11–25 Retailers – 15.6%
4. Other National Retailers – 27.1%
5. Regional Retailers – 2.9%
6. Local Tenants – 5.0%

Net Operating Income (NOI) and Same Property NOI

NOI from continuing operations is defined as rentals from investment properties less property operating costs net of service and other revenues. Disclosing the NOI contribution from each of same properties, acquisitions, dispositions, Earnouts and Development activities highlights the impact each component has on aggregate NOI. Straight-lining of rent and other adjustments have been excluded from NOI attributed to same properties, acquisitions, dispositions, Earnouts and Development activities in the table below to highlight the impact of growth in occupancy, rent uplift and productivity.

Three Months Ended December 31, 2016

(in thousands of dollars)	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015
Same properties	**114,711**	111,019
Acquisitions	**1,075**	33
Earnouts and Developments	**4,171**	3,303
NOI before adjustments	**119,957**	114,355
Amortization of tenant improvements	**(1,638)**	(1,226)
Lease termination and other adjustments	**1,524**	603
Straight-lining of rents	**377**	552
Royalties	**(174)**	(160)
Other revenue	**5**	(7)
NOI	**120,051**	114,117

"Same properties" in the table above refer to those income properties that were owned by the Trust during the three months ended December 31, 2015 and December 31, 2016. The same properties NOI for the three months ended December 31, 2016 increased by $3.7 million or 3.3% over the same period last year mainly due to $2.4 million adjustments for prior year CAM and property tax provisions, and an increase in miscellaneous revenue of $1.9 million mainly attributable to the increase in lease terminations over the prior year of $0.9 million.

In addition, NOI before adjustments increased by $5.6 million or 4.9% during the three months ended December 31, 2016 over the same period last year. The increase in NOI before adjustments was primarily due to the increase in same properties NOI of $3.7 million, and a net increase in income attributed to acquisitions, Earnouts and Developments completed during the period of $1.9 million.

Year Ended December 31, 2016

(in thousands of dollars)	**Year Ended December 31, 2016**	Year Ended December 31, 2015
Same properties	**393,537**	388,672
Acquisitions	**59,702**	36,212
Earnouts and Developments	**13,258**	9,939
NOI before adjustments	**466,497**	434,823
Amortization of tenant improvements	**(6,110)**	(5,291)
Lease termination and other adjustments[1]	**15,530**	5,776
Straight-lining of rents	**1,083**	2,151
Royalties	**(659)**	(554)
Other revenue	**5**	1,080
NOI	**476,346**	437,985

[1] Includes $9.9 million settlement proceeds associated with the Target lease terminations net of other amounts recorded during the year ended December 31, 2016 (year ended December 31, 2015 – $nil).

"Same properties" in the table above refer to those income properties that were owned by the Trust on January 1, 2015, and throughout 2015 to December 31, 2016. The same properties NOI for the year ended December 31, 2016 increased by $4.9 million or 1.3% over last year primarily due to rent increases in renewing tenants and step-ups in existing leases of $1.3 million, a decrease in other non-recoverable costs of $2.5 million and an increase in miscellaneous revenue of $1.0 million mainly attributable to percentage rent increases and higher other administration fees recovered from tenants.

In addition, NOI before adjustments increased by $31.7 million or 7.3% during the year ended December 31, 2016 from $434.8 million during the year ended December 31, 2015. The increase was primarily due to same properties NOI growth of $4.9 million, net income attributed to acquisitions of $23.5 million, and Earnouts and Developments completed during the year of $3.3 million.

In addition to the reasons noted above, NOI was further increased from lease terminations and other adjustments for the year ended December 31, 2016, which increased by $9.8 million to $15.5 million compared to the same period in 2015, primarily due to $9.9 million settlement proceeds associated with the Target lease terminations net of other amounts.

Run-Rate NOI
Management's estimate of the annual property run-rate NOI (excluding the impact of straight-line rent and other adjustments) at December 31, 2016 is $471.2 million. There are no assurances for same property growth rates, however assuming a 1.0% same property NOI growth rate over 2017 and 2018, FFO is forecasted to increase by $0.030 and $0.030 per Unit, respectively.

Other Measures of Performance

The following are measures sometimes used by Canadian real estate investment trusts ("REITs") as indicators of financial performance. 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. Because these measures are not standardized as prescribed by IFRS, they may not be comparable to similar measures presented by other REITs. These measures are not intended to represent operating profits for the period; nor should they be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. The calculations are derived from the consolidated financial statements for the year ended December 31, 2016, unless otherwise stated, do not include any assumptions, do not include any forward-looking information and are consistent with prior reporting periods.

Weighted Average Number of Units
The weighted average number of Trust Units and LP Units is used in calculating the Trust's FFO and AFFO per Unit. Diluted FFO and AFFO per Unit are adjusted for the dilutive effect of the convertible debentures and the vested portion of deferred units unless they are anti-dilutive. To calculate diluted FFO and AFFO per Unit for the year ended December 31, 2016, 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 purpose of FFO and AFFO per Unit calculations in this MD&A:

(number of Units)	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015	**Year Ended December 31, 2016**	Year Ended December 31, 2015
Trust Units	**129,946,480**	128,477,236	**129,421,202**	123,647,328
Class B LP Units	**16,340,573**	16,313,976	**16,334,543**	16,292,334
Class D LP Units	**311,022**	311,022	**311,022**	311,022
Class B LP II Units	**756,525**	756,525	**756,525**	756,525
Class B LP III Units	**3,772,448**	3,747,995	**3,763,393**	2,995,269
Class B LP IV Units	**3,046,121**	3,035,756	**3,043,124**	1,807,988
Class B Oshawa South LP Units	**688,336**	688,336	**688,336**	411,116
Class D Oshawa South LP Units	**251,649**	251,649	**251,649**	150,300
Class B Oshawa Taunton LP Units	**374,223**	305,765	**355,454**	182,621
Class D Oshawa Taunton LP Units	**–**	17,043	**14,915**	40,380
Basic	**155,487,377**	153,905,303	**154,940,163**	146,594,883
Vested deferred units	**572,090**	626,401	**604,291**	630,445
Convertible debentures	**–**	–	**–**	1,072,404
Diluted	**156,059,467**	154,531,704	**155,544,454**	148,297,732

Funds From Operations
While FFO does not have a standardized meaning prescribed by IFRS, it is a non-IFRS financial measure of operating performance widely used by the real estate industry. The Real Property Association of Canada ("REALpac") recommends that FFO be determined by reconciling from net income.

Adjusted Funds From Operations
Since FFO does not consider capital transactions, AFFO is presented herein as an alternative measure to determine available cash flow. AFFO is not defined by IFRS.

Reconciliations of FFO and AFFO

The analysis below illustrates a reconciliation of the Trust's net income to FFO and AFFO for the three months ended December 31, 2016 and December 31, 2015:

(in thousands of dollars, except per Unit amounts)	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015	Increase/ (Decrease)
Net income and comprehensive income	**153,889**	91,677	62,212
Add (deduct):			
Change in fair value of investment properties	**(59,681)**	(16,071)	(43,610)
Change in fair value of financial instruments	**(4,307)**	(374)	(3,933)
Loss (gain) on sale of investment properties	**20**	(17)	37
Amortization of intangible assets	**333**	792	(459)
Amortization of tenant improvement allowance	**1,606**	1,226	380
Distributions on LP Units and vested deferred units recorded as interest expense	**480**	493	(13)
Salaries and related costs attributed to leasing activities[1]	**84**	754	(670)
Adjustments relating to investment in associate:			
Rental revenue adjustment – tenant improvement amortization	**32**	–	32
Indirect interest with respect to the development portion[2]	**475**	553	(78)
Change in fair value of investment properties	**(5,305)**	454	(5,759)
Change in fair value on interest rate swap agreements	**(672)**	936	(1,608)
FFO excluding adjustments	**86,954**	80,423	6,531
Add (deduct):			
Straight-lining of rents	**(341)**	(554)	213
Adjustments relating to investment in associate:			
Straight-lining of rents	**(33)**	–	(33)
Sustaining capital expenditures	**(3,976)**	893	(4,869)
Sustaining leasing costs	**(2,353)**	(4,012)	1,659
AFFO	**80,251**	76,750	3,501
Per Unit – basic/diluted[3]:			
FFO	**$0.56/$0.56**	$0.52/$0.52	$0.04/$0.04
FFO excluding adjustments	**$0.56/$0.56**	$0.52/$0.52	$0.04/$0.04
AFFO	**$0.52/$0.51**	$0.50/$0.50	$0.02/$0.01
Payout ratio:			
FFO	**75.2%**	79.4%	–4.2%
FFO excluding adjustments	**75.2%**	79.4%	–4.2%
AFFO	**83.1%**	82.6%	0.5%

1 Internal expenses for leasing, primarily salaries, of $0.1 million were incurred in the three months ended December 31, 2016 (three months ended December 31, 2015 – $0.8 million) and were eligible to be added back to FFO based on the revision to the definition of FFO, in the REALpac white paper published in April 2014 that provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO made results more comparable between real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

2 Indirect interest is not capitalized to properties under development of investment in associate under IFRS but is a permitted adjustment under REALpac's definition of FFO. The amount is based on the total cost incurred with respect to the development portion of investment in associate multiplied by the Trust's weighted average cost of debt.

3 Diluted FFO and AFFO are adjusted for the dilutive effect of vested deferred units and convertible debentures, which are not dilutive for net income purposes. To calculate diluted FFO and FFO excluding adjustments for the three months ended December 31, 2016, convertible debenture interest of $nil and accretion expense of $nil are added back to net income and 572,090 Units are added back to the weighted average Units outstanding (three months ended December 31, 2015 – convertible debenture interest of $nil and accretion expense of $nil, and 626,401 Units, respectively). To calculate diluted AFFO for the three months ended December 31, 2016, convertible debenture interest of $nil is added back to net income and 572,090 Units are added back to the weighted average Units outstanding (three months ended December 31, 2015 – $nil and 626,401 Units, respectively).

For the three months ended December 31, 2016, FFO excluding adjustments increased by $6.5 million or 8.1% to $87.0 million and by 7.7% to $0.56 on a per Unit basis compared to the same quarter of 2015. The increase in FFO excluding adjustments of $6.5 million was primarily due to an increase in NOI of $5.9 million and a decrease in general and administrative expense of $0.6 million, partially offset by a decrease in salaries and related costs attributed to leasing activities – which are added back to FFO – in the amount of $0.7 million.

For the three months ended December 31, 2016, AFFO increased by $3.5 million or 4.6% to $80.3 million and by 2.0% to $0.51 on a per Unit basis compared to the same quarter of 2015. The increase in AFFO of $3.5 million was primarily due to the changes described in FFO above for the three months ended December 31, 2016, further increased by a decrease in sustaining leasing costs of $1.7 million, offset by an increase in sustaining capital expenditures of $4.9 million, which was primarily due to major roof repairs, parking lot maintenance and tenant improvements for replacement tenants.

The analysis below illustrates a reconciliation of the Trust's net income to FFO and AFFO for the year ended December 31, 2016 and December 31, 2015:

(in thousands of dollars, except per Unit amounts)	**Year Ended December 31, 2016**	Year Ended December 31, 2015	Increase/ (Decrease)
Net income and comprehensive income[1]	**386,135**	319,489	66,646
Add (deduct):			
Change in fair value of investment properties	**(60,312)**	(32,835)	(27,477)
Change in fair value of financial instruments	**1,911**	(531)	2,442
Loss on sale of investment properties	**146**	17	129
Amortization of intangible assets	**1,331**	792	539
Amortization of tenant improvement allowance	**6,078**	5,291	787
Distributions on LP Units and vested deferred units recorded as interest expense	**1,966**	1,812	154
Salaries and related costs attributed to leasing activities[2]	**3,637**	1,337	2,300
Adjustments relating to investment in associate:			
Rental revenue adjustment – tenant improvement amortization	**32**	–	32
Indirect interest with respect to the development portion[3]	**2,115**	2,198	(83)
Change in fair value of investment properties	**(12,003)**	(1,551)	(10,452)
Change in fair value on interest rate swap agreements	**(480)**	936	(1,416)
Acquisition costs[4]	**–**	1,018	(1,018)
FFO[1]	**330,556**	297,973	32,583
Yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs[5]	**16,457**	11,023	5,434
Write-off of unamortized financing costs on redemption of convertible debentures	**–**	588	(588)
FFO excluding adjustments[1]	**347,013**	309,584	37,429
Add (deduct):			
Accretion on convertible debentures	**–**	354	(354)
Straight-lining of rents	**(1,050)**	(2,150)	1,100
Adjustments relating to investment in associate:			
Straight-lining of rents	**(33)**	–	(33)
Sustaining capital expenditures	**(9,862)**	(7,720)	(2,142)
Sustaining leasing costs	**(10,106)**	(7,162)	(2,944)
AFFO[1]	**325,962**	292,906	33,056
Per Unit – basic/diluted[1,6]:			
FFO	**$2.13/$2.13**	$2.03/$2.02	$0.10/$0.11
FFO excluding adjustments	**$2.24/$2.23**	$2.11/$2.10	$0.13/$0.13
AFFO	**$2.10/$2.10**	$2.00/$1.99	$0.10/$0.11
Payout ratio[1]:			
FFO	**78.4%**	79.9%	–1.5%
FFO excluding adjustments	**74.9%**	76.8%	–1.9%
AFFO	**79.8%**	81.1%	–1.3%

1 Includes $9.9 million settlement proceeds associated with the Target lease terminations net of other amounts recorded during the year ended December 31, 2016 (year ended December 31, 2015 – $nil). For the year ended December 31, 2016, the net settlement proceeds had an impact on both FFO per Unit and AFFO per Unit by $0.06 (year ended December 31, 2015 – $nil).

2 Internal expenses for leasing, primarily salaries, of $3.6 million were incurred in the year ended December 31, 2016 and were eligible to be added back to FFO based on the revision to the definition of FFO, in the REALpac white paper published in April 2014 that provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO made results more comparable between real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

3 Indirect interest is not capitalized to properties under development of investment in associate under IFRS but is a permitted adjustment under REALpac's definition of FFO. The amount is based on the total cost incurred with respect to the development portion of investment in associate multiplied by the Trust's weighted average cost of debt.

4 Acquisition costs relate to the costs associated with the acquisition of the Penguin platform and brand acquisition.

5 The year ended December 31, 2016 include $15.1 million of yield maintenance costs on redemption of unsecured debentures and $1.3 million of accelerated amortization of deferred financing costs (year ended December 31, 2015 – $10.8 million of yield maintenance costs and $0.2 million of accelerated amortization of deferred financing costs).

6 Diluted FFO and AFFO are adjusted for the dilutive effect of vested deferred units and convertible debentures, which are not dilutive for net income purposes. To calculate diluted FFO and FFO excluding adjustments for the year ended December 31, 2016, convertible debenture interest of $nil and accretion expense of $nil are added back to net income and 604,291 Units are added back to the weighted average Units outstanding (year ended December 31, 2015 – convertible debenture interest of $1.6 million and accretion expense of $0.4 million and 1,702,849 Units, respectively). To calculate diluted AFFO for the year ended December 31, 2016, convertible debenture interest of $nil is added back to net income and 604,291 Units are added back to the weighted average Units outstanding (year ended December 31, 2015 – $1.6 million and 1,702,849 Units, respectively).

For the year ended December 31, 2016, FFO excluding adjustments increased by $37.4 million or 12.1% to $347.0 million and by 6.2% to $2.23 on a per Unit basis compared to 2015. The increase in FFO excluding adjustments of $37.4 million was primarily due to an increase in NOI of $38.4 million and an increase in salaries and related costs attributed to leasing activities – which are added back to FFO – in the amount of $2.3 million, partially offset by an increase in general and administrative expense of $5.1 million.

For the year ended December 31, 2016, AFFO increased by $33.1 million or 11.3% to $326.0 million and by 5.5% to $2.10 on a per Unit basis compared to 2015. The increase in AFFO of $33.1 million was primarily due to the changes described in FFO above for the year ended December 31, 2016, further offset by an increase in leasing costs of $2.9 million and an increase in sustaining capital expenditures of $2.1 million.

The analysis below shows a reconciliation from cash provided by operating activities to FFO (excluding adjustments) and AFFO for the three months ended December 31, 2016 and December 31, 2015:

	Three Months Ended December 31, 2016		Three Months Ended December 31, 2015	
(in thousands of dollars except, per Unit amounts)	**FFO**	**AFFO**	FFO	AFFO
Cash provided by operating activities	**109,672**	**109,672**	111,197	111,197
Earnings from associate, net of distributions	**6,377**	**6,377**	(1,406)	(1,406)
Amortization of equipment	**(182)**	**(182)**	(162)	(162)
Amortization of acquisition date fair value adjustments on assumed debt	**846**	**846**	948	948
Amortization of deferred financing costs	**(822)**	**(822)**	(795)	(795)
Straight-line rent adjustments	**341**	**341**	554	554
Capital lease obligation interest	**(128)**	**(128)**	(124)	(124)
Deferred unit compensation expense, net of redemptions	**(100)**	**(100)**	657	657
Long Term Incentive Plan expense	**(165)**	**(165)**	(305)	(305)
Expenditures on direct leasing costs	**1,855**	**1,855**	2,121	2,121
Expenditures on tenant improvements for properties under development	**200**	**200**	1,586	1,586
Changes in other non-cash operating items	**(25,554)**	**(25,554)**	(36,545)	(36,545)
Adjustments relating to investment in associate:				
Rental revenue adjustment – tenant improvement amortization	**32**	**32**	–	–
Indirect interest with respect to the development portion	**475**	**475**	553	553
Change in fair value of investment properties	**(5,305)**	**(5,305)**	454	454
Change in fair value on interest rate swap agreements	**(672)**	**(672)**	936	936
Salaries and related costs attributed to leasing activities	**84**	**84**	754	754
Adjustments relating to investment in associate:				
Straight-line rent adjustments	**–**	**(33)**	–	–
Straight-line rent adjustments	**–**	**(341)**	–	(554)
Sustaining capital expenditures	**–**	**(3,976)**	–	893
Sustaining leasing costs	**–**	**(2,353)**	–	(4,012)
	86,954	**80,251**	80,423	76,750
Per Unit – basic/diluted excluding adjustments	**$0.56/$0.56**	**$0.52/$0.51**	$0.52/$0.52	$0.50/$0.50
Payout ratio	**75.2%**	**83.1%**	79.4%	82.6%

The analysis below shows a reconciliation from cash provided by operating activities to FFO (excluding adjustments) and AFFO for the year ended December 31, 2016 and December 31, 2015:

	Year Ended December 31, 2016		Year Ended December 31, 2015	
(in thousands of dollars except, per Unit amounts)	**FFO**[1]	**AFFO**[1]	FFO	AFFO
Cash provided by operating activities	**316,337**	**316,337**	296,248	296,248
Earnings from associate, net of distributions	**13,399**	**13,399**	1,019	1,019
Amortization of equipment	**(690)**	**(690)**	(565)	(565)
Amortization of acquisition date fair value adjustments on assumed debt	**3,547**	**3,547**	2,828	2,828
Accretion on convertible debentures	**–**	**–**	(354)	(354)
Amortization of deferred financing costs	**(4,074)**	**(4,074)**	(4,339)	(4,339)
Straight-line rent adjustments	**1,050**	**1,050**	2,150	2,150
Capital lease obligation interest	**(507)**	**(507)**	(450)	(450)
Deferred unit compensation expense, net of redemptions	**3,885**	**3,885**	4,834	4,834
Long Term Incentive Plan expense	**(1,777)**	**(1,777)**	(2,165)	(2,165)
Payment of vested Long Term Incentive Plan performance units	**574**	**574**	–	–
Yield maintenance on redemption of unsecured debentures	**(15,138)**	**(15,138)**	(10,810)	(10,810)
Expenditures on direct leasing costs	**6,470**	**6,470**	5,824	5,824
Expenditures on tenant improvements for properties under development	**979**	**979**	4,959	4,959
Changes in other non-cash operating items	**13,200**	**13,200**	(5,144)	(5,144)
Adjustments relating to investment in associate:				
Rental revenue adjustment – tenant improvement amortization	**32**	**32**	–	–
Indirect interest with respect to the development portion	**2,115**	**2,115**	2,198	2,198
Change in fair value of investment properties	**(12,003)**	**(12,003)**	(1,551)	(1,551)
Change in fair value on interest rate swap agreements	**(480)**	**(480)**	936	936
Salaries and related costs attributed to leasing activities	**3,637**	**3,637**	1,337	1,337
Yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs	**16,457**	**16,457**	11,023	11,023
Write-off of unamortized financing costs on redemption of convertible debentures	**–**	**–**	588	588
Acquisition costs	**–**	**–**	1,018	1,018
Accretion on convertible debentures	**–**	**–**	–	354
Straight-lining of rents	**–**	**(1,050)**	–	(2,150)
Adjustments relating to investment in associate:				
Straight-lining of rents	**–**	**(33)**	–	–
Adjusted salaries and related costs attributed to leasing	**–**	**–**	–	–
Sustaining capital expenditures	**–**	**(9,862)**	–	(7,720)
Sustaining leasing costs	**–**	**(10,106)**	–	(7,162)
	347,013	**325,962**	309,584	292,906
Per Unit – basic/diluted excluding adjustments	**$2.24/$2.23**	**$2.10/$2.10**	$2.11/$2.10	$2.00/$1.99
Payout ratio	**74.9%**	**79.8%**	76.8%	81.1%

[1] Includes $9.9 million settlement proceeds associated with the Target lease terminations net of other amounts recorded during the year ended December 31, 2016 (year ended December 31, 2015 – $nil). For the year ended December 31, 2016, the net settlement proceeds had an impact on both FFO per Unit and AFFO per Unit by $0.06 (year ended December 31, 2015 – $nil).

Distributions and AFFO Highlights

(in thousands of dollars)	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015	**Year Ended December 31, 2016**	Year Ended December 31, 2015
Cash provided by operating activities[1]	**109,672**	81,686	**316,337**	296,248
Net income and comprehensive income[1]	**153,889**	92,574	**386,135**	319,489
Distributions declared	**66,463**	61,761	**259,096**	239,647
Distributions paid	**54,087**	50,638	**212,181**	197,789
AFFO[1]	**80,251**	76,750	**325,962**	292,906
Surplus of AFFO over distributions declared	**13,788**	14,989	**66,866**	53,259
Surplus of AFFO over distributions paid	**26,164**	26,112	**113,781**	95,117
Surplus of cash provided by operating activities over distributions declared	**43,209**	19,925	**57,241**	56,601
Surplus of cash provided by operating activities over distributions paid	**55,585**	31,048	**104,156**	98,459
Surplus (shortfall) of cash provided by operating activities over AFFO	**29,421**	4,936	**(9,625)**	3,342
Surplus of net income and comprehensive income over distributions declared	**87,426**	30,813	**127,039**	79,842

1 Includes $9.9 million settlement proceeds associated with the Target lease terminations net of other amounts recorded during the year ended December 31, 2016 (year ended December 31, 2015 – $nil).

For the year ended December 31, 2016, AFFO exceeded cash provided by operating activities by $9.6 million, which was primarily due to changes in non-cash operating items of $13.2 million, principally attributed to amounts receivable of $12.4 million.

The AFFO payout ratio for the three months ended December 31, 2016 increased by 0.5% to 83.1% compared to the same quarter last year. The primary reason for the increase in the AFFO payout ratio is the increase in sustaining capital expenditures of $4.9 million (see AFFO section above for details). For the year ended December 31, 2016, the AFFO payout ratio decreased by 1.3% to 79.8% compared to last year. The primary reason for the decrease in the AFFO payout ratio is the increase in AFFO resulting from the $9.9 million settlement proceeds associated with the Target lease terminations net of other amounts recorded during the year ended December 31, 2016, partially offset by an increase in leasing costs of $2.9 million and an increase in sustaining capital expenditures of $2.1 million.

Management determines the Trust's Unit cash distribution rate by, among other considerations, its assessment of cash flow as determined using certain non-IFRS measures. As such, management feels the cash distributions are not an economic return of capital, but a distribution of sustainable cash flow from operations. Management targets a payout ratio of approximately 77% to 82% of AFFO, which allows for any unforeseen expenditures for the maintenance of productive capacity. Based on current facts and assumptions, management does not anticipate cash distributions will be reduced or suspended in the foreseeable future.

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 revolving operating facility. In addition, the distributions declared include a component funded by the Trust's distribution reinvestment plan. Management 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-IFRS cash flow measures, which include consideration of the maintenance of productive capacity. Management will continue to assess the sustainability of cash and non-cash distributions in each financial reporting period.

Adjusted EBITDA

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

	12 Months Ended December 31, 2016
Net income and comprehensive income	**386,135**
Net interest expense	**131,794**
Yield maintenance on redemption of unsecured debentures	**16,458**
Amortization of equipment and intangible assets	**2,022**
Amortization of tenant improvements	**6,078**
Fair value adjustment on revaluation of investment properties	**(72,315)**
Fair value adjustment on financial instruments	**1,431**
Loss on sale of investment properties	**146**
Target settlement proceeds, net	**(9,910)**
Adjusted EBITDA	**461,839**

Leasing Activities and Lease Expiries

Leasing Activities

For the year ended December 31, 2016, the Trust achieved an occupancy level of 98.3% (December 31, 2015 – 98.7%). Including executed leases, the occupancy level for the year ended December 31, 2016 was 98.5%. The Trust was able to achieve this high occupancy level due to a strong portfolio of relatively young, value-oriented and predominantly Walmart anchored centres. At December 31, 2016, approximately 70,000 square feet of space has been leased or is in the final stages of being leased for occupancy of vacant space in 2017.

Since Q4 2015, the Trust's quarterly occupancy level is summarized as follows:

Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
98.3%	98.3%	98.2%	98.5%	98.7%

2016 Lease Expiries

At December 31, 2016, the Trust completed or was near completion on lease renewals totalling 1,455,553 square feet of space, representing a retention rate of approximately 81.2% of 2016 lease expiries (December 31, 2015 – 75.0%). The average rental rate for completed transactions was $18.18 per square foot, which represents an increase over previous in-place rents of 2.8%. Excluding anchor tenants, the average rental rate per square foot increased by 4.0%.

	2016	2015
Square feet renewed or near completion	**1,455,553**	1,066,424
Average net rent per square foot	**$18.18**	$20.53
Increase in average net rent per square foot	**$0.48**	$1.27
Percentage increase in average net rent per square foot including anchor tenants	**2.8%**	6.6%
Percentage increase in average net rent per square foot excluding anchor tenants	**4.0%**	6.8%

Lease expiries for the total portfolio are as follows:

Year of Expiry	Area (sq. ft.)	Area (%)	Annualized Base Rent ($ thousands)	Average Base Rent per sq. ft.[1] ($)
Month-to-month and holdovers	336,567	1.1%	5,909	17.56
2017	1,310,891	4.1%	24,809	18.93
2018	2,456,146	7.7%	51,512	20.97
2019	3,088,719	9.7%	47,565	15.40
2020	3,351,176	10.5%	49,340	14.72
2021	3,480,912	10.9%	49,927	14.34
2022	3,721,844	11.7%	48,196	12.95
Beyond	13,654,513	42.6%	202,852	14.86
Vacant	538,519	1.7%	–	–
Total	31,939,287	100.0%	480,110	15.29

1 The total average base rent per square foot excludes vacant space of 538,519 square feet.

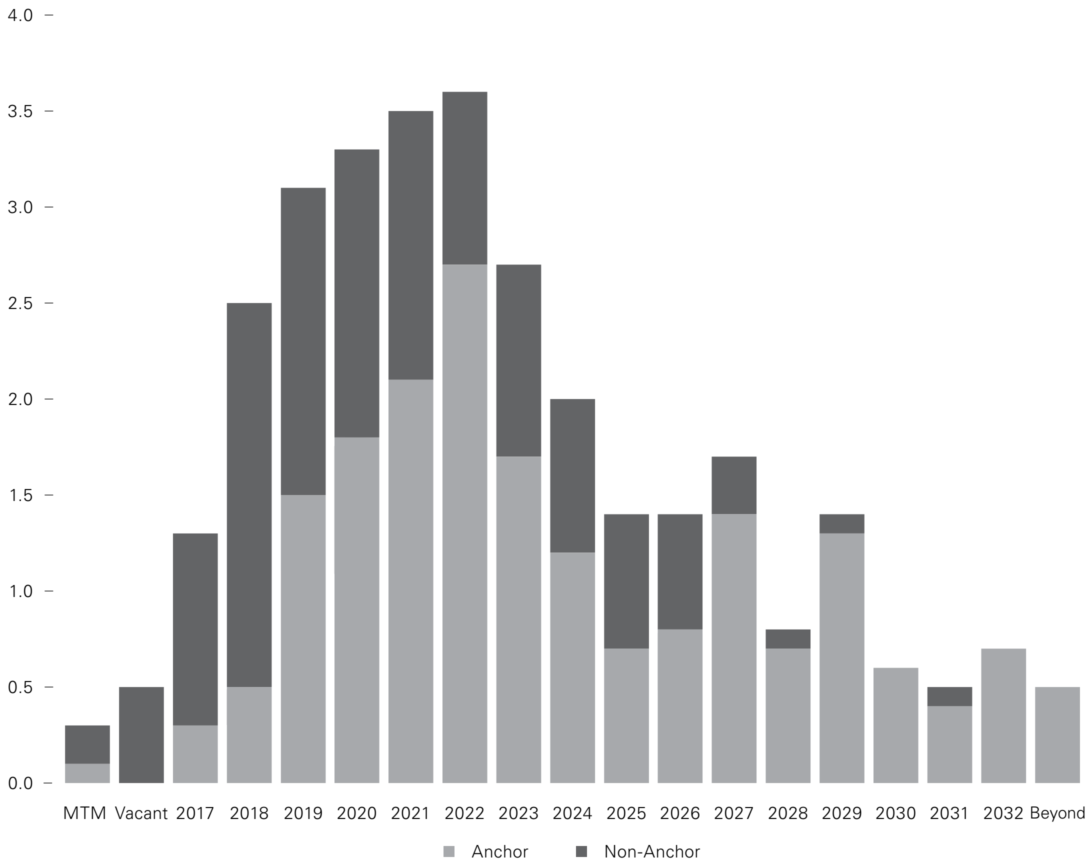
Lease expiries for the portfolio, excluding anchor tenants[1], are as follows:

Year of Expiry	Area (sq. ft.)	Area (%)	Annualized Base Rent ($ thousands)	Average Base Rent per sq. ft.[2] ($)
Month-to-month and holdovers	245,229	0.8%	4,435	18.09
2017	1,011,936	3.2%	20,974	20.73
2018	1,955,086	6.1%	43,913	22.46
2019	1,638,125	5.1%	36,186	22.09
2020	1,520,063	4.8%	32,754	21.55
2021	1,398,184	4.4%	29,652	21.21
2022	1,068,566	3.3%	23,617	22.10
Beyond	3,684,328	11.5%	83,577	22.68
Vacant	503,036	1.6%	–	–
Total	13,024,553	40.8%	275,108	21.97

1 An anchor tenant is defined as any tenant with leasable area greater than 30,000 square feet.

2 The total average base rent per square foot excludes vacant space of 503,036 square feet.

Lease Expiries
(in millions of sq. ft.)



Mortgages, Loans and Notes Receivable and Interest Income

(in thousands of dollars)	**2016**	2015
Mortgages, loans and notes receivable		
Mortgages receivable (Mezzanine Financing)	**124,778**	127,333
Loans receivable	**51,134**	61,600
Notes receivable	**2,979**	2,928
	178,891	191,861

(in thousands of dollars)	**2016**	2015
Interest income		
Mortgage and loan interest	**10,849**	11,009
Note receivable interest	**266**	265
Bank interest	**322**	721
	11,437	11,995

Mortgages Receivable (Mezzanine Financing)
In addition to direct property acquisitions, the Trust has provided Mezzanine Financing to Penguin on terms that include an option to acquire an interest in the mortgaged property on substantial completion. As at December 31, 2016, the Trust had total commitments of $268.9 million to fund mortgages receivable under this program. Five mortgages have an option entitling the Trust to acquire a 50% interest in the property on substantial completion at an agreed-upon formula. The properties under the Mezzanine Financing have 0.7 million potential square feet available (discussed in "Potential Future Pipeline").

The details of the mortgages receivable are set out in the following table:

(in thousands of dollars)

Project	Amount Outstanding ($)	Committed ($)	Amount Guaranteed by Penguin ($)	Maturity Date	Interest Rate	Option (%)[8]	Potential Area Upon Exercising Purchase Option (sq. ft.)[8]
Pitt Meadows, BC	25,388	60,119	25,388	December 2017	6.93%	50%	225,303
Salmon Arm, BC[1,2]	16,362	23,264	16,362	October 2017	4.27%	–	–
Aurora (South), ON	14,885	34,807	14,885	June 2020	6.75%	50%	96,518
Caledon (Mayfield), ON[3]	8,630	10,372	8,630	March 2017	7.00%	50%	–
Innisfil, ON[1,4]	18,810	27,077	9,631	December 2020	2.88%	–	–
Mirabel (Shopping Centre), QC[5]	–	18,262	–	December 2022	7.50%	–	–
Mirabel (Option Lands), QC[6]	–	5,721	–	December 2022	7.50%	–	–
Toronto (StudioCentre), ON[1]	24,907	36,102	14,407	December 2017	6.87%	50%	225,581
Vaughan (7 & 427), ON[7]	15,796	53,127	15,796	December 2023	4.97%	50%	151,015
	124,778	268,851	105,099		5.69%		698,417

1 The Trust owns a 50% interest in this property, with the other 50% interest owned by Penguin. The loan is secured against Penguin's interest in the property.
2 Monthly variable rate based on a fixed rate of 6.35% on loans outstanding up to $7.2 million and banker's acceptance rate plus 1.75% on any additional loans above $7.2 million.
3 The maturity date was extended from December 31, 2016, with no changes to all other pre-existing terms, conditions and interest rate.
4 The Trust owns a 50% interest in this property, with the other 50% interest owned by Penguin. The monthly variable rate is based on the banker's acceptance rate plus 2.00%. The interest rate on this mortgage will reset in 2018 to the four-year Government of Canada bond rate plus 4.0%, subject to a lower limit of 6.75% and an upper limit of 7.75%.
5 The Trust owns a 33.3% interest in this property. The loan is secured against a 33.3% interest owned by Penguin, as well as a guarantee by Penguin.
6 The Trust owns a 25% interest in this property. The loan is secured against a 25% interest owned by Penguin, as well as a guarantee by Penguin.
7 On August 31, 2016, the loan was amended to reflect a maturity extension of December 2023 from December 2020 and an interest rate reset to 4.97% from 6.75%. Based on the amended agreement, the rate is based on the Trust's cost of capital (as defined in the mortgage agreement) plus 0.25% subject to an upper limit of 6.75%.
8 The Trust has an option to purchase an additional 50% interest in these properties and the potential area. As at December 31, 2016, it is management's expectation that the Trust will exercise these purchase options.

As at December 31, 2016, mortgages totalling $124.8 million had been advanced to Penguin at a weighted average interest rate of 5.69% per annum. During the year ended December 31, 2016, including monthly interest accruals, $7.5 million was advanced and $10.0 million was repaid.

Interest on these mortgages accrues monthly at a variable rate based on the banker's acceptance rate plus 1.75% to 2.00% or at the Trust's cost of capital (as defined in the mortgage agreement) plus 0.25% on mortgages receivable of $43,733 (December 31, 2015 – $26,712) and at a fixed rate of 6.75% to 7.50% on mortgages receivable of $81,045 (December 31, 2015 – $100,621) and is added to the outstanding principal up to a predetermined maximum accrual after which it is payable in cash monthly or quarterly. A further $67,208 (December 31, 2015 – $74,701) may be accrued on certain of the various mortgages receivable before cash interest must be paid.

$105.1 million of the outstanding balance is guaranteed by Penguin (as noted in the table above). The loans are subject to individual loan guarantee agreements that provide additional guarantees for all interest and principal advanced on amounts as of December 31, 2016 for all nine loans. The guarantees decrease upon achievement of certain specified value-enhancing events.

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

(in thousands of dollars)	Mortgages (#)	Principal Repayments ($)
2017	4	75,286
2020	2	33,695
2023	1	15,796
	7	124,777

Loans Receivable

Issued to	Maturity Date	Interest Rate	**2016**	2015
OneREIT[1]	October 2017	6.75%	**30,314**	40,314
Unrelated party[2]	September 2018	4.50%	**11,500**	11,500
Penguin[3]	November 2020	Variable	**9,320**	9,786
			51,134	61,600

1 This loan is secured by a subordinate charge on seven properties. On October 28, 2016, the Trust entered into an agreement to extend this loan receivable for a period of one year with a revised maturity of October 30, 2017, which included a one-time prepayment option of $10,000 that was exercised by OneREIT on October 31, 2016.

2 This loan is secured by either a first or second charge on properties, assignments of rents and leases, and general security agreements.

3 This loan was provided pursuant to a development management agreement with Penguin with a total loan facility of $20,000. Repayment of the pro-rata share of the outstanding loan amount is due upon the completion of each Earnout event. The loan bears interest at 10 basis points plus the lower of: i) the Canadian prime rate plus 45 basis points, and ii) the Canadian Dealer Offered Rate ("CDOR") plus 145 basis points.

Notes Receivable

Notes receivable of $3.0 million (December 31, 2015 – $2.9 million) have been granted to Penguin. These secured demand notes bear interest at 9.00% per annum. During the year ended December 31, 2016, $0.05 million was advanced (year ended December 31, 2015 – $nil).

Interest Expense

Interest expense incurred during the year ended December 31, 2016 totalled $147.7 million. Excluding distributions on financial instruments classified as liabilities, interest expense increased by $3.6 million for the year ended December 31, 2016 compared to 2015, which was primarily due to a $4.3 million increase in yield maintenance on redemption of unsecured debentures, and an increase in interest capitalized to properties under development of $2.8 million.

(in thousands of dollars)	**December 31, 2016**	December 31, 2015
Interest at stated rates	**150,311**	146,916
Yield maintenance on redemption of unsecured debentures	**15,138**	10,810
Amortization of acquisition date fair value adjustments	**(3,547)**	(2,828)
Accretion of convertible debentures	**–**	354
Amortization of deferred financing costs	**4,074**	4,339
	165,976	159,591
Less: Interest capitalized to properties under development	**(20,228)**	(17,444)
Interest expense excluding distributions on financial instruments classified as liabilities	**145,748**	142,147
Distributions on vested deferred units and Class D Units, classified as liabilities	**1,966**	1,812
Total interest expense	**147,714**	143,959
Weighted average interest rate (inclusive of acquisition date fair value adjustment)	**3.95%**	4.16%

General and Administrative Expense

For the year ended December 31, 2016, total general and administrative expense before allocation was $59.7 million representing an increase of $16.1 million from the previous year. The increase can be attributed to the experience in all expense categories as noted in the table below. The increase in each of the expense categories is principally related to the impact of the additional personnel and related general and administrative costs incurred regarding the Transaction that closed on May 28, 2015 resulting in additional general and administrative costs being incurred for the remaining seven months of 2015 versus a full 12-month period in 2016.

Total amounts allocated, capitalized and charged back of $35.2 million increased by $11.1 million for the year ended December 31, 2016 over the prior year. The Transaction resulted in the Trust being in a position to apply costs associated with its internal development and related services to its development initiatives and some of those costs for these services have been capitalized to properties under development. In addition, some of the development initiatives that the Trust is actively pursuing are in their exploratory/preliminary stages for which the Trust has elected to expense internal development and related services costs of $4.9 million for the year ended December 31, 2016 ($nil for 2015). In addition, the Transaction also resulted in the Trust entering into agreements to act as the provider of development and related services for Penguin and other third parties, and those costs for these services have been charged back to Penguin and other third parties. After applying the total amounts allocated, capitalized and charged back against total general and administrative expense before allocation, for the year ended December 31, 2016, general and administrative expense (net) totalled $24.5 million, which represents a $5.1 million increase from the prior year.

(in thousands of dollars)	**2016**	2015
Salaries and benefits	**43,237**	32,625
Professional and consulting fees	**5,319**	3,073
Public company costs	**1,297**	1,145
Rent and occupancy	**2,596**	1,738
Amortization of intangible assets	**1,331**	792
Other costs including IT, marketing, communications and other employee expenses	**5,941**	4,239
Total general and administrative expense before allocation	**59,721**	43,612
Allocated to property operating costs	**(12,238)**	(11,065)
Capitalized to properties under development	**(11,449)**	(4,139)
Charged back to Penguin and third parties	**(11,543)**	(8,974)
Total amounts allocated, capitalized and charged back	**(35,230)**	(24,178)
General and administrative expense (net)	**24,491**	19,434
As a percentage of rental revenue	**3.4%**	2.9%

Earnouts and Developments Completed on Existing Properties

Three Months Ended December 31, 2016

During the three months ended December 31, 2016, $43.8 million of Earnouts and Developments including VMC were completed and transferred to income properties, which represents a decrease of $46.3 million or 51.4% compared to the same quarter in 2015.

	Three Months Ended December 31, 2016			Three Months Ended December 31, 2015		
(in millions of dollars)	**Area (sq. ft.)**	**Investment ($)**	**Annualized Yield (%)**	Area (sq. ft.)	Investment ($)	Annualized Yield (%)
Earnouts	**7,609**	**4.5**	**6.1%**	6,327	1.7	5.6%
Developments	**22,686**	**7.9**	**6.0%**	189,010	88.4	7.0%
Developments (VMC)	**63,927**	**31.4**	**6.5%**	–	–	–%
	94,222	**43.8**	**6.3%**	195,337	90.1	7.0%

Year Ended December 31, 2016

During the year ended December 31, 2016, $154.5 million of Earnouts and Developments including VMC were completed and transferred to income properties, which represents an increase of $21.0 million or 15.7% compared to 2015.

	Year Ended December 31, 2016			Year Ended December 31, 2015		
(in millions of dollars)	**Area (sq. ft.)**	**Investment ($)**	**Annualized Yield (%)**	Area (sq. ft.)	Investment ($)	Annualized Yield (%)
Earnouts	**57,430**	**23.6**	**6.4%**	43,850	14.4	6.6%
Developments	**362,913**	**99.5**	**6.8%**	316,859	119.1	7.3%
Developments (VMC)	**63,927**	**31.4**	**6.5%**	–	–	–%
	484,270	**154.5**	**6.7%**	360,709	133.5	7.2%

Maintenance of Productive Capacity

The main focus in a discussion of capital expenditures is to differentiate 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 quality of the Trust's existing cash flows.

Acquisitions of investment properties and the development of new and existing investment properties (Developments and Earnouts) are the two main areas of capital expenditures that are associated with increasing the productive capacity of the Trust. In addition, there are capital expenditures incurred on existing investment properties to maintain the productive capacity of the Trust ("sustaining capital expenditures").

Sustaining capital expenditures and leasing costs are funded from operating cash flow and, as such, normalized sustaining capital expenditures and leasing costs are deducted from AFFO in order to estimate a sustainable amount of cash that can be distributed to Unitholders. Sustaining capital expenditures are those of a capital nature that are not considered to add to productive capacity and are not recoverable from tenants. These costs are incurred at irregular amounts over time. Leasing costs, which include tenant incentives and leasing commissions, vary with the timing of renewals, vacancies, tenant mix and the health of the retail market. Leasing costs are generally lower for renewals of existing tenants compared to new leases. Leasing costs also include internal expenses for leasing activities, primarily salaries, which are eligible to be added back to FFO based on the revision to the definition of FFO in the REALpac white paper published in April 2014. The sustaining capital expenditures and leasing costs are based on historical spend levels, as well as anticipated spend levels over the next few years.

The following is a discussion and analysis of capital expenditures of a maintenance nature (sustaining capital expenditures and leasing costs). Acquisitions and developments are discussed elsewhere in the MD&A.

The Trust uses normalized sustaining capital expenditures and leasing costs to calculate AFFO on a quarterly basis and actual sustaining capital expenditures and leasing costs to calculate AFFO on an annual basis. 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.

Normalized sustaining capital expenditures totalling $4.0 million and leasing costs of $2.4 million were included in the calculations of AFFO during the three months ended December 31, 2016. For the three months ended December 31, 2016, total sustaining capital expenditures increased by $4.9 million, which was primarily due to major roof repairs, parking lot maintenance and tenant improvements for replacement tenants. For the year ended December 31, 2016, sustaining capital expenditures totalling $9.9 million and leasing costs of $10.1 million were included in the calculations of AFFO. For the year ended December 31, 2016, total sustaining leasing costs and sustaining capital expenditures increased by $5.1 million or 34.2% compared to the same period last year.

(in thousands of dollars, except per Unit amounts)	**Three Months Ended December 31, 2016**	Three Months Ended December 31, 2015	**Year Ended December 31, 2016**	Year Ended December 31, 2015
Sustaining leasing commissions and salaries	**1,314**	2,148	**4,852**	3,057
Sustaining tenant improvements	**1,039**	1,864	**5,254**	4,105
Total sustaining leasing costs	**2,353**	4,012	**10,106**	7,162
Sustaining capital expenditures	**3,976**	(893)	**9,862**	7,720
Total sustaining leasing costs and capital expenditures	**6,329**	3,119	**19,968**	14,882
Per Unit – diluted	**$0.041**	$0.020	**$0.128**	$0.100

Investment Properties

The portfolio consists of 31.9 million square feet of built gross leasable area and 4.1 million square feet of future potential gross leasable area in 152 properties and the option to acquire a 50.0% interest (0.7 million square feet) in five investment properties on their completion pursuant to the terms of Mezzanine Financing. The portfolio is located across Canada, with assets in each of the 10 provinces. The Trust targets major urban centres and shopping centres that are dominant in their trade area. By selecting well-located centres, the Trust attracts quality tenants at market rental rates.

As at December 31, 2016, the fair value of investment properties, including investment properties classified as investment in associate, totalled $8,424.9 million, compared to $8,168.6 million at December 31, 2015, a net year-over-year increase of $256.3 million. The increase is mainly due to net additions to investment properties of $184.0 million and a fair value adjustment of $72.3 million. The fair value of the investment properties is dependent on future cash flows over the holding period and capitalization rates applicable to those assets.

The following table summarizes the changes in values of investment properties:

	2016			2015		
(in thousands of dollars)	**Income Properties**	**Properties Under Development**	**Total Investment Properties**	Income Properties	Properties Under Development	Total Investment Properties
Total investment properties						
Balance – beginning of year	**7,471,963**	**544,284**	**8,016,247**	6,430,034	266,453	6,696,487
Acquisition, and related adjustments, of investment properties	**76,035**	**–**	**76,035**	969,252	249,285	1,218,537
Transfer from properties under development to income properties	**115,659**	**(115,659)**	**–**	120,495	(120,495)	–
Earnout Fees on properties subject to development management agreements	**14,476**	**–**	**14,476**	7,836	–	7,836
Additions to investment properties	**13,840**	**65,669**	**79,509**	10,547	50,880	61,427
Transfer from income properties to properties under development	**(8,500)**	**8,500**	**–**	(116,902)	116,902	–
Dispositions	**–**	**(4,162)**	**(4,162)**	–	(875)	(875)
Net additions	**211,510**	**(45,652)**	**165,858**	991,228	295,697	1,286,925
Fair value adjustment on revaluation of investment properties	**73,636**	**(13,324)**	**60,312**	50,701	(17,866)	32,835
Balance – end of year	**7,757,109**	**485,308**	**8,242,417**	7,471,963	544,284	8,016,247
Total investment properties classified as investment in associate						
Balance – beginning of year	**21,600**	**130,704**	**152,304**	28,583	76,300	104,883
Transfer from properties under development to income properties	**33,543**	**(33,543)**	**–**	–	–	–
Additions to investment properties	**–**	**18,136**	**18,136**	–	45,871	45,871
Transfer from income properties to properties under development	**–**	**–**	**–**	(5,453)	5,453	–
Fair value adjustment on revaluation of investment properties	**4,134**	**7,870**	**12,003**	(1,530)	3,080	1,550
Balance – end of year	**59,277**	**123,167**	**182,443**	21,600	130,704	152,304
Total balance (including investment properties classified as investment in associate) – end of year	**7,816,386**	**608,475**	**8,424,860**	7,493,563	674,988	8,168,551

For the year ended December 31, 2016, the fair value adjustment for income properties includes a decrease of approximately $36.0 million related to prior periods, which was the result of corrections to the fair value assessments.

Valuation Methodology

From January 1, 2014 to December 31, 2016, the Trust has had approximately 81% (by value) or 69% (by number of properties) of its operating portfolio appraised externally by independent national real estate appraisal firms with representation and expertise across Canada.

The determination of which properties are externally appraised and which are internally appraised by management 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. The Trust, on an annual basis, has had external appraisals performed on 15–20% of the portfolio that commenced in the first quarter of 2014, rotating properties to ensure that at least 50% (by value) of the portfolio is valued externally over a three-year period.

The remaining portfolio is valued internally by management utilizing a valuation methodology that is consistent with the external appraisals. Management performed these valuations by updating cash flow information reflecting current leases, renewal terms and market rents and applying updated capitalization rates determined in part, through consultation with the external appraisers and available market data. The fair value of properties under development reflects the impact of development agreements (see Note 4(b) in the consolidated financial statements for the year ended December 31, 2016 for further discussion).

Fair values were primarily determined through the income approach. For each property, the appraisers conducted and placed reliance upon: (a) a direct capitalization method, which is the appraiser's estimate of the relationship between value and stabilized income, and (b) a discounted cash flow method, which is the appraiser's estimate of the present value of future cash flows over a specified horizon, including the potential proceeds from a deemed disposition.

For the year ended December 31, 2016, investment properties (including properties under development) with a total carrying value of $1,616.3 million (December 31, 2015 – $2,849.8 million) were valued externally with updated capitalization rates and occupancy, and investment properties with a total carrying value of $6,808.6 million (December 31, 2015 – $5,318.8 million) were valued internally by the Trust. Based on these valuations, the aggregate weighted average stabilized capitalization rate on the Trust's portfolio as at December 31, 2016 was 5.84% (December 31, 2015 – 5.94%).

Acquisitions of Investment Properties

Acquisitions during the year ended December 31, 2016

Property	Property Type	Acquisition Date	Acquired Leasable Area (sq. ft.)	Acquisition Cost ($ millions)	Ownership Interest Acquired
Lethbridge, AB	Retail property	August 16, 2016	53,392	15.3	100%
Pointe Claire, QC	Retail property	October 25, 2016	381,966	63.4	100%
Total			**435,358**	**78.7**	

Acquisitions during the year ended December 31, 2015

Property	Property Type	Acquisition Date	Acquired Leasable Area (sq. ft.)	Acquisition Cost ($ millions)	Ownership Interest Acquired
Barrie, ON	Shopping centre	February 11, 2015	104,909	25.3	100%
Alliston, ON	Shopping centre	May 28, 2015	170,770	42.8	100%
Aurora (North), ON[1]	Shopping centre	May 28, 2015	248,958	76.2	50%
Blainville, QC	Shopping centre	May 28, 2015	166,154	48.9	100%
Bracebridge, ON	Shopping centre	May 28, 2015	139,244	33.9	100%
Bradford, ON	Shopping centre	May 28, 2015	239,274	68.4	100%
Brampton, ON	Shopping centre	May 28, 2015	174,665	54.3	100%
Brampton (Bramport), ON	Shopping centre	May 28, 2015	37,857	10.7	100%
Cornwall, ON	Shopping centre	May 28, 2015	163,726	43.1	100%
Laval, QC	Shopping centre	May 28, 2015	159,779	59.1	100%
Markham (Boxgrove), ON	Shopping centre	May 28, 2015	69,008	20.0	40%
Mascouche, QC	Shopping centre	May 28, 2015	51,228	31.8	100%
Mississauga (GO Lands), ON[1]	Shopping centre	May 28, 2015	56,499	20.9	50%
Montreal (Premium Outlets), QC[2]	Premium Outlets shopping centre	May 28, 2015	57,459	59.5	25%
Oakville (Leasehold), ON	Shopping centre	May 28, 2015	442,391	117.3	100%
Oshawa (North II), ON	Shopping centre	May 28, 2015	149,622	49.6	100%
Oshawa (South), ON[1]	Shopping centre	May 28, 2015	268,347	65.7	50%
Port Elgin, ON	Shopping centre	May 28, 2015	115,524	22.3	100%
Stoney Creek, ON	Shopping centre	May 28, 2015	247,399	85.9	100%
Sylvan Lake, AB	Shopping centre	May 28, 2015	125,081	32.0	100%
Vaudreuil, QC	Shopping centre	May 28, 2015	15,249	10.0	100%
Vaughan, ON	Shopping centre	May 28, 2015	156,538	100.8	100%
Waterloo, ON	Shopping centre	May 28, 2015	181,607	62.8	100%
Maple Ridge, BC	Shopping centre	July 30, 2015	227,000	59.3	100%
Orleans, ON[3]	Development land	September 25, 2015	–	8.8	60%
Jonquière, QC[3]	Development land	December 7, 2015	–	9.0	100%
Total			**3,768,288**	**1,218.4**	

1 Prior to this acquisition, the Trust had a 50% interest and as such the property was recorded as a co-ownership interest. On May 28, 2015, the Trust acquired the other 50% interest in the property effectively giving the Trust a 100% interest.

2 Prior to this acquisition, the Trust had a 25% interest in this property. On May 28, 2015, the Trust acquired an additional 25% in this property effectively giving the Trust a 50% interest.

3 As part of the overall Transaction, the acquisition of the development land in Orleans, Ontario, reflects potential leasable area of 132,154 square feet, whereas the acquisition of the development land in Jonquière, Quebec, reflects leasable area of 170,274 square feet.

Properties Under Development

At December 31, 2016, the fair value of properties under development totalled $608.5 million compared to $675.0 million at December 31, 2015. The net decrease of $66.5 million is primarily due to Earnouts and Developments transferred to income properties totalling $149.2 million, offset by additional development costs of $83.8 million.

Properties under development as at December 31, 2016 and December 31, 2015 comprise the following:

(in thousands of dollars)	**2016**	2015
Earnouts subject to option agreements[1]	**72,564**	85,632
Developments	**412,744**	458,652
Investment in associate (VMC)	**123,167**	130,704
	608,475	674,988

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 5.71% to 8.23%, net of land and development costs incurred. Penguin has contractual options to acquire Trust Units and LP Units on completion of Earnout Developments as shown in Note 12(b) of the consolidated financial statements for the year ended December 31, 2016.

Potential Future Pipeline

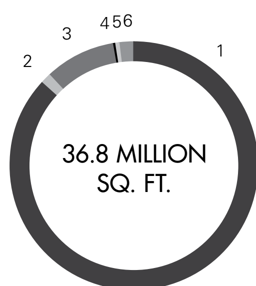
Total future Earnouts, Developments and options under Mezzanine Financing could increase the existing Trust portfolio by an additional 4.8 million square feet. With respect to the future pipeline, commitments have been negotiated on 90,000 square feet.

In addition to these initiatives, the Trust is currently assessing additional future potential intensification opportunities that may exist in its portfolio:

- Pending finalization of the development plan with the City of Vaughan, the Trust expects that VMC will over time have the potential to add an additional 3.9 million to 4.8 million square feet of office, retail and residential space (representing the Trust's 50% share)
- The Trust is in discussions with various parties to jointly develop parcels within its existing portfolio with residential, retirement and self-storage uses where such uses makes sense in optimizing each centre within its local community
- In addition to VMC, the Trust has identified over 30 sites within its portfolio that have the potential to add in excess of 10.0 million square feet of residential space over the medium to long term.

Gross Leasable Area Upon Completion of Pipeline

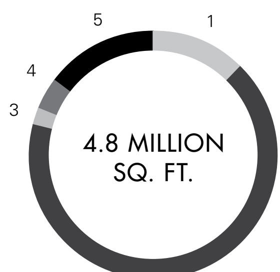
(in millions of sq. ft.)



1. Income Producing – 31.9 million sq. ft.
2. Remaining Earnouts – 0.6 million sq. ft.
3. Remaining Developments – 3.3 million sq. ft.
4. Premium Outlets – 0.1 million sq. ft.
5. VMC (Phase 1 and Phase 2) – 0.2 million sq. ft.
6. Mezzanine Financing – 0.7 million sq. ft.

Future Leasable Area Upon Completion of Pipeline

(in millions of sq. ft.)



1. Remaining Earnouts – 0.6 million sq. ft.
2. Remaining Developments – 3.2 million sq. ft.
3. Premium Outlets – 0.1 million sq. ft.
4. VMC (Phase 1 and Phase 2) – 0.2 million sq. ft.
5. Mezzanine Financing – 0.7 million sq. ft.

(in thousands of square feet)	Committed	Years 0–3	Beyond Year 3	Total[1]
Earnouts	16	278	278	572
Developments	20	1,253	2,002	3,275
Premium Outlets	–	72	50	122
VMC (Phase 1 and Phase 2)	54	106	–	160
	90	1,709	2,330	4,129
Mezzanine Financing	–	–	698	698
	90	1,709	3,028	4,827

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

During the year ended December 31, 2016, the future properties under development pipeline decreased by 908,000 square feet to a total of 4,129,000 square feet. The change is summarized as follows:

(in thousands of square feet)	Total Area
Future properties under development pipeline – January 1, 2016	5,037
Less:	
Completion of Earnouts and Developments during the year	(484)
Net adjustment to project densities (for retail space only)	(424)
Net change	(908)
Future properties under development pipeline – December 31, 2016	4,129

Committed Pipeline

The following table summarizes the committed investment by the Trust in properties under development as at December 31, 2016:

(in millions of dollars)	Total	Cost Incurred	Future Development Costs
Earnouts	7	1	6
Developments	7	2	5
	14	3	11
VMC (Phase 1 and Phase 2)	26	17	9
	40	20	20

The completion of these committed Earnouts and Developments as currently scheduled is expected to have an average estimated yield of 5.6% in 2017 and 7.8% in 2018, which, based on the committed lease arrangements with respect to such Earnouts and Developments, should increase FFO per Unit by $0.006 in 2017 an additional $0.001 in 2018 assuming annualized rents and a 55% debt to equity ratio.

Uncommitted Pipeline

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

(in millions of dollars)	Years 0–3	Beyond Year 3	Total	Cost Incurred[1]	Future Development Costs
Earnouts	92	78	170	6	164
Developments	398	667	1,065	471	594
Premium Outlets	53	24	77	8	69
	543	769	1,312	485	827
VMC (Phase 1 and Phase 2)	71	–	71	34	37
	614	769	1,383	519	864

1 Properties under development as recorded on the consolidated balance sheet totalled $608.5 million (including investment in associate of $123.2 million) which primarily consists of costs of $519.0 million in the uncommitted pipeline, costs of $20.0 million in the committed pipeline and costs of $73.1 million of future development land in VMC less $3.4 million of non-cash development costs relating to future land development and cumulative fair value loss on revaluation of properties under development.

Approximately 12.4% of the properties under development, representing 0.6 million square feet and a gross investment of $177.0 million, are lands that are under contract by vendors to develop and lease to third parties 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 realized, long-term financing will be negotiated. With respect to the remaining gross leasable area, it is expected that 3.6 million square feet of future space will be developed as the Trust leases space and finances the construction costs except for Phase 1 of VMC, which is approximately 40% leased to the anchor tenant.

On August 2, 2016, the Trust announced the commencement of the second phase of office development at VMC. The next phase of development is expected to be completed in 2019 and will feature a new 220,000 square foot Class A facility, which will be home to lead occupants, PwC, YMCA, and a new library and community uses for the City of Vaughan. In December 2016, the Trust announced the completion of lease transactions with Harley Davidson and GFL in the KPMG Tower at VMC. The premises of Harley Davidson opened in January, 2017 and represent Harley Davidson's new Canadian head office. GFL's office, expected to open in the fourth quarter of 2017, will span three full floors and represent GFL's new corporate head office. The recently opened 365,000 square foot KPMG Tower has direct access to the VMC subway station, which connects to downtown Toronto and is expected to be open and operational in December 2017. In addition, the Trust and Mitchell Goldhar announced a joint venture with CentreCourt to commence the marketing and development of the first two high-rise residential towers of approximately 1,200 units at VMC, capitalizing on its close proximity to the VMC subway station. Originally announced at 35 storeys, based on market conditions, the two towers are now expected to be up to 55 storeys.

Investment in Associate

In 2012, the Trust entered into a 50/50 partnership with Penguin to develop VMC, which is expected when fully developed to consist of approximately 8.0 million to 10.0 million square feet in total on 53 acres of development land in Vaughan, Ontario. The Trust has determined it has significant influence over the investment and, accordingly, has accounted for its investment using the equity method of accounting. Should there be any proposed activity that could cause the Trust to violate its REIT status as certain developments may be prohibited under the specified investment flow-through ("SIFT") trust rules and other circumstances, the Trust has an option to put certain portions of its interest in the arrangement at fair value and may be required to provide financing to Penguin.

Management considers VMC as part of its normal portfolio and does not distinguish it from its other operations. For the purpose of this MD&A, information about VMC has been included in the "Investment Properties," "Debt," "Results of Operations" and "Other Measures of Performance" sections, at the Trust's proportionate share.

The first new development by the joint venture is a 365,000 square foot office complex with KPMG as lead tenant, which commenced construction in the first quarter of 2014. KPMG took possession of their space in March 2016 and opened for business on October 3, 2016. On August 2, 2016, the Trust announced the commencement of the next phase of office development at VMC. The second phase of development is expected to be completed in 2019 and will feature a new 220,000 square foot Class A facility, which will be home to lead occupants, PwC, YMCA, and a new library and community uses for the City of Vaughan. The site will contain the terminus of the Spadina-York University subway extension, which is expected to open in late 2017.

On January 19, 2015, the Trust arranged development financing for Phase 1 of VMC of approximately $189.0 million, of which the Trust's share is 50%, which bears an interest rate of banker's acceptance rates plus 1.40%, is secured by a first charge over the property and matures on January 16, 2019. On February 27, 2015, the Trust entered into an agreement to lock-in the banker's acceptance rate at 1.48%, which resulted in a fixed effective interest rate of 2.88% for the term, and extended the loan maturity date to January 16, 2020. The financing comprises pre-development, construction and letters of credit facilities. The obligations of the credit facilities are joint and several to each of the VMC general partners. As at December 31, 2016, the remaining unused development facility was $62.4 million, of which the Trust's share is 50%.

The following summarizes key components relating to the Trust's investment in associate:

(in thousands of dollars)	**2016**	2015
Investment – beginning of year	**107,548**	100,179
Contributions	**1,730**	6,350
Earnings	**13,787**	1,597
Distributions received	**(388)**	(578)
Investment – end of year	**122,677**	107,548

Related Party

Pursuant to the Trust's declaration of trust ("Declaration of Trust"), provided certain thresholds are met, Penguin is entitled to have a minimum of 25.0% of the votes eligible to be cast at any meeting of Unitholders (the "Voting Top-Up Right"). As part of the Transaction, the Voting Top-Up Right was extended by an additional five years to July 1, 2020. Pursuant to the Voting Top-Up Right, the Trust will issue additional special voting Units of the Trust ("Special Voting Units") to Penguin to increase its 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 Penguin's ownership interest. As a result, in connection with the 2016 annual general meeting of Unitholders that took place on June 10, 2016, the Trust issued an additional 896,010 Special Voting Units to bring Penguin's total to 5,181,409 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 securities of the Trust. There is no value assigned to the Special Voting Units. The Voting Top-Up Right is more particularly described in the Trust's Annual Information Form for the year ended December 31, 2016, which is filed on SEDAR. As at

December 31, 2016, Penguin owned 22.4% of the aggregate issued and outstanding Trust Units in addition to the Special Voting Units noted above. The 22.4% ownership would increase to 26.6% if Penguin exercised all remaining options to purchase Units pursuant to existing development and exchange agreements. 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, at December 31, 2016, Penguin has appointed two Trustees out of seven.

The Trust has entered into contracts and other arrangements with Penguin on a cost-sharing basis for administrative services and on market terms for leasing and development services and premises rent. The Trust earns interest on funds advanced and opportunity fees related to prepaid land held for development at rates negotiated at the time the Trust acquires retail centres from Penguin.

In connection with the Transaction, previous contracts and other arrangements with Penguin were replaced by the following as of May 28, 2015:

1. The Development and Services Agreement, under which the Trust and certain subsidiary limited partnerships of the Trust have agreed to provide to Penguin the following services for a five-year term with automatic five-year renewal periods thereafter:
    a. Construction management services and leasing services are provided, at the discretion of Penguin, with respect to certain of Penguin's properties under development for a market-based fee based on construction costs incurred. Fees for leasing services, requested at the discretion of Penguin, are based on various rates that approximate market rates, depending on the term and nature of the lease. In addition, management fees are provided for a market-based fee based on rental revenue.
    b. Transition services relate to activities necessary to become familiar with Penguin projects and establishing processes and systems to accommodate the needs of Penguin.
    c. Support services are provided for a fee based on an allocation of the relevant costs of the support services incurred by the Trust. Such relevant costs include: office administration, human resources, information technology, insurance, legal and marketing.

2. The Services Agreement under which Mitchell Goldhar, owner of Penguin, has agreed to provide to the Trust certain advisory, consulting and strategic services, including but not limited to strategies dealing with development, municipal approvals, acquisitions, dispositions and construction costs, as well as strategies for marketing new projects and leasing opportunities. The fees associated with this agreement are approximately $0.9 million per quarter for a five-year term (these charges are included in the following table as "Master planning services").

3. The Trust has an agreement to rent its office premises from Penguin for a term ending in May 2025.

The following amounts are included in the Trust's consolidated financial statements for the periods ended December 31:

(in thousands of dollars)	**2016**	2015
Related party transactions with Penguin		
Revenues:		
Transition services fee revenue[1]	**4,000**	2,409
Management fee revenue pursuant to the Development and Services Agreement[1]	**5,150**	4,659
Support services[1]	**557**	507
Interest income from mortgages and loans receivable	**7,993**	8,372
Head lease rents and operating cost recoveries included in rentals from income properties	**2,128**	2,324
Expenses:		
Master planning services[1]:		
Included in general and administrative expense	**875**	517
Capitalized to properties under and held for development	**2,625**	1,550
Development fees and costs (capitalized to properties under development)	**19**	3,156
Interest expense (capitalized to properties under development)	**17**	29
Opportunity fees (capitalized to properties under development)[2]	**2,319**	2,184
Rent and operating costs (included in general and administrative expense and property operating costs)	**2,221**	1,565
Time billings, and other administrative costs (included in general and administration expenses and property operating costs)	**107**	301
Leasing and related consulting service fees (included in general and administration expenses)	**271**	–
Shared service costs (included in general and administration expenses)	**79**	895
Marketing cost sharing (included in property operating costs)	**303**	432
Other related party transactions		
Legal fees paid to a legal firm in which a partner is a Trustee (included in general and administrative expense and property operating costs)	**421**	–

1 These amounts were recorded in connection with the Transaction.

2 These amounts relate to accrued interest on prepaid land costs subject to future Earnouts.

The following is a summary of other related party balances:

	2016	2015
Related party balances with Penguin		
Receivables:		
Amounts receivable	**8,188**	3,899
Mortgages receivable	**124,778**	127,333
Loans receivable	**9,320**	9,786
Notes receivable	**2,979**	2,928
Payables and other accruals:		
Accrued liabilities	**1,918**	1,538
Future land development obligation[1]	**26,042**	17,051
Secured debt	**3,468**	5,175
Other related party balances		
Opportunity fees receivable (capitalized to properties under development)	**–**	185

[1] The future land development obligations represent payments required to be made to Penguin 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 10-year development management agreement periods ending in 2017 to 2025. The accrued future land development obligations were initially measured at their estimated fair values using imputed interest rates ranging from 4.50% to 5.50%.

The financial implications of related party agreements are disclosed in the notes to the consolidated financial statements for the year ended December 31, 2016.

Capital Resources and Liquidity

As at December 31, 2016 and December 31, 2015, the Trust had the following capital resources available:

(in thousands of dollars)	**2016**	2015
Cash and cash equivalents	**23,093**	21,336
Unused operating facilities	**332,036**	323,778
	355,129	345,114

On the assumption that occupancy levels remain strong and that the Trust will be able to obtain financing on reasonable terms, the Trust anticipates meeting all current and future obligations. Management expects to finance future acquisitions, including committed Earnouts, Developments, Mezzanine Financing commitments and maturing debt from: (i) existing cash balances; (ii) a mix of mortgage debt secured by investment properties, operating facilities, issuance of equity, and convertible and unsecured debentures; (iii) repayments of mortgages receivable; and (iv) the sale of non-core assets. Cash flow generated from operating activities is the source of liquidity to pay Unit distributions, sustaining capital expenditures and leasing costs.

As at December 31, 2016, the Trust increased its capital resources by $10.0 million compared to December 31, 2015. The net increase of $10.0 million is primarily due to the proceeds from issuance of unsecured debentures net of issuance costs of $347.4 million partially offset by the repayment of unsecured debentures including yield maintenance on redemption of $205.1 million, additions to investment properties of $68.3 million, acquisitions and Earnouts of investment properties of $45.1 million and net repayments on revolving operating facility of $10.0 million.

The Trust manages its cash flow from operating activities by maintaining a target debt level. The debt to gross book value, as defined in the Declaration of Trust, as at December 31, 2016, is 51.9%, excluding convertible debentures. Including the Trust's capital resources as at December 31, 2016, the Trust could invest an additional $997.5 million in new investments and remain at the midpoint of the Trust's target debt to gross book value range of 55% to 60% (excluding convertible debentures).

Future obligations, excluding the development pipeline, total $3,992.4 million, as identified in the following table. Other than contractual maturity dates, the timing of payment of these obligations is management's best estimate based on assumptions with respect to the timing of leasing, construction completion, occupancy and Earnout dates at December 31, 2016.

As at December 31, 2016, the timing of the Trust's future obligations is as follows:

(in thousands of dollars)	Total	2017	2018	2019	2020	2021	Thereafter
Secured debt	2,535,024	401,817	390,763	393,744	176,857	173,260	998,583
Unsecured debentures	1,310,000	150,000	–	–	150,000	150,000	860,000
Mortgage receivable advances[1]	144,074	80,923	11,455	8,101	6,506	2,366	34,723
Development obligations	3,340	3,340	–	–	–	–	–
	3,992,438	636,080	402,218	401,845	333,363	325,626	1,893,306

[1] Mortgages receivable of $124.8 million at December 31, 2016, and further forecasted commitments of $144.1 million, mature over a period extending to 2023 if the Trust does not exercise its option to acquire the investment properties. Refer to the "Mortgages, Loans and Notes Receivable and Interest Income" section for timing of principal repayments.

It is management's intention to either repay or refinance $323.4 million of maturing secured debt in 2017. Potential upfinancing on maturing debt using a 65% loan to value and a 6.25% capitalization rate amounts to $119.6 million in 2017 and $225.2 million in 2018. In addition, the Trust has an unencumbered asset pool with an approximate fair value totalling $2,701.7 million, which can generate gross financing proceeds on income properties of approximately $1,756.1 million using a 65% loan to value. The secured debt, revolving operating facility, unsecured debentures, mortgage receivable advances and development obligations will be funded by additional term mortgages, net proceeds on the sale of non-core assets, existing cash or operating lines, the issuance of convertible and unsecured debentures, and equity Units, if necessary.

The Trust's potential development pipeline of $1,423.0 million consists of $177.0 million in Earnouts and $1,246.0 million in Developments. Costs totalling $539.0 million have been incurred to date with a further $884.0 million still to be funded. The future funding includes $170.0 million for Earnouts that will be paid once a lease has been executed and construction of the space commenced. The remaining $714.0 million of development will proceed once the Trust has an executed lease and financing in place. Management expects this pipeline to be developed over the next three to five years.

Debt

As at December 31, 2016, indebtedness was $3,894.7 million compared to $3,823.2 million as at December 31, 2015, as follows:

(in thousands of dollars)	**2016**	2015
Secured debt	**2,535,326**	2,637,579
Unsecured debentures	**1,302,466**	1,142,945
Revolving operating facility	**–**	10,000
Total before investment in associate	**3,837,792**	3,790,524
Share of debt classified as investment in associate	**56,879**	32,705
	3,894,671	3,823,229

Secured Debt

Secured debt consists of term mortgages, development loans, and conduit and other non-conduit loans. As at December 31, 2016, secured debt was $2,535.3 million, compared to $2,637.6 million as at December 31, 2015.

(in thousands of dollars)	**2016**	2015
Balance – beginning of year	**2,637,579**	1,695,095
Borrowings	**42,158**	605,409
Loans assumed	**43,669**	645,505
Scheduled amortization	**(75,870)**	(66,095)
Repayments	**(109,657)**	(237,868)
Amortization of acquisition date fair value adjustments, net of additions	**(3,523)**	(2,812)
Financing costs incurred relating to term mortgages, net of amortization	**970**	(1,655)
Balance – end of year	**2,535,326**	2,637,579

Secured debt bears interest at a weighted average contractual interest rate of 3.79% (December 31, 2015 – 3.87%) and matures on various dates from 2017 to 2031. Including acquisition date fair value adjustments, the effective weighted average interest rate on secured debt is 3.78% (December 31, 2015 – 3.85%). The weighted average years to maturity, including the timing for payments of principal amortization and debt maturing, is 4.8 years (December 31, 2015 – 5.4 years).

During the year, the Trust obtained secured debt totalling $82.2 million – of which $43.7 million related to secured debt assumed in connection with acquisitions during the year – with a weighted average term of 4.9 years and a weighted average interest rate of 2.99%. Also during the year, the Trust repaid secured debt of $89.9 million with a weighted average interest rate of 5.78%.

The Trust continues to have 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. Secured debt maturities remain low for the next several years. If maturing mortgages in 2017 and 2018 were refinanced at a rate of 3.52%, annualized FFO would increase by $0.001 per Unit for 2017 and by $0.015 per Unit for 2018.

Future principal payments as a percentage of secured debt are as follows:

(in thousands of dollars)	Payments of Principal Amortization ($)	Debt Maturing During Year ($)	Total ($)	Total (%)	Weighted Average Interest Rate of Maturing Debt (%)
2017	78,388	323,429	401,817	15.86%	4.84%
2018	63,616	327,147	390,763	15.41%	5.08%
2019	58,712	335,032	393,744	15.53%	6.01%
2020	53,687	123,170	176,857	6.98%	5.18%
2021	48,694	124,566	173,260	6.83%	4.72%
Thereafter	166,078	832,505	998,583	39.39%	3.83%
Total	469,175	2,065,849	2,535,024	100.00%	3.79%
Acquisition date fair value adjustment			6,959		
Unamortized financing costs			(6,657)		
			2,535,326		

Debt maturing during year
The debt maturing by type of lender is as follows:

(in thousands of dollars)	Banks and Other Non-Conduit Loans	Conduit Loans	Total
2017	278,542	44,888	323,430
2018	327,147	–	327,147
2019	335,032	–	335,032
2020	82,967	40,203	123,170
2021	78,974	45,591	124,565
Thereafter	760,923	71,582	832,505
	1,863,585	202,264	2,065,849

Unsecured Debentures
Issued and outstanding as at December 31, 2016:

(in thousands of dollars)	Maturity Date	Annual Interest Rate	**2016**	2015
Series F	February 1, 2019	5.000%	**–**	100,000
Series G	August 22, 2018	4.700%	**–**	90,000
Series H	July 27, 2020	4.050%	**150,000**	150,000
Series I	May 30, 2023	3.985%	**200,000**	200,000
Series J	December 1, 2017	3.385%	**150,000**	150,000
Series L	February 11, 2021	3.749%	**150,000**	150,000
Series M	July 22, 2022	3.730%	**150,000**	150,000
Series N	February 6, 2025	3.556%	**160,000**	160,000
Series O	August 28, 2024	2.987%	**100,000**	–
Series P	August 28, 2026	3.444%	**250,000**	–
			1,310,000	1,150,000
Less: Unamortized financing costs			**(7,534)**	(7,055)
			1,302,466	1,142,945

Unsecured Debenture Activity for the Year Ended December 31, 2016:
Issuances
On August 16, 2016, the Trust issued $100.0 million of 2.987% Series O senior unsecured debentures and $250.0 million of 3.444% Series P senior unsecured debentures (combined net proceeds including issuance costs – $347.4 million), which are due on August 28, 2024 and August 28, 2026, respectively, with semi-annual payments due on February 28 and August 28 each year. The combined proceeds were used to redeem the outstanding principal on the 5.00% Series F senior unsecured debentures totalling $100.0 million, the 4.70% Series G senior unsecured debentures totalling $90.0 million and repay the outstanding amount under the Trust's revolving credit facility.

Redemptions
On September 14, 2016, the Trust redeemed $100.0 million aggregate principal amount of 5.00% Series F senior unsecured debentures and $90.0 million aggregate principal amount of 4.70% Series G senior unsecured debentures. In addition to paying accrued interest of $0.9 million, the Trust paid a yield maintenance fee of $15.1 million in connection with the redemptions and wrote off unamortized financing costs of $1.3 million.

Unsecured Debenture Activity for the Year Ended December 31, 2015:
Issuances
On February 6, 2015, the Trust issued $160.0 million (net proceeds including issuance costs – $158.8 million) of 3.556% Series N senior unsecured debentures due on February 6, 2025, with semi-annual payments due on February 6 and August 6 each year. The proceeds were used to redeem the outstanding principal on the 5.37% Series B senior unsecured debentures totalling $150.0 million.

Redemptions
On March 9, 2015, the Trust redeemed $150.0 million aggregate principal amount of 5.37% Series B senior unsecured debentures. In addition to paying accrued interest of $3.3 million, the Trust paid a yield maintenance fee of $10.8 million in connection with the redemption of the 5.37% Series B senior unsecured debentures and wrote off unamortized financing costs of $0.2 million.

Maturities
On October 16, 2015, $100.0 million aggregate principal amount of variable rate Series K senior unsecured debentures matured, which was settled by the Trust by existing cash and credit facilities.

Credit Rating of Unsecured Debentures
Dominion Bond Rating Services (DBRS) provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfill its obligations. An investment grade rating must exceed "BB," with the highest rating being "AAA." The Trust's debentures are rated "BBB" with a stable trend at December 31, 2016.

Operating Facility
As at December 31, 2016, the Trust had $nil (December 31, 2015 – $10.0 million) outstanding on its operating facility of $350.0 million (December 31, 2015 – $350.0 million). The operating facility bears interest at a variable interest rate based on bank prime rate plus 0.45% or banker's acceptance rates plus 1.45%, and expires on September 30, 2017. The operating facility includes an accordion feature of $150.0 million whereby the Trust has an option to request an increase to the operating amount with the lenders to sustain funding requirements.

(in thousands of dollars)	**2016**	2015
Revolving operating facility	**350,000**	350,000
Lines of credit – outstanding	**–**	(10,000)
Letters of credit – outstanding	**(17,964)**	(16,222)
Remaining unused operating facility	**332,036**	323,778

The Trust has letters of credit with other financial institutions totalling $27.9 million (December 31, 2015 – $13.0 million).

Financial Covenants

The unsecured operating facility as well as unsecured debentures 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 operating facility and unsecured debentures 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 operating facility and unsecured debentures could result in a default, which, if not cured or waived, could result in a reduction or termination of distributions by the Trust and permit acceleration of the relevant indebtedness.

As stipulated by the Declaration of Trust, the Trust monitors its capital structure based on the following ratios: interest coverage ratio, debt to gross book value, debt to aggregate assets, and debt to Adjusted EBITDA. These ratios are used by the Trust to manage an acceptable level of leverage and are not considered measures in accordance with IFRS; nor is there an equivalent IFRS measure. Those ratios are as follows:

	2016	2015
Interest coverage ratio	**3.1X**	3.0X
Debt to aggregate assets	**44.3%**	44.7%
Debt to gross book value	**51.9%**	52.2%
Debt to Adjusted EBITDA	**8.4X**	8.4X

The following are the significant financial covenants that the Trust is required by its operating line lenders to maintain: debt to aggregate assets of not more than 65%, secured debt to aggregate assets of not more than 40%, Adjusted EBITDA to debt service (fixed charge coverage ratio) of not less than 1.5, unencumbered investment properties value to consolidated unsecured debt of not less than 1.4 and Unitholders' equity of not less than $2.0 billion.

Those ratios are as follows:

Ratio	Threshold	**2016**	2015
Debt to aggregate assets	65%	**44.3%**	44.7%
Secured debt to aggregate assets	40%	**29.5%**	31.2%
Fixed charge coverage ratio	1.5X	**2.0X**	2.0X
Unencumbered assets to unsecured debt	1.4X	**2.1X**	2.1X
Unitholders' equity (in thousands)	$2,000,000	**$4,663,944**	$4,482,571

The Trust's indentures require its unsecured debentures to maintain debt to gross book value excluding and including convertible debentures not more than 60% and 65%, respectively, interest coverage ratio not less than 1.65 and Unitholders' equity not less than $500.0 million.

Those ratios are as follows:

Ratio	Threshold	**2016**	2015
Debt to gross book value	60%	**51.9%**	52.2%
Interest coverage ratio	1.65X	**3.1X**	3.0X
Unitholders' equity (in thousands)	$500,000	**$4,663,944**	$4,482,571

For the year ended December 31, 2016, the Trust was in compliance with all externally imposed financial covenants.

Unitholders' Equity

The Unitholders' Equity of the Trust is calculated based on the equity attributable to the holders of Trust Units and LP Units that are exchangeable into Units on a one-for-one basis. These LP Units consist of Class B Units of the Trust's subsidiary limited partnerships. Certain of the Trust's subsidiary limited partnerships also have Class D Units that are exchangeable on a one-for-one basis for Units, but such Class D Units are accounted for as a liability.

The following is a summary of the number of Units outstanding for the years ended December 31, 2016 and December 31, 2015:

Type	Class and Series	**2016**	2015
Trust Units	N/A	**130,132,036**	128,673,857
Smart Limited Partnership	Class B Series 1	**14,741,660**	14,719,803
Smart Limited Partnership	Class B Series 2	**886,956**	873,741
Smart Limited Partnership	Class B Series 3	**720,432**	720,432
Smart Limited Partnership II	Class B	**756,525**	756,525
Smart Limited Partnership III	Class B Series 4	**647,934**	644,755
Smart Limited Partnership III	Class B Series 5	**559,396**	559,396
Smart Limited Partnership III	Class B Series 6	**437,389**	421,795
Smart Limited Partnership III	Class B Series 7	**434,598**	427,357
Smart Limited Partnership III	Class B Series 8	**1,698,018**	1,698,018
Smart Limited Partnership IV	Class B Series 1	**3,046,121**	3,035,756
Smart Oshawa South Limited Partnership	Class B Series 1	**688,336**	688,336
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**374,223**	305,765
Total Units classified as equity		**155,123,624**	153,525,536
Smart Limited Partnership	Class D Series 1	**311,022**	311,022
Smart Oshawa South Limited Partnership	Class D Series 1	**251,649**	251,649
Total Units classified as liabilities		**562,671**	562,671
Total Units		**155,686,295**	154,088,207

The following is a summary of the activities having an impact on Unitholders' equity for the years ended December 31, 2016 and December 31, 2015:

(in thousands of dollars)	**2016**	2015
Unitholders' equity – beginning of the year	**4,482,571**	3,906,424
Issuance of Trust Units, net of issuance cost	**48,907**	268,062
Issuance of LP Units classified as equity	**4,578**	169,092
Conversion of 5.75% convertible debentures	**–**	57,827
Net income for the year	**386,135**	319,489
Contributions by other non-controlling interest	**51**	–
Distributions to other non-controlling interest	**(166)**	(281)
Distributions for the year	**(258,132)**	(238,042)
Unitholders' equity – end of the period	**4,663,944**	4,482,571

In the consolidated financial statements, LP Units classified as equity are presented separately from Trust Units as non-controlling interests. However, because management views the LP Units (including those classified as a liability) as economically equivalent to the Trust Units, they have been combined for the purpose of this MD&A.

As at December 31, 2016, equity totalled $4,663.9 million (December 31, 2015 – $4,482.6 million). Trust and LP Unit equity totalled $3,277.1 million, and Trust Units and LP Units outstanding (see table above) totalled 155,123,624 Units, which does not include 562,671 of Class D Series 1 LP Units, Class D Series 1 Oshawa South LP Units and Class D Series 1 Oshawa Taunton LP Units totalling $18.2 million classified as a liability in the consolidated financial statements.

During the year ended December 31, 2016, the Trust issued $53.5 million in Units as follows:

(in thousands of dollars except for Unit amounts)	Trust Units (#)	LP Units (#)	Total Units (#)	**2016 ($)**
Options exercised	36,671	139,909	176,580	**5,688**
Distribution reinvestment plan (DRIP)	1,379,838	–	1,379,838	**46,212**
Units exchanged[1]	41,670	–	41,670	**1,585**
Total change in Unit equity	1,458,179	139,909	1,598,088	**53,485**

[1] 41,670 Class D Oshawa Taunton LP Units (classified as a liability – see Note 12) amounting to $1,585 were exchanged for 41,670 Trust Units.

During the year ended December 31, 2016, distributions declared by the Trust totalled $259.1 million (of which $1.0 million is treated as interest expense) (December 31, 2015 – $239.6 million, of which $0.8 million is treated as interest expense) or $1.66 per Unit (December 31, 2015 – $1.61 per Unit). For the year ended December 31, 2016, the Trust paid $212.9 million in cash and the balance of $46.2 million by issuing 1,379,838 Trust Units under the distribution reinvestment plan (December 31, 2015 – $200.5 million and the balance of $39.1 million represented by 1,306,354 Trust Units, respectively).

Distributions to Unitholders for the year ended December 31, 2016 compared to December 31, 2015 were as follows:

(in thousands of dollars)	**2016**	2015
Distributions to Unitholders	**259,096**	239,647
Distributions reinvested through DRIP	**(46,212)**	(39,137)
Net cash outflow from distributions to Unitholders	**212,884**	200,510
DRIP as a percentage of distributions to Unitholders	**17.8%**	16.3%

Quarterly Information

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

	Q4 2016	Q3 2016	Q2[6] 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Rental from investment properties[1]	186,702	174,123	187,297	179,629	178,085	172,874	160,663	158,701
NOI[1]	120,051	115,138	126,811	114,347	114,117	116,230	105,922	101,715
Net income and comprehensive income	153,889	56,731	76,646	98,869	91,677	92,574	79,991	55,247
FFO	86,954	66,999	93,666	82,937	80,423	83,881	73,539	60,085
Per Unit								
Basic	$0.56	$0.43	$0.61	$0.54	$0.52	$0.55	$0.52	$0.44
Diluted[2]	$0.56	$0.43	$0.60	$1	$0.52	$0.54	$0.51	$0.44
FFO excluding adjustments[3]	86,954	83,456	93,666	82,937	80,423	83,881	74,127	71,107
Per Unit								
Basic	$0.56	$0.54	$0.61	$0.54	$0.52	$0.55	$0.52	$0.52
Diluted[2]	$0.56	$0.54	$0.60	$0.54	$0.52	$0.54	$0.52	$0.52
AFFO[4]	80,251	78,686	88,935	78,090	76,750	79,655	69,830	66,625
Per Unit								
Basic	$0.52	$0.51	$0.57	$0.51	$0.50	$0.52	$0.49	$0.49
Diluted[2]	$0.51	$0.51	$0.57	$0.50	$0.50	$0.52	$0.49	$0.48
Payout ratio (to AFFO)	83.1%	81.0%	72.5%	81.0%	82.6%	76.9%	82.1%	82.6%
Cash provided by operating activities	109,672	83,717	66,629	56,319	111,197	81,686	53,881	49,484
Distributions declared	66,463	64,360	64,237	64,037	63,854	61,761	59,124	54,908
Units outstanding[5]	155,686,295	155,300,424	154,991,447	154,608,575	154,088,207	153,718,198	153,209,776	136,739,722
Weighted average Units outstanding								
Basic	155,487,377	155,148,277	154,807,223	154,309,475	153,905,303	153,405,481	142,266,459	136,536,536
Diluted[2]	156,059,467	155,728,508	155,427,741	154,954,420	154,531,704	154,054,318	144,987,357	139,387,830
Total assets	8,738,878	8,647,605	8,611,463	8,562,488	8,505,003	8,530,967	8,409,460	7,197,619
Total unencumbered assets	2,701,700	2,635,200	2,522,100	2,463,000	2,453,000	2,518,800	2,460,800	2,419,200
Total debt[1]	3,894,671	3,896,201	3,842,278	3,838,553	3,823,229	3,878,404	3,793,412	3,072,520
Occupancy rate	98.3%	98.3%	98.2%	98.5%	98.7%	98.7%	98.6%	98.6%

1 Includes the Trust's share of earnings from investment in associate.

2 Diluted AFFO and FFO are adjusted for the dilutive effect of the convertible debentures, vested Earnout options and vested portion of deferred units, unless they are anti-dilutive.

3 December 31, 2016 excludes the yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs ($16.5 million). June 30, 2015 excludes write-off of unamortized financing costs on redemption of convertible debentures ($0.6 million). March 31, 2015 excludes the yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs ($11.0 million).

4 A normalized level of sustaining capital expenditures and leasing costs is used in the first three quarters of each fiscal year, adjusted to actual in the fourth quarter.

5 Total units outstanding include Trust Units and LP Units, including Class D Units classified as financial liabilities.

6 Includes $9.9 million settlement proceeds associated with the Target lease terminations net of other amounts recorded during the three months ended June 30, 2016. For the three months ended June 30, 2016, the net settlement proceeds had an impact on both FFO per Unit and AFFO per Unit by $0.06.

Income Taxes and the REIT Exception

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

The Tax Act imposes a special taxation regime (the "SIFT Rules") applicable to certain publicly traded income trusts (each a "SIFT"). A SIFT includes a trust resident in Canada with publicly traded units that holds one or more "non-portfolio properties". "Non-portfolio properties" include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada. Under the SIFT Rules, a SIFT is subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (as defined in the Tax Act; generally, income (other than certain dividends) from, or capital gains realized on, "non-portfolio properties", which does not include certain investments in non-Canadian entities), at a rate substantially equivalent to the combined federal and provincial corporate tax rate on certain types of income.

The SIFT Rules are not applicable to a SIFT that meets certain specified criteria relating to the nature of its revenues and investments in order to qualify as a real estate investment trust for purposes of the Tax Act (the "REIT Exception").

The Trust qualifies for the REIT Exception as at December 31, 2016.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting – National Instrument 52-109 Compliance

Disclosure Controls and Procedures (DCP)

The Trust's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have designed or caused to be designed, under their direct supervision, the Trust's DCP (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), adopted by the Canadian Securities Administrators) to provide reasonable assurance that: (i) material information relating to the Trust, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the interim filings are being prepared; and (ii) material information required to be disclosed in the annual filings is recorded, processed, summarized and reported on a timely basis. The Trust continues to evaluate the effectiveness of DCP, and changes are implemented to adjust to the needs of new processes and enhancement required. Further, the Trust's CEO and CFO have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of the Trust's DCP at December 31, 2016, and concluded that it was effective.

Internal Control Over Financial Reporting (ICFR)

The Trust's CEO and CFO have also designed, or caused to be designed under their direct supervision, the Trust's ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Using the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission 2013 (COSO 2013), the Trust's CEO and CFO have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of the Trust's ICFR as at December 31, 2016, and concluded that it was effective.

Inherent Limitations

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

Significant Accounting Estimates

In preparing the Trust's audited 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 estimates and assumptions made by the Trust are as follows:

Fair Value of Investment Property

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

After the initial recognition, investment properties are recorded at fair value, determined based on comparable transactions, if any. If comparable transactions are not available, the Trust uses alternative valuation methods, such as the direct income capitalization method or discounted cash flow projections. Valuations, where obtained externally, are performed either as of a June 30 valuation date or as of a December 31 valuation date with quarterly updates on capitalization rates by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. Related fair value gains and losses are recorded in the consolidated statements of income and comprehensive income in the period in which they arise.

Fair value measurement of an investment property under development is applied only if the fair value is considered to be reliably measurable. In rare circumstances, investment property under development may be carried at cost until its fair value becomes reliably measurable. It may sometimes be difficult to determine reliably the fair value of an investment property under development. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers the following factors, among others:

- the provisions of the construction contract;
- the stage of completion;
- whether the project or property is standard (typical for the market) or non-standard;
- the level of reliability of cash inflows after completion;
- the development risk specific to the property;
- past experience with similar construction; and
- the status of construction permits.

The fair value of investment properties and properties under development is dependent on stabilized or forecasted net operating income and capitalization rates applicable to those assets. The review of stabilized or forecasted net operating income is based on the location, type and quality of the properties and involves assumptions of current market rents for similar properties, adjusted for estimated vacancy rates and estimated maintenance costs. Capitalization rates are based on the location, size and quality of the properties and take into account market data at the valuation date. These assumptions may not ultimately be achieved.

Fair Value of Financial Instruments

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

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

c. *Class D LP Units*
The Class D LP Units, Class D Oshawa South LP Units and Class D Oshawa Taunton LP Units (collectively referred to herein as "Class D Units") will continue to be presented as a liability, measured at amortized cost each reporting period, which will approximate the fair value of Trust Units, with changes in amortized cost recorded directly in earnings. The distributions on such Units are classified as interest expense in the consolidated statement of income and comprehensive income. The Trust considers distributions on such Units classified as interest expense to be a financing activity in the consolidated statement of cash flows.

d. *Long Term Incentive Plan*
The fair value of the LTIP is based on the following factors: i) the long term performance of the Trust relative to the S&P/TSX Capped REIT Index for each grant period, ii) the market value of Trust Units at each reporting date, and iii) the total granted LTIP units under the plan including LTIP units reinvested.

Fair Value of Mortgages and Loans Receivable

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

Future Changes in Accounting Policies

The Trust monitors the potential changes proposed by the International Accounting Standards Board (IASB) and analyzes the effect that changes in the standards may have on the Trust's operations. Standards issued, but not yet effective, up to the date of issuance of the audited consolidated financial statements for the year ended December 31, 2016, are described below. The Trust intends to adopt the following standards once they become effective.

IFRS 9, Financial Instruments, (IFRS 9)

IFRS 9 addresses the classification, measurement and derecognition of financial assets and liabilities and introduced new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. Following the changes approved by the IASB in July 2014, the new standard also introduces expanded disclosure requirements and changes in presentation. The new impairment model is an expected credit loss (ECL) model which may result in earlier recognition of credit losses. The Trust has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules. IFRS 9 must be applied for financial years commencing on or after January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption phases were only permitted for annual reporting periods beginning before February 2015. After that date, the new rules must be adopted in their entirety.

IFRS 15, Revenue from Contracts with Customers, (IFRS 15)

IFRS 15, "Revenue from Contracts with Customers", is a new standard that establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, although earlier application is permitted. This standard supersedes IFRS 11 "Constructions Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services". The reasons for issuing this new standard include: (a) remove inconsistencies and weaknesses in previous revenue requirements; (b) provide a more robust framework for addressing revenue issues; (c) improve

comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; (d) provide more useful information to users of financial statements through improved disclosure requirements; and (e) simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer.

IFRS 16, Leases, (IFRS 16)
IFRS 16, "Leases" is a new standard that sets out the principles for the recognition, measurement and disclosure of leases. This new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessors, IFRS 16 carries forward the lessor accounting requirements in IAS 17, with enhanced disclosure requirements that will provide information to the users of financial statements about a lessor's risk exposure, particularly to residual value risk. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, although earlier application is permitted for entities that apply IFRS 15. This standard supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentives", and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

With respect to the above noted changes in accounting standards, it is not yet possible to determine the impact that these standards will have on the Trust's audited consolidated financial statements. The Trust anticipates that it will be in a position to report on these changes in next year's audited consolidated financial statements.

Risks and Uncertainties

In addition to the risks discussed below, further risks are discussed in the Trust's Annual Information Form for the year ended December 31, 2016 under the heading "Risk Factors."

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

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

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants and on the vacancy rates of the Trust's portfolio of income-producing properties. The Trust's AFFO would be adversely affected if a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which the Trust has an interest were not able to be leased on economically favourable lease terms. In addition, the AFFO of the Trust would be adversely affected by increased vacancies in the Trust's portfolio of income-producing properties. On the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the Trust than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the Trust's investment may be incurred. Furthermore, at any time, a tenant of any of the Trust's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and, thereby, cause a reduction in the cash flow available to the Trust. The ability to rent unleased space in the properties in which the Trust has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to property. The failure to rent vacant space on a timely basis or at all would likely have an adverse effect on the Trust's financial condition.

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

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

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

Significant deterioration of the retail shopping centre market in general or the financial health of Walmart in particular could have an adverse effect on the Trust's business, financial condition or results of operations.

Development and Construction Risk
Development and construction risk arises from the possibility that developed space will not be leased or that costs of development and construction will exceed original estimates, resulting in an uneconomic return from the leasing of such developments. The Trust

mitigates this risk by not commencing construction of any development until sufficient lease-up has occurred and by entering into fixed price contracts for a large proportion of both development and construction costs.

Joint Venture Risk
The Trust is a co-owner in several properties including a joint venture with Penguin to develop VMC, which is classified as an investment in associate. The Trust is subject to the risks associated with the conduct of joint ventures. Such risks include disagreements with its partners to develop and operate the properties efficiently and the inability of the partners to meet their obligations to the joint ventures or third parties. Any failure of the Trust or its partners to meet its obligations or any disputes with respect to strategic decision-making or the parties' respective rights and obligations, could have a material adverse effect on the joint ventures, which may have a material adverse effect on the Trust. These risks are mitigated by the Trust's existing relationships with its partners. The VMC site could include condominium, hotel and/or other developments, which may be prohibited activities under the SIFT Rules that could cause the Trust to violate its REIT status. In such circumstances, the Trust has an option to put certain portions of its interest in the arrangement at fair value to Penguin and may be required to provide financing to Penguin. The Trust will monitor the developments in VMC and take proactive action to protect its REIT status and will exercise its put option only if necessary.

Interest and Financing Risk
In the low interest rate environment that the Canadian economy has experienced in recent years, leverage has enabled the Trust to enhance its return to Unitholders. A reversal of this trend, however, could significantly affect the business's ability to meet its financial obligations. In order to minimize this risk, the Trust's policy is to negotiate fixed rate secured debt with staggered maturities on the portfolio and seek to match average lease maturity to average debt maturity. Derivative financial instruments may be utilized by the Trust in the management of its interest rate exposure. The Trust's policy is not to utilize derivative financial instruments for trading or speculative purposes. In addition, the Declaration of Trust restricts total indebtedness permitted on the portfolio.

Interest rate changes will also affect the Trust's development portfolio. The Trust has entered into development agreements that obligate the Trust to acquire up to approximately 0.6 million square feet of additional income properties at a cost determined by capitalizing the rental income at predetermined rates. Subject to the ability of the Trust to obtain financing on acceptable terms, the Trust will finance these acquisitions by issuing additional debt and equity. Changes in interest rates will have an impact on the return from these acquisitions should the rate exceed the capitalization rate used and could result in a purchase being non-accretive. This risk is mitigated as management has certain rights of approval over the developments and acquisitions.

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

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

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

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

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

Capital Requirements

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

Tax Related Risks

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Unitholders.

If the Trust fails to qualify for the REIT Exception, the Trust will be subject to the taxation regime under the SIFT Rules. The Trust qualifies for the REIT Exception as at December 31, 2016. In the event that the REIT Exception did not apply to the Trust, the corresponding application of the SIFT Rules to the Trust could impact the level of cash distributions which would otherwise be made by the Trust and the taxation of such distributions to Unitholders. There can be no assurance that Canadian federal income tax laws with respect to the REIT Exception will not be changed, or that administrative and assessment practices of the Canada Revenue Agency will not develop in a manner that adversely affects the Trust or its Unitholders. Accordingly, no assurance can be given that the Trust will continue to qualify for the REIT Exception.

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

Cyber Security Risk

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

Significant Unitholder Risk

According to reports filed under applicable Canadian securities legislation, as at December 31, 2016, Mitchell Goldhar of Vaughan, Ontario beneficially owns or controls a number of the outstanding Units which, together with the securities he beneficially owns or controls which are exchangeable at his option for Units for no additional consideration and the associated Special Voting Units, represent an approximately 22.4% voting interest in the Trust. Further, according to the above mentioned reports, as at December 31, 2016, Mr. Goldhar beneficially owns or controls additional rights to acquire Units which, if exercised or converted, would result in him increasing his beneficial economic and voting interest in the Trust to as much as approximately 26.6%. In addition, pursuant to the Voting Top-Up Right, Mr. Goldhar may be issued additional Special Voting Units to entitle the MG Entities to cast 25% of the votes attached to Voting Units at a meeting of the holders of Voting Units.

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

Subsequent Events

Subsequent to year end, the Trust extended the maturity date of a mortgage receivable from December 31, 2016 to March 31, 2017, with no changes to all other pre-existing terms, conditions and interest rate.

On February 15, 2017, the Trust announced that it has entered into a Letter of Intent to form a 50/50 joint venture partnership with SmartStop Asset Management LLC, a leading North American developer and operator of self-storage facilities, to build self-storage facilities in Canada.

Outlook

"It was the best of times…"
Canada's economy continues its slow and steady ascent. Canada's 2016 GDP growth rate was 1.3% and it is forecast to grow at a rate of 2.1% in 2017. As Canadians, we have become accustomed to living in a low growth environment where annual growth rates have been in the range of -3.0% to 3.2% since 2005. These slow and steady growth rates have a stabilizing influence on consumer confidence, retail spending, and employment growth. In turn, when coupled with continued population growth, these moderate levels of growth in consumer spending allow value-focused retailers, such as Walmart, Canadian Tire, Winners, Rona, Sobeys and Dollarama to continue to expand their retail platforms in Canada. And because the core of the Trust's business is principally focused on accommodating value-based retailers, the Trust's overall occupancy rate continued to experience an industry leading occupancy level of 98.3% at December 31, 2016. Although the Trust anticipates that this level will fluctuate marginally in 2017, with the propensity of new leasing activity that is taking place within the portfolio, the Trust expects to achieve a similar overall level of occupancy by the end of 2017.

"It was the worst of times…"
The recent US election has introduced a nascent element of political uncertainty that is causing some volatility to the world's capital markets. The cascading impact of this level of uncertainty has resulted, on at least an interim basis, in the delay of expansion and other macro-based business decisions by many North American based industries. Some of these decisions are impacting the Canadian retail landscape wherein retailers are taking longer to make expansion decisions pertaining to their respective Canadian retail footprints. These delays, when coupled with both the remaining vacant space left behind from Target's 2015 departure from Canada, and the recent creditor protection announcements by several well-known Canadian retailers, including Danier Leather, Aeropostale, PJ's Pets, Ben Moss Jewellers, and Jones New York, continue to result in the growth of tenant renewal rates being lower than historical levels. The Trust's portfolio of predominately Walmart-anchored shopping centres, although not immune to these market forces, is extremely well insulated from many of these market challenges.

"It was the age of wisdom…"
The Trust continues its focus to identify and execute on the most efficient ways to allocate Unitholders' capital. There continues to be a scarcity of higher quality shopping centres available for purchase in the Canadian market place, and those assets that do come available are often pursued by proponents with lower costs of capital and longer term investment horizons than the Trust. Because of these limited opportunities with implicitly lower expected levels of return, and because of the abundance of available development lands surrounding many of the Trust's existing shopping centres, management is pursuing numerous opportunities to develop mixed-use projects, often on a joint venture basis with 'best-in-class' partners.

These initiatives involve long term development opportunities in the areas of commercial office, retirement homes, self-storage, and various forms of residential development. In this regard, the Trust recently announced joint ventures for two phases of high rise rental accommodation in Laval, two phases of high rise condominium development at VMC, and a joint venture with a self-storage company to develop premier self-storage locations with the first two locations being in the Greater Toronto Area. In addition, numerous development initiatives of consequence are in their infancy at either the exploratory stage, or the preliminary discussion stage with potential partners of strong 'pedigree.' When complete, each of these mixed-use opportunities is expected to eclipse traditional financial returns that might otherwise be generated over the course of time through either conventional retail development or existing investment property acquisition. Because of the abundance of its available lands, unitholders should expect the Trust to announce with some level of regularity, these types of initiatives with partners, as this area of mixed use development through joint ventures is becoming a normal part of the Trust's business.

"It was the age of foolishness…"
One of the guiding disciplines pertaining to acquisitions or value creation from development that the Trust continues to follow, is the assumption that value is created for the Trust's unitholders by investing capital raised to generate future cash flow at rates of return that exceed the Trust's cost of capital. Accordingly, development initiatives which typically have long development timeframes, significant capital outlays, sensitivity to rising interest rates, cost escalation exposure, and leasing and occupancy risk must follow this discipline such that the invested capital provides the Trust's unitholders with a return that exceeds its cost of capital.

Similarly, when pursuing acquisition opportunities of existing investment properties, available options are in such short supply that pension funds, offshore investment groups and others with much lower costs of capital and longer investment horizons are prepared to pay at capitalization rates dramatically lower than the Trust's cost of capital. Accordingly, when looking forward, management is ever mindful of this disciplined approach to both acquisitions and development which may, from time to time, result in decisions to defer or pass on certain opportunities.

"It was the epoch of belief…"
Development and leasing initiatives at VMC continue to progress, with the second phase of office development and the first two phases of high rise residential condominium development at VMC being announced in 2016. The next phase of office development is expected to be completed in 2019 and will feature a new 220,000 square foot Class A facility, which management anticipates will be home to lead occupants PwC, the YMCA, and a new library and additional space for other community uses for the City of Vaughan. The Trust and Mitchell Goldhar also recently announced a joint venture with CentreCourt, through which the first two phases of high rise residential condominium development at VMC will be completed. These two phases are expected to include approximately 1,200 condominium units that are expected to come to market for sale in Q2/Q3 2017.

Also, KPMG, the lead occupant for the first phase of VMC, moved into their premises in October 2016; a significant occasion for both KPMG and the Trust! The Trust also recently announced additional long term tenancies for Harley Davidson, Miller Thompson, and GFL whose tenancies will aggregate to over 100,000 sq ft. The Trust continues in earnest to negotiate leases for the balance of space in this first phase and expects to be in a position to announce additional tenancies over the next several months. There continues to be a strong level of interest by many large prospective tenants in both available space in the KPMG Tower and also for future phases of VMC. In addition, the Spadina subway line's northern extension, which will permit direct underground access from VMC to the on-site subway station, is expected to open in late 2017. The on-site subway station continues to be the catalyst that is attracting interest from prospective tenants from all points within the Greater Toronto Area and underscores the significance of how transit hubs like VMC can spur the development of intensified communities.

"It was the epoch of incredulity…"
As the Trust strategically transforms from an entity whose historical focus was to find ways to enhance unitholder value by owning and managing existing shopping centres, to an entity that now, in an effort to further enhance long term unitholder value and related returns, also develops and leases both shopping centres and mixed-use initiatives, the requirement for a 'longer term perspective' is a new attribute with which both the Trust's management and its unitholders must become comfortable. Development initiatives require time, research, expertise in planning and design, large sums of debt and equity capital, and the ability to manage risk associated with: i) longer development time horizons, ii) movements in interest rates and anticipated project costs, iii) market supply dynamics, and iv) shifts in consumer behavior.

The timeframes associated with the 'cradle to grave' development cycles for the Trust's larger-scale developments are anticipated to consume at least a decade. In addition to the VMC, the Trust currently has two other large mixed-use development initiatives that will likely be completed over the next decade. Not surprisingly, both of these projects are close to proposed future transit hubs. These include: a) the StudioCentre property on Eastern Avenue in Toronto which, when complete, is expected to feature up to 1.2 million square feet of mixed use development and will be a short walk to the proposed "Downtown Relief" subway line in Toronto, and b) the Westside Mall property on Eglinton Avenue West in Toronto which, when complete, is expected to feature over 2.0 million square feet of mixed use development and will accommodate the "Caledonia Station" on the Eglinton Crosstown LRT line which is currently under construction with completion expected in 2021.

In addition, the Trust is exploring a vast array of other mixed-use initiatives on properties that it currently owns in Montreal, Ottawa, and the Greater Toronto Area. The 'common denominator' among these various opportunities is the enormous amount of time that it will take to plan, rezone (in some cases), lease, develop and build. Ultimately the primary strategic criterion that is required for successful developments is to 'expect the unexpected.' Invariably when so much time is required between a project's inception and its ultimate completion, "something unusual usually happens….". Accordingly, in an effort to be attentive to risk mitigation, agility and flexibility in planning continue to be necessary components associated with each of the Trust's longer term development opportunities.

"It was the season of Light…"
Growth initiatives are being further propelled by the continued success of both the Toronto and Montreal Premium Outlets which the Trust jointly owns with Simon Property Group. As at December 31, 2016, these two shopping centres had overall occupancy levels of 98.7% and 98.1% after opening their doors in 2013 and 2014 respectively. The Toronto Premium Outlets has experienced tremendous unprecedented success which in turn has resulted in limited parking options for its patrons. In an effort to provide better parking alternatives for the future, the Trust recently commenced the construction of a five-level parking garage that when complete in Q4 2017 will accommodate a net additional 900 parking spaces. Once complete, this new parking facility will then permit the commencement of construction of the phase II 144,000 sq ft expansion to the existing shopping centre which is expected to be ready for occupancy by Q4 2018. The Trust, together with Simon Property Group, continues to explore other markets in Canada that may warrant the development of new Premium Outlets.

"It was the season of Darkness…"
Approximately 81% of Canada's population of 36.4 million people live in urban areas. Canada has eight urban areas that have population levels in excess of one million people who live within several hours of each respective large city. This population level is typically a minimum requirement to ensure the long term success of a Premium Outlet. Accordingly, there remains only a limited number of additional Premium Outlets that may warrant consideration. Accordingly, although the Premium Outlets concept is tremendously appealing to Canadians, and they represent attractive investments for the Trust, unfortunately there is a finite saturation point for these types of developments. Notwithstanding this 'natural' limitation, the Trust's existing Premium Outlets are expected to continue to generate attractive levels of same property growth in net operating income.

"It was the spring of hope…"
The Canadian debt capital markets continue to offer an array of alternative forms of debt financing for the Trust. Longer term interest rates, which began to move upwards in advance of the US Federal Reserve announcement on December 14, 2016, continue their upward ascent. Since the Trust's highly successful 10 year unsecured bond issue in August 2016, 10 year bond prices have moved from 1.06% to 1.79% (a 69% increase in less than six months). In addition, spreads for secured and unsecured 10 year debt have varied from lows of 1.75% and 2.25% to highs of 2.15% and 2.90% respectively over the last twelve months. These Canadian longer term rates, which have historically moved in the same direction as U.S. bond rates, are expected to continue to move higher as the US Federal Reserve may announce up to three additional interest rate hikes over the duration of 2017. Some economists now predict that the current upward direction in interest rates will reverse later in 2017 as the US economy and political environment stabilizes. Notwithstanding these expected increases in longer term rates, shorter term rates in Canada continue at their historic lows, with 'all in' three and five year unsecured financing alternatives available in the range of 2.2% and 2.7%.

During 2017, the Trust has $323.4 million and $150.0 million of maturing secured mortgages and unsecured debt respectively. Over the last several years, the Trust has favoured a "lock long" strategy when mortgage renewals and similar financing opportunities arose in a low rate environment. This refinancing strategy has now pushed the Trust's overall weighted average term and interest rate to 4.8 years and 3.79% respectively for its secured debt (December 31, 2015 - 5.4 years and 3.87%) and 6.0 years and 3.71% respectively for its unsecured debt (December 31, 2015 - 5.4 years and 3.94%). The Trust may consider alternative shorter term secured and unsecured financing strategies during 2017 in an effort to take advantage of shorter term and medium term interest rate offerings.

"It was the winter of despair…"

The Canadian equity capital markets for REITs continue to reflect volatility with no clear direction for unit price movement. Over the last twelve months, the Trust's units have traded from lows of $28.51 to highs of $38.91. These capricious movements in the Trust's unit price do result in financing challenges associated with planning for developments, acquisitions, and operations. Also, higher costs of equity capital leaves the Trust, as well as its counterpart Canadian REITs, with a competitive disadvantage to Canadian pension funds and offshore investors when competing for acquisition opportunities where prices for higher quality opportunities continue to reach new historic highs. Accordingly, at least in the near term, acquisition opportunities will likely continue to be relatively limited. The Trust will therefore continue to focus on opportunities to: i) further enhance the returns generated from its existing stable of principally Walmart-anchored retail properties, ii) identify additional existing properties that warrant mixed-use or intensified 'on balance sheet' development, and iii) work with its core tenants to refine their spatial requirements as their businesses change to accommodate heightened e-commerce and m-commerce based consumer behavior. Given the strength of the Trust's balance sheet, coupled with its stable portfolio of retail tenants, and its ability to continue to produce strong operating cash flow, there is no current requirement for the Trust to issue additional equity. Accordingly, the Trust will continue to monitor the equity capital markets and when appropriate, raise additional equity to balance its capital needs.

Management's Responsibility for Financial Reporting

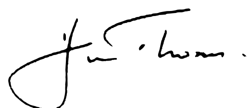
The Annual Report, including consolidated financial statements, is the responsibility of the management of Smart Real Estate Investment Trust and has been approved by the Board of Trustees. The financial statements have been prepared in accordance with International Financial Reporting Standards. The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

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

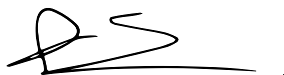
The Board of Trustees is responsible for (i) ensuring that management fulfills its responsibility for financial reporting; and (ii) providing final approval of the consolidated financial statements. The Board of Trustees has appointed an Audit Committee comprising three independent Trustees to approve,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

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

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



Huw Thomas
Chief Executive Officer



Peter Sweeney
Chief Financial Officer

Independent Auditor's Report

To the Unitholders of Smart Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Smart Real Estate Investment Trust and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2016 and 2015 and the consolidated statements of income and comprehensive income, equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Smart Real Estate Investment Trust and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
February 15, 2017

Consolidated Financial Statements

Consolidated Balance Sheets

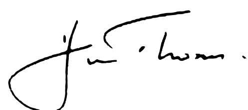
As at December 31, 2016 and December 31, 2015

(in thousands of Canadian dollars)	Note	**2016**	2015
Assets			
Non-current assets			
Investment properties	4	**8,242,417**	8,016,247
Mortgages and loans receivable	5	**73,290**	143,499
Investment in associate	6	**122,677**	107,548
Other assets	7	**83,904**	83,268
Intangible assets	8	**51,795**	53,126
		8,574,083	8,403,688
Current assets			
Current portion of mortgages and loans receivable	5	**105,601**	48,362
Amounts receivable, prepaid expenses and deferred financing costs	9	**36,101**	31,617
Cash and cash equivalents	19	**23,093**	21,336
		164,795	101,315
Total assets		**8,738,878**	8,505,003
Liabilities			
Non-current liabilities			
Debt	10	**3,287,211**	3,560,677
Other payables	11	**27,820**	19,032
Other financial liabilities	12	**39,395**	39,517
		3,354,426	3,619,226
Current liabilities			
Current portion of debt	10	**550,581**	229,847
Accounts payable and current portion of other payables	11	**169,927**	173,359
		720,508	403,206
Total liabilities		**4,074,934**	4,022,432
Equity			
Trust Unit equity		**3,847,575**	3,693,085
Non-controlling interests		**816,369**	789,486
		4,663,944	4,482,571
Total liabilities and equity		**8,738,878**	8,505,003

Commitments and contingencies (Note 26)

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

Approved by the Board of Trustees.



Huw Thomas
Trustee

Garry Foster
Trustee

Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2016 and 2015

(in thousands of Canadian dollars)	Note	**2016**	2015
Net rental income			
Rentals from investment properties	16	**725,267**	668,653
Property operating costs		**(250,410)**	(231,726)
Net rental income		**474,857**	436,927
Other income and expenses			
Service and other revenues	17	**11,548**	9,006
Other expenses	17	**(11,543)**	(8,974)
General and administrative expense	18	**(24,491)**	(19,434)
Earnings from associate	6	**13,787**	1,597
Fair value adjustment on revaluation of investment properties	24	**60,312**	32,835
Loss on sale of investment properties		**(146)**	(17)
Interest expense	10(d)	**(147,714)**	(143,959)
Interest income		**11,436**	11,995
Fair value adjustment on financial instruments	24	**(1,911)**	531
Acquisition costs		**–**	(1,018)
Net income and comprehensive income		**386,135**	319,489
Net income and comprehensive income attributable to:			
Trust Units		**322,231**	269,167
Non-controlling interests		**63,904**	50,322
		386,135	319,489

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(in thousands of Canadian dollars)	Note	**2016**	2015
Cash provided by (used in)			
Operating activities			
Net income and comprehensive income for the year		**386,135**	319,489
Add (deduct): Other items			
Fair value adjustments	24	**(58,401)**	(33,366)
Loss on sale of investment properties		**146**	17
Earnings from associate, net of distributions	6	**(13,399)**	(1,019)
Amortization of equipment		**690**	565
Accretion of convertible debentures	10(d)	**–**	354
Amortization of acquisition date fair value adjustments on assumed debt	10(d)	**(3,547)**	(2,828)
Amortization of deferred financing costs	10(d)	**4,074**	4,339
Amortization of tenant incentives	16	**6,078**	5,291
Amortization of intangible assets	18	**1,331**	792
Distributions relating to vested deferred units and Class D Units, classified as liabilities	10(d)	**1,966**	1,812
Capital lease obligation interest		**507**	450
Straight-line rent adjustments		**(1,050)**	(2,150)
Deferred unit compensation expense, net of redemptions	12(c)	**(3,885)**	(4,834)
Long Term Incentive Plan expense	11(b)	**1,777**	2,165
Payment of vested Long Term Incentive Plan performance units	11(b)	**(574)**	–
Yield maintenance on redemption of unsecured debentures	10(d)	**15,138**	10,810
Expenditures on direct leasing costs		**(6,470)**	(5,824)
Expenditures on tenant incentives for properties under development		**(979)**	(4,959)
Changes in other non-cash operating items	19	**(13,200)**	5,144
Cash flows provided by operating activities		**316,337**	296,248
Financing activities			
Proceeds from issuance of unsecured debentures – net of issuance costs	10(c)	**347,425**	158,800
Repayment of unsecured debentures including yield maintenance on redemption	10(c)	**(205,138)**	(260,810)
Redemption of convertible debentures	10(d)	**–**	(3,312)
Proceeds from revolving operating facility	10(b)	**95,000**	196,000
Repayments of revolving operating facility	10(b)	**(105,000)**	(203,000)
Proceeds from issuance of Trust Units – net of issue costs	14	**–**	225,274
Proceeds from issuance of secured debt		**38,572**	596,300
Repayments of secured debt and other debt		**(182,020)**	(294,854)
Distributions paid on Trust Units		**(169,694)**	(161,784)
Distributions paid on non-controlling interests and Class D Units classified as liabilities		**(42,487)**	(36,005)
Financing costs		**(625)**	(3,490)
Cash flows provided by financing activities		**(223,967)**	213,119
Investing activities			
Acquisitions and Earnouts of investment properties	3	**(45,109)**	(394,317)
Acquisition of Penguin platform	8	**–**	(55,679)
Additions to investment properties	4	**(68,308)**	(60,655)
Additions to investment in associate	6	**(1,730)**	(6,350)
Additions to equipment		**(252)**	(199)
Advances of mortgages and loans receivable	5	**(462)**	(9,786)
Repayments of mortgages and loans receivable	5	**21,210**	17,862
Net proceeds from sale of investment properties	4	**4,038**	841
Cash flows provided by investing activities		**(90,613)**	(508,283)
Increase in cash and cash equivalents during the year		**1,757**	1,084
Cash and cash equivalents – beginning of year		**21,336**	20,252
Cash and cash equivalents – end of year		**23,093**	21,336

Supplemental cash flow information (Note 19)

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

Consolidated Statements of Equity

For the years ended December 31, 2016 and 2015

		Attributable to Unitholders			Attributable to LP Units Classified as Non-Controlling Interests				
(in thousands of Canadian dollars)	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, 2015		2,273,604	1,026,382	3,299,986	454,990	148,661	603,651	2,787	3,906,424
Issuance of Units		322,774	–	322,774	169,092	–	169,092	–	491,866
Net income and comprehensive income for the year		–	269,167	269,167	–	49,953	49,953	369	319,489
Distributions for the year	15	–	(201,957)	(201,957)	–	(36,085)	(36,085)	(281)	(238,323)
Units exchanged	12,14	3,115	–	3,115	–	–	–	–	3,115
Equity – December 31, 2015		2,599,493	1,093,592	3,693,085	624,082	162,529	786,611	2,875	4,482,571
Equity – January 1, 2016		**2,599,493**	**1,093,592**	**3,693,085**	**624,082**	**162,529**	**786,611**	**2,875**	**4,482,571**
Issuance of Units		**47,322**	**–**	**47,322**	**4,578**	**–**	**4,578**	**–**	**51,900**
Net income and comprehensive income for the year		**–**	**322,231**	**322,231**	**–**	**63,537**	**63,537**	**367**	**386,135**
Contributions by other non-controlling interest	5(c)	**–**	**–**	**–**	**–**	**–**	**–**	**51**	**51**
Distributions for the year	15	**–**	**(216,648)**	**(216,648)**	**–**	**(41,484)**	**(41,484)**	**(166)**	**(258,298)**
Units exchanged	12,14	**1,585**	**–**	**1,585**	**–**	**–**	**–**	**–**	**1,585**
Equity – December 31, 2016		**2,648,400**	**1,199,175**	**3,847,575**	**628,660**	**184,582**	**813,242**	**3,127**	**4,663,944**

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2016 and 2015
(in thousands of Canadian dollars, except Unit, square foot and per Unit amounts)

1. Organization

Smart Real Estate Investment Trust and its subsidiaries ("the Trust") are 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 July 3, 2015 ("the Declaration of Trust"). The Trust develops, leases, constructs, owns and manages shopping centres in Canada, both directly and through its subsidiaries, Smart Limited Partnership, Smart Limited Partnership II and Smart Limited Partnership III, and includes the following additional subsidiaries that arose from the acquisition of both the Penguin platform and a group of properties from Penguin and other vendors on May 28, 2015 (see Notes 3 and 8): Smart Limited Partnership IV, Smart Oshawa South Limited Partnership, Smart Oshawa Taunton Limited Partnership and Smart Boxgrove 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 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 700 Applewood Crescent, Suite 200, Vaughan, Ontario, L4K 5X3. The Units of the Trust are listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "SRU.UN."

These consolidated financial statements have been approved for issue by the Board of Trustees on February 15, 2017. The Board of Trustees has the power to amend the consolidated financial statements after issue.

At December 31, 2016, the Penguin Group of Companies ("Penguin"), owned by Mitchell Goldhar, owned approximately 22.4% (December 31, 2015 – 22.6%) of the issued and outstanding Units of the Trust and Limited Partnerships (see Note 20).

2. Summary of significant accounting policies

2.1 Basis of presentation

The Trust's consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand. The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of investment property and certain financial and derivative instruments (discussed in Note 2.4 and Note 2.10, respectively). The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

Statement of compliance

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

2.2 Principles of consolidation

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

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

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

Interests in joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement, whereas a joint venture is a joint arrangement whereby the parties that have joint control only have rights to the net assets of the arrangement. The Trust is a co-owner in several properties that are subject to joint control and has determined that all current joint arrangements are joint operations as the Trust, through its subsidiaries, is the direct beneficial owner of the Trust's interests in the properties. For these properties, the Trust recognizes its proportionate share of the assets, liabilities, revenue and expenses of these co-ownerships in the respective lines in the consolidated financial statements (see Note 22).

2.3 Investments in associate

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

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

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

Profits and losses resulting from upstream and downstream transactions between the Trust and an associate are recognized in the Trust's financial statements only to the extent of an unrelated investor's interests in the associate. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are updated when necessary to ensure consistency with the policies adopted by the Trust.

2.4 Investment properties

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

Acquired investment properties are measured initially at cost, including related transaction costs in connection with asset acquisitions. Certain properties are developed by the Trust internally, and other properties are developed and leased to third parties under development management agreements with Penguin and other vendors ("Earnouts"). Earnouts occur where the vendors retain responsibility for managing certain developments on land acquired by the Trust for additional proceeds paid on completion calculated based on a predetermined, or formula based, capitalization rate, net of land and development costs incurred by the Trust (see Note 4(b)(i)). The completion of an Earnout is reflected as an additional purchase in Note 3. Costs capitalized to properties under development include direct development and construction costs, Earnout Fees ("Earnout Fees"), borrowing costs and property taxes.

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

After the initial recognition, investment properties are recorded at fair value, determined based on comparable transactions, if any. If comparable transactions are not available, the Trust uses alternative valuation methods, such as the direct income capitalization method or discounted cash flow projections. Valuations, where obtained externally, are performed either as of a June 30 valuation date or as of a December 31 valuation date with quarterly updates on capitalization rates by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. Related fair value gains and losses are recorded in the consolidated statements of income and comprehensive income in the period in which they arise.

Fair value measurement of an investment property under development is applied only if the fair value is considered to be reliably measurable. In some circumstances, investment property under development may be carried at cost until its fair value becomes reliably measurable. It may sometimes be difficult to determine reliably the fair value of an investment property under development. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers the following factors, among others:

- the provisions of the construction contract;
- the stage of completion;
- whether the project or property is standard (typical for the market) or non-standard;
- the level of reliability of cash inflows after completion;
- the development risk specific to the property;
- past experience with similar construction; and
- the status of construction permits.

Investment property held by the Trust under an operating lease is classified as investment property when the definition of an investment property is met and the Trust elects to account for the lease as a finance lease. The Trust has elected to account for all leasehold property interests that meet the definition of investment property held by the Trust as finance leases. Finance leases are recognized at the lease's commencement date at the lower of the fair value of the leased property interest and the present value of the minimum lease payments. Investment properties recognized under finance leases are carried at their fair value.

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

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

2.5 Business combinations

The Trust has applied business combination accounting to account for the acquisition of the Penguin platform (see Note 8) whereby identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. Any difference between the purchase price and the fair value of identifiable net assets acquired is considered goodwill. The Trust expenses any transaction costs associated with a business combination in the period incurred. When an acquisition does not meet the criteria for a business, it is accounted for as an asset acquisition. Any transaction costs associated with an asset acquisition are allocated to the assets acquired and liabilities assumed. No goodwill is recognized for asset acquisitions. Goodwill is the excess of the purchase price over the acquired identifiable net assets in a business combination.

2.6 Intangible assets and goodwill

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

2.7 Equipment

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

If events and circumstances indicate an asset may be impaired, the asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount defined as the higher of an asset's fair value less costs to sell and its value in use.

2.8 Provisions

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

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

2.9 Classification of Units as liabilities and equity

a) Trust Units

The Trust Units meet the definition of a financial liability under IFRS as the redemption feature of the Trust Units creates an unavoidable contractual obligation to pay cash (or another financial instrument such as notes payable if redemptions exceed $50 in a given month).

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

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

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

b) Limited Partnership Units

The Class B General Partnership Units and Class D Limited Partnership Units of Smart Limited Partnership (referred to herein as "LP Units"), Class B Limited Partnership Units of Smart Limited Partnership II (referred to herein as "LP II Units"), Class B General Partnership Units of Smart Limited Partnership III (referred to herein as "LP III Units"), Class B General Partnership Units of Smart Limited Partnership IV (referred to herein as "LP IV Units"), Class B General Partnership Units and Class D Limited Partnership Units of Smart Oshawa South Limited Partnership (referred to herein as "Oshawa South LP Units") and Class B General Partnership Units and Class D Limited Partnership Units of Smart Oshawa Taunton Limited Partnership (referred to herein as "Oshawa Taunton LP Units") are exchangeable into Trust Units at the partners' option. LP IV, Oshawa South LP and Oshawa Taunton LP were limited partnerships formed in 2015, see details in Note 14.

As a result of this obligation, at January 1, 2010 these Units were exchangeable into a liability (the Trust Units are a liability by definition), and accordingly the Class B and D LP Units, Class B LP II Units and Class B LP III Units were also considered to be a liability, measured at amortized cost each reporting period with changes in carrying amount recorded directly in the consolidated statements of income and comprehensive income. The distributions on such Units were classified as interest expense in the consolidated statements of income and comprehensive income. At the end of the fourth quarter of 2010 and the fourth quarter of 2012, certain amendments to the Exchange, Option and Support Agreements ("EOSA") for each respective LP, LP II and LP III were made so that effective December 31, 2010, the Series 1 and Series 3 Class B LP Units, Class B LP II Units and Class B LP III Units, and effective December 31, 2012, the Class B Series 2 LP Units, could be classified as equity in the Trust's consolidated financial statements. These Units were transferred at their carrying value on the date the amendments to the EOSA were made, and no further adjustments were made. The amendments to the EOSA agreements require the Trust to convert to a closed-end trust prior to honouring a redemption request by the partners. Converting to a closed-end trust will classify the Trust Units as equity as the Trust Units will no longer have the redemption feature. Accordingly, the LP Units subject to the amended EOSA are exchangeable only into equity and as a result are presented in equity as non-controlling interests in the Trust's consolidated financial statements.

The Class D LP Units, Class D Oshawa South LP Units and Class D Oshawa Taunton LP Units (collectively referred to herein as "Class D Units") will continue to be presented as a liability, measured at amortized cost each reporting period, which will approximate the fair value of Trust Units, with changes in amortized cost recorded directly in earnings. The distributions on such Units are classified as interest expense in the consolidated statement of income and comprehensive income.

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

2.10 Financial instruments – recognition and measurement

Financial instruments must be classified into one of the following specified categories: at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets, loans and receivables and other liabilities. Initially, all financial assets and financial liabilities are recorded on the consolidated balance sheet at fair value. After initial recognition, financial instruments are measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which are measured at amortized cost. The effective interest related to financial assets and liabilities measured at amortized cost and the gain or loss arising from the change in the fair value of financial assets or liabilities classified as FVTPL are included in net income for the period in which they arise. AFS financial instruments are measured at fair value with gains and losses recognized in other comprehensive income until the financial asset is derecognized, and all cumulative gains or losses are then recognized in net income.

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

	Note	Classification	Measurement
Financial assets			
Mortgages and loans receivable		Loans and receivables	Amortized cost
Amounts receivable and deposits		Loans and receivables	Amortized cost
Cash and cash equivalents		Loans and receivables	Amortized cost
Financial liabilities			
Accounts and other payables		Other liabilities	Amortized cost
Secured debt		Other liabilities	Amortized cost
Revolving operating facility		Other liabilities	Amortized cost
Unsecured debentures		Other liabilities	Amortized cost
Long Term Incentive Plan	2.13	Other liabilities	Amortized cost
Convertible debentures inclusive of conversion feature	2.12	FVTPL	Fair value
Class D Units	2.9	FVTPL	Fair value
Earnout options	2.13	FVTPL	Fair value
Deferred unit plan	2.13	FVTPL	Fair value
Interest rate swap agreements	2.13	FVTPL	Fair value

a) *Financing costs*

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

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

b) *Derivative instruments*

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

c) *Fair value of financial and derivative instruments*
The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act; i.e. the fair value of consideration given or received. In certain circumstances, the fair value may be determined based on observable current market transactions in the same instrument, using market-based inputs. The fair values are described and disclosed in Note 13.

d) *Modifications of loans and debt*
Amendments to mortgages and loans receivable and debt are assessed as either modifications or extinguishments based on the terms of the revised agreements. An amendment is treated as an extinguishment if the present value of cash flows under the terms of the modified loan or debt instrument is at least 10% different from the carrying amount of the original loan or debt. When an extinguishment is determined, the loan or debt is derecognized and the fair value of the loan or debt under the amended terms is recognized, with the difference recorded as a gain or loss. The new loan or debt is carried at amortized cost using the effective interest rate inherent in the new loan or debt. When a modification is determined, the carrying amount of the loan or debt continues to be recognized at amortized cost using the original effective interest rate and no gain or loss on settlement is recorded.

e) *Impairment of financial assets*
The Trust assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Trust uses to determine whether there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- the probability that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of income and comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of income and comprehensive income.

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

2.12 Convertible debentures
Convertible debentures issued by the Trust are convertible into Trust Units at the option of the holder, and the number of Units to be issued does not vary with changes in their fair value.

Upon issuance, convertible debentures are separated into their debt and conversion feature components. The debt component of the convertible debentures is recognized initially at the fair value of a similar debt instrument without a conversion feature. Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortized cost using the effective interest method.

The conversion feature component of the convertible debentures is initially recognized at fair value. The convertible debentures are convertible into Trust Units at the holder's option. As a result of this obligation, the convertible debentures are exchangeable into a liability (the Trust Units are a liability by definition) and, accordingly, the conversion feature component of the convertible debentures is also a liability. Accordingly, the conversion feature component of the convertible debentures is recorded on the consolidated balance sheet as a liability, measured at fair value, with changes in fair value recognized in fair value adjustment on financial instruments in the consolidated statements of income and comprehensive income.

Any directly attributable transaction costs are allocated to the debt and conversion components of the convertible debentures in proportion to their initial carrying amounts.

2.13 Trust and LP Unit based arrangements
a) *Unit options issued to non-employees on acquisitions (the "Earnout options")*
In connection with certain acquisitions and the associated development agreements, the Trust may grant options to acquire Units of the Trust or Smart LPs to Penguin or other vendors. These options are exercisable only at the time of completion and rental of additional space on acquired properties at strike prices determined on the date of grant. Earnout options that have not vested expire at the end of the term of the corresponding development management agreement.

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

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

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

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

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

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

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

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

2.14 Revenue recognition

a) *Rental revenues*
Rentals from investment properties include rents from tenants under leases, property tax and operating cost recoveries, percentage participation rents, lease cancellation fees, parking income and incidental income. Rents from tenants may include free rent periods and rental increases over the term of the lease and are recognized in revenue on a straight-line basis over the term of the lease. The difference between revenue recognized and the cash received is included in other assets as straight-line rent receivable. Lease incentives provided to tenants are deferred and are amortized against revenue over the term of the lease. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred. Percentage participation rents are recognized after the minimum sales level has been achieved with each lease. Lease cancellation fees are recognized as revenue once an agreement is completed with the tenant to terminate the lease and the collectibility is reasonably assured.

b) *Service and other revenues*
The Trust provides asset and property management services to co-owners, partners and third parties for which it earns market-based construction, development and other fees. These fees are recognized as the service or activity is performed. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

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

2.15 Tenant receivables

The Trust determines that impairment exists when there is objective evidence that the Trust will not be able to collect all amounts due. Significant financial difficulties, bankruptcy or financial reorganization are considered indicators of tenant receivable impairment. The

carrying amount of tenant receivables is reduced through the use of an allowance account, and a loss is recorded in the consolidated statements of income and comprehensive income within "Property operating costs." When a tenant receivable is uncollectible, it is written off against the allowance for doubtful accounts for tenant receivables. Subsequent recoveries of tenant receivables previously written off are credited against "Property operating costs" in the consolidated statements of income and comprehensive income.

2.16 Current and deferred income tax

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

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

2.17 Distributions

Distributions are recognized as a deduction from retained earnings for the Trust Units and the LP Units classified as equity, and as interest expense for the LP Units classified as a liability and vested deferred units, in the Trust's consolidated financial statements in the period in which the distributions are approved (Note 15).

2.18 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Trust has determined that its chief operating decision maker is the chief executive officer (CEO).

2.19 Critical judgements in applying accounting policies

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

a) *Investment properties*

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

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

The Trust endeavours to obtain external valuations of approximately 15–20% (by value) of the portfolio annually carried out by professionally qualified valuers in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors. Properties are rotated annually to ensure that approximately 50% (by value) of the portfolio is appraised externally over a three-year period. Management internally values the remainder of the portfolio utilizing external data where applicable. Judgement is applied in determining the extent and frequency of independent appraisals.

b) *Investment in associate*

The Trust's policy for its investment in associate is described in Note 2.3. Management has assessed the level of influence that the Trust has on the Vaughan Metropolitan Centre ("VMC") and determined that it has significant influence based on its decision-making authority with regards to the operating, financing and investing activities of VMC as specified in the contractual terms of the arrangement. Consequently, this investment has been classified as an associate.

c) *Joint arrangements*

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

d) *Intangible assets and goodwill*

The Trust's policy for intangible assets and goodwill is described in Note 2.6. In applying this policy, the Trust makes judgements with respect to the amortization period relating to the joint venture relationships and trademarks that have finite useful lives, while also reviewing for impairment when an indication of impairment exists. In addition, on an annual basis or more frequently if there are any indications of impairment, the Trust evaluates whether goodwill may be impaired by determining whether the recoverable amount is less than the carrying amount for the smallest identified cash-generating unit.

e) *Classifications of Units as liabilities and equity*
The Trust's accounting policies relating to the classification of Units as liabilities and equity are described in Note 2.9. The critical judgements inherent in these policies relate to applying the criteria set out in IAS 32, "Financial Instruments Presentation," relating to the Puttable Instrument Exemption.

f) *Leases*
The Trust's policy for revenue recognition on investment properties is described in Note 2.14. In applying this policy, the Trust makes judgements with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property, which determines whether such amounts are treated as additions to investment property or incentives resulting in an adjustment to revenue.

The Trust also makes judgements in determining whether certain leases, in particular long-term ground leases where the Trust is the lessee and the property meets the definition of investment property, are operating or finance leases. The Trust has elected to treat all long-term ground leases where the Trust is the lessee as finance leases. All tenant leases where the Trust is a lessor have been determined to be operating leases.

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

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

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

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

a) *Fair value of investment property*
The fair value of investment properties and properties under development is dependent on stabilized or forecasted net operating income and capitalization rates applicable to those assets. The review of stabilized or forecasted net operating income is based on the location, type and quality of the properties and involves assumptions of current market rents for similar properties, adjusted for estimated vacancy rates and estimated maintenance costs. Capitalization rates are based on the location, size and quality of the properties and take into account market data at the valuation date. These assumptions may not ultimately be achieved.

The critical estimates and assumptions underlying the valuation of investment properties are set out in Note 4.

b) *Fair value of financial instruments*

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

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

iii) *Class D LP Units*
The Class D LP Units, Class D Oshawa South LP Units and Class D Oshawa Taunton LP Units (collectively referred to herein as "Class D Units") w ill continue to be presented as a liability, measured at amortized cost each reporting period, which will approximate the fair value of Trust Units, with changes in amortized cost recorded directly in earnings. The distributions on such Units are classified as interest expense in the consolidated statement of income and comprehensive income. The Trust considers distributions on such Units classified as interest expense to be a financing activity in the consolidated statement of cash flows.

iv) Long Term Incentive Plan

The fair value of the LTIP is based on the following factors: (i) the long term performance of the Trust relative to the S&P/TSX Capped REIT Index for each grant period, (ii) the market value of Trust Units at each reporting date, and (iii) the total granted LTIP units under the plan including LTIP units reinvested.

c) Fair value of mortgages and loans receivable

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

d) Fair value of secured debt and the revolving operating facility

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

e) Fair value of unsecured debentures

The fair value of unsecured debentures is based on their market price.

2.21 Future accounting and reporting changes

IFRS 9 addresses the classification, measurement and derecognition of financial assets and liabilities and introduced new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. Following the changes approved by the IASB in July 2014, the new standard also introduces expanded disclosure requirements and changes in presentation. The new impairment model is an expected credit loss (ECL) model which may result in earlier recognition of credit losses. The Trust has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules. IFRS 9 must be applied for financial years commencing on or after January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption phases were only permitted for annual reporting periods beginning before February 2015. After that date, the new rules must be adopted in their entirety.

IFRS 15, "Revenue from Contracts with Customers", is a new standard that establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, although earlier application is permitted. This standard supersedes IFRS 11 "Constructions Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services". The reasons for issuing this new standard include: (a) remove inconsistencies and weaknesses in previous revenue requirements; (b) provide a more robust framework for addressing revenue issues; (c) improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; (d) provide more useful information to users of financial statements through improved disclosure requirements; and (e) simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer.

IFRS 16, "Leases" is a new standard that sets out the principles for the recognition, measurement and disclosure of leases. This new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessors, IFRS 16 carries forward the lessor accounting requirements in IAS 17, with enhanced disclosure requirements that will provide information to the users of financial statements about a lessor's risk exposure, particularly to residual value risk. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, although earlier application is permitted for entities that apply IFRS 15. This standard supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives", and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

With respect to the above noted changes in accounting standards, it is not yet possible to determine the impact that these standards will have on the Trust's audited consolidated financial statements. The Trust anticipates that it will be in a position to report on these changes in next year's audited consolidated financial statements.

3. Acquisitions and Earnouts

Acquisitions and Earnouts completed during the year ended December 31, 2016

a) On August 16, 2016, the Trust completed the acquisition of a property in Lethbridge, Alberta, from a third party, totalling 53,392 square feet of leasable area. The total purchase price of this acquisition was $15,320, which included $6,174 paid in cash and the assumption of a mortgage of $9,209, adjusted for costs of acquisition and other working capital amounts.

b) On October 25, 2016, the Trust completed the acquisition of a property in Pointe Claire, Quebec, from a third party, totalling 381,966 square feet of leasable area. The total purchase price of this acquisition was $63,375, which included $28,725 paid in cash and the assumption of a mortgage of $34,460, adjusted for costs of acquisition and other working capital amounts.

c) During the year ended December 31, 2016, pursuant to development management agreements referred to in Note 4(b)(i), the Trust completed the purchase of Earnouts totalling 57,430 square feet of development space from Penguin for $23,061. The purchase price was satisfied through the issuance of: 36,671 Trust Units, 35,072 Class B LP Units, 26,014 Class B LP III Units, 10,365 Class B LP IV Units, 68,458 Class B Oshawa Taunton LP Units and 41,670 Class D Oshawa Taunton LP Units, totalling $6,422 and the balance paid in cash, adjusted for other working capital amounts.

Consideration for the Acquisitions and Earnouts completed during the year ended December 31, 2016 is summarized as follows:

	Note	**Property Acquisitions**	**Earnouts**	**Total**
Cash		**34,899**	**10,210**	**45,109**
Trust Units issued	4(b)(i)	**–**	**774**	**774**
LP Units issued	4(b)(i)	**–**	**5,648**	**5,648**
Mortgages assumed		**43,669**	**–**	**43,669**
Adjustment for other working capital amounts		**127**	**6,429**	**6,556**
		78,695	**23,061**	**101,756**

The Earnouts in the above table do not include the cost of previously acquired freehold land in the amount of $534.

Acquisitions and Earnouts completed during the year ended December 31, 2015

a) On February 11, 2015, the Trust completed the acquisition of a property in Barrie, Ontario, from an unrelated party, totalling 104,909 square feet of leasable area. The total purchase price of this acquisition was $25,300, which included $18,691 paid in cash, the assumption of a ground lease accounted for as a finance lease obligation with a net present value of $6,362, adjusted for costs of acquisition and other working capital amounts.

b) On May 28, 2015, the Trust completed a transaction to acquire the Penguin platform from Penguin for a total of $55,131 (see Note 8).

c) Also on May 28, 2015, the Trust completed a transaction to acquire a group of freehold interests in 21 properties and a leasehold interest in another property from Penguin and other vendors for a total of $1,116,023. The property interests include:
- 100% interest in 13 properties co-owned by Penguin and Wal-Mart Canada Realty Inc.
  A 40% interest in one additional property owned by Penguin
- Three properties where the Trust acquired a 100% interest in properties co-owned by Penguin and other vendors
- Three properties where the Trust acquired a 50% interest in properties previously co-owned by the Trust and Penguin, effectively giving the Trust 100% ownership in these properties
- An additional 25% interest in the Montreal Premium Outlets owned by Penguin, which will increase the interest of the Trust to 50% in that property
- A 100% leasehold interest in a property co-owned by Penguin and another vendor.

The 22 properties comprise 3,436,379 net square feet of leasable area and include land with potential future development of 1,635,132 square feet at the Trust's share. In connection with the acquisition, the Trust entered into long-term development management agreements with Penguin on six of the properties with total development area of 213,799 square feet at the Trust's share. The remaining properties are either fully developed (two properties), or will be developed by the Trust (13 properties) and the Montreal Premium Outlet, which will have future development that will be completed by the Trust's partner Simon Property Group.

The purchase price including both the Penguin platform (see (b) above) and the group of properties totalled $1,171,154, adjusted for costs of acquisition and working capital amounts. The purchase price was satisfied by the assumption of existing mortgages and development loans of $636,843, the issuance of 8,015,500 subscription receipts at a price of $28.70 totalling $230,045 (not including a fair value adjustment at closing of $240), the issuance of 6,068,898 Class B and D LP units with a value of $174,177 (see Note 14(a)(ii) for a description of the Class B and D LP units) to Penguin and other vendors at a unit price of $28.70, the issuance of 1,170,000 new Earnout options (see Note 12(b)) to Penguin and other vendors, and the balance in cash, adjusted for other working capital amounts. The Class B and D LP Units were valued at a price of $28.70 per Unit, consistent with the market price of the subscription receipts. The Earnout options were valued at their estimated fair market value of $nil based on an exercise price that is equivalent to the market price of the Trust Units at the time of the Earnout event.

d) On July 30, 2015, the Trust completed the acquisition of a 100% interest in a property in Maple Ridge, British Columbia, from a third party, totalling 227,000 square feet of leasable area. The total purchase price of this acquisition including adjustments on closing was $59,406, which was funded by existing cash.

e) As part of the transaction noted in c) above, on September 25, 2015, the Trust completed the acquisition of a 60% interest in a development property in Orleans, Ontario, from Wal-Mart Canada Realty Inc., totalling 132,154 square feet of potential future development. The remaining 40% is owned by Penguin. The total purchase price of this acquisition was $8,843, which was satisfied by the assumption of a mortgage of $8,660, adjusted for costs of acquisition and other working capital amounts.

f) As part of the transaction noted in c) above, on December 7, 2015, the Trust completed the acquisition of a 100% interest in a property in Jonquière, Quebec, from Wal-Mart Canada Realty Inc. and Penguin, totalling 170,274 square feet of leasable area. The total purchase price of this acquisition including adjustments on closing was $8,965, which was funded by existing cash.

g) During the year ended December 31, 2015, pursuant to development management agreements referred to in Note 4(b)(i), the Trust completed the purchase of Earnouts totalling 43,850 square feet of development space from Penguin for $14,085. The purchase price was satisfied through the issuance of 179,766 Class B LP Units, Class B LP III Units and Class B LP IV Units totalling $4,646 and the balance paid in cash, adjusted for other working capital amounts.

Consideration for the acquisitions and Earnouts completed during the year ended December 31, 2015 is summarized as follows:

	Property Acquisitions	Penguin Platform Acquisition (Note 8)	Earnouts	Total
Cash[1]	390,232	55,679	4,085	449,996
LP Units issued[2]	174,177	–	4,646	178,823
Finance lease obligation	6,362	–	–	6,362
Mortgages assumed	645,503	–	–	645,503
Adjustment for other working capital amounts[1]	2,263	(548)	5,354	7,069
	1,218,537	55,131	14,085	1,287,753

1 Included in cash under the column "Property Acquisitions" is $305,297 in connection with the acquisition of 22 properties from Penguin and other vendors (see Note 4).

2 The Units issued of $174,177 relate to part of the consideration of the purchase of 22 properties from Penguin and other vendors.

The Earnouts in the above table do not include the cost of previously acquired freehold land in the amount of $347.

4. Investment properties

The following summarizes the activities in investment properties for the years ended December 31, 2016 and December 31, 2015:

		2016			2015		
	Note	**Income Properties**	**Properties Under Development**	**Total**	Income Properties	Properties Under Development	Total
Balance – beginning of year		**7,471,963**	**544,284**	**8,016,247**	6,430,034	266,453	6,696,487
Additions:							
Acquisition, and related adjustments, of investment properties		**76,035**	**–**	**76,035**	969,252	249,285	1,218,537
Transfer to income properties from properties under development		**115,659**	**(115,659)**	**–**	120,495	(120,495)	–
Earnout Fees on properties subject to development management agreements	4(b)	**14,476**	**–**	**14,476**	7,836	–	7,836
Additions to investment properties		**13,840**	**65,669**	**79,509**	10,547	50,880	61,427
Transfer from income properties to properties under development		**(8,500)**	**8,500**	**–**	(116,902)	116,902	–
Dispositions		**–**	**(4,162)**	**(4,162)**	–	(875)	(875)
Fair value adjustments	24	**73,636**	**(13,324)**	**60,312**	50,701	(17,866)	32,835
Balance – end of year		**7,757,109**	**485,308**	**8,242,417**	7,471,963	544,284	8,016,247

The cost of income properties and properties under development as at December 31, 2016 totalled $6,380,816 (December 31, 2015 – $6,175,439) and $584,104 (December 31, 2015 – $622,704), respectively.

Secured debt with a carrying value of $2,535,326 (December 31, 2015 – $2,637,579) is secured by investment properties with a fair value of $5,540,717 (December 31, 2015 – $5,563,247).

Presented separately from investment properties is $81,860 (December 31, 2015 – $80,786) of net straight-line rent receivables and tenant incentives (these amounts are included in "other assets" – see Note 7) arising from the recognition of rental revenues on a straight-line basis over the respective lease terms. The fair value of investment properties has been reduced by these amounts, which are presented separately.

Valuation methodology and processes

Investment properties carried at fair value are categorized by level according to the significance of the inputs used in making the measurements. As the fair value of investment properties is determined with significant unobservable inputs, all investment properties are classified as Level 3 assets (see Note 13).

The Trust's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers (December 31, 2015 – nil) in or out of Level 3 fair value measurements for investment properties during the year.

The Trust's internal valuation team consists of individuals who are knowledgeable and have recent experience in the fair value techniques for investment properties. The Trust's valuation team is responsible for determining the fair value of investment properties every quarter, which includes co-owned properties and a property classified as investment in associate. The team reports directly to a senior executive, and the internal valuation team's valuation processes and results are reviewed by management at least once every quarter, in line with the Trust's quarterly reporting dates.

The Trust has also engaged leading independent national real estate appraisal firms with representation and expertise across Canada to provide appraisals on approximately 15-20% of its portfolio by value annually starting in the first quarter of 2014. Properties are rotated annually to ensure that at least 50% of the portfolio by value is appraised externally over a three-year period. These external valuations take place as of either June 30 or December 31 each year. On a quarterly basis, for properties that are not valued externally, the appraisals are updated by the Trust's internal valuation team for current leasing and market assumptions, utilizing market capitalization rates as provided by the independent valuations firms. The externally appraised properties reflect a representative sample of the Trust's portfolio and such appraisals and valuation metrics are then applied to the entire portfolio by the Trust's internal valuation team.

From January 1, 2014 to December 31, 2016, the Trust has had approximately 81% (by value) or 69% (by number of properties) of its operating portfolio appraised externally. For all investment properties, their current use equates to the highest and best use.

At each external valuation date, the internal valuation team:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent appraiser.

Changes in fair values are analyzed at each reporting date during the quarterly valuation discussions between the senior management team and the internal valuation team. As part of this discussion, the internal valuation team presents a report that explains the reasons for the fair value movements.

Valuation techniques underlying management's estimation of fair value

Income properties that are freehold properties, with a total carrying amount of $6,699,690 (December 31, 2015 – $6,436,025), were valued using the direct income capitalization method. In applying the direct income capitalization method, the stabilized net operating income ("NOI") of each property is divided by an overall capitalization rate. The significant unobservable inputs include:

Stabilized net operating income:

Based on the location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions after expiry of any current lease and expected maintenance costs.

Capitalization rate:

Based on the location, size and quality of the properties and taking into account market data at the valuation date.

Income properties that are leasehold interests with purchase options, with a total carrying value of $827,557 (December 31, 2015 – $797,552), were valued using the direct income capitalization method as described above, adjusted for the present value of the purchase options. The significant unobservable inputs, in addition to stabilized net operating income and capitalization rate described above, include the discount rate used to present value the contractual purchase option, which is based on the location, type and quality of each property.

Income properties that are leasehold interests with no purchase options, with a total carrying value of $229,862 (December 31, 2015 – $238,386), were valued by present valuing the remaining income stream of the properties. The significant unobservable inputs include:

Remaining income stream:

Based on the location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions and expected maintenance costs.

Discount rate:

Based on market data at the valuation date, adjusted for property-specific risks dependent on the location, size and quality of the properties.

Properties under development with a total carrying amount of $410,803 (December 31, 2015 – $481,351) were valued using the direct income capitalization method less any construction costs to complete development and Earnout Fees, if any. The significant unobservable inputs include:

Forecasted net operating income:

Based on the location, type and quality of the properties and supported by the terms of actual or anticipated future leases, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on expected future market conditions and estimated maintenance costs, which are consistent with internal budgets, based on management's experience and knowledge of market conditions.

Earnout Fee:

Based on estimated net operating rents divided by predetermined negotiated capitalization rates, less associated land and development costs incurred by the Trust.

Costs to complete:

Derived from internal budgets, based on management's experience and knowledge of market conditions.

Completion date:

Properties under development require approval or permits from oversight bodies at various points in the development process, including approval or permits with respect to initial design, zoning, commissioning and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals, construction delays, weather and any remedial action required by the Trust.

Properties under development with a total carrying amount of $74,505 (December 31, 2015 – $62,933) were valued by comparing to recent sales of properties of similar types, locations and quality. The significant unobservable input represents characteristics specific to each property that could cause the fair value to differ from the property to which it is being compared.

There were no changes to the valuation techniques during the year.

Significant unobservable inputs in Level 3 valuations are as follows:

		2016			2015		
Class	Valuation Technique	**Total Stabilized or Forecasted NOI**	**Range of Capitalization or Discount Rates**	**Weighted Average Capitalization or Discount Rate**	Total Stabilized or Forecasted NOI	Range of Capitalization or Discount Rates	Weighted Average Capitalization or Discount Rate
Income properties	Direct income capitalization	**391,262**	**5.00–8.13%**	**5.84%**	382,300	5.25–7.90%	5.94%
	Direct income capitalization less present value of purchase option	**52,664**	**6.00–7.00%**	**6.36%**	51,602	6.25–7.00%	6.47%
	Discounted cash flow	**N/A**	**6.00–6.50%**	**6.22%**	N/A	6.25–6.63%	6.36%
Properties under development	Direct income capitalization	**27,688**	**5.85–8.23%**	**6.74%**	32,636	5.85–8.23%	6.78%
	Sales comparison	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A

Fair values are most sensitive to changes in capitalization rates and stabilized or forecasted NOI, among other inputs as described above. Generally, an increase in NOI will result in an increase in the fair value of investment properties and an increase in capitalization rates will result in a decrease in the fair value of investment properties. The capitalization rate magnifies the effect of a change in NOI, with a lower capitalization rate resulting in a greater impact of a change in NOI than a higher capitalization rate.

The analysis below shows the maximum impact on fair values of possible changes in capitalization rates, assuming no changes in NOI:

Change in capitalization rate of	–0.50%	–0.25%	+0.25%	+0.50%
Increase (decrease) in fair value				
Income properties	704,798	336,639	(309,001)	(593,632)
Properties under development[1]	32,917	15,824	(14,693)	(28,370)

[1] Excludes properties that are valued by comparing to recent sales of similar properties because these properties are not affected by capitalization rates.

Disposition of investment properties during the year ended December 31, 2016

On March 15, 2016, the Trust sold a parcel of land to an unrelated party for gross proceeds of $162 excluding closing costs of $3, which was satisfied by cash, adjusted for other working capital amounts.

On April 7, 2016, the Trust sold a parcel of land to an unrelated party for gross proceeds of $4,000 excluding closing costs of $121, which was satisfied by cash, adjusted for other working capital amounts.

Disposition of investment properties during the year ended December 31, 2015

On April 15, 2015, the Trust sold a parcel of land to an unrelated party for gross proceeds of $875 excluding closing costs of $33, which was satisfied by cash, adjusted for other working capital amounts.

a) *Leasehold property interests*

At December 31, 2016, 16 (December 31, 2015 – 16) investment properties with a fair value of $1,057,419 (December 31, 2015 – $1,035,938) are leasehold property interests accounted for as finance leases.

i) *Leasehold property interests without bargain purchase options*

Three of the leasehold interests commenced in 2005 under the terms of 35-year leases with Penguin. Penguin has the right to terminate the leases after 10 years on payment to the Trust of the fair value of a 35-year leasehold interest in the properties at that time and also has the right to terminate the leases at any time in the event any third party acquires 20% of the aggregate of the Trust Units and Special Voting Units by payment to the Trust of the unamortized balance of any prepaid lease cost. The Trust does not have a purchase option under these three leases.

Ten of the leasehold interests commenced in 2006 through 2009, of which four are under the terms of 80-year leases with Penguin and six are under the terms of 49-year leases with Penguin. The Trust has separate options to purchase each of these 10 leasehold interests at the end of the respective leases at prices that are not considered to be bargain prices.

A new leasehold interest commenced in 2015, which was part of the acquisition of one of the 22 properties discussed in Note 3, under the terms of a 49-year lease with Penguin. The Trust has an option to purchase this leasehold interest at the end of the lease term at a price that is not considered to be a bargain price.

The Trust prepaid its entire lease obligations for these 14 leasehold interests in the amount of $886,194 (December 31, 2015 – $875,796), including prepaid land rent of $229,391 (December 31, 2015 – $227,400). On the completion and rental of additional space during the year ended December 31, 2016, the Trust prepaid its entire lease obligations relating to build-out costs of $10,397 (December 31, 2015 – $119,032).

ii) *Leasehold property interests with bargain purchase options*
One leasehold interest commenced in 2003 under the terms of a 35-year lease with Penguin. 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, 2015 – $57,994). On the completion and rental of additional space during the year ended December 31, 2016, the Trust prepaid its lease obligations relating to build-out costs of $3 (December 31, 2015 – $70). The purchase option price has been included in accounts payable, net of imputed interest at 9.18% of $8,642 (December 31, 2015 – $8,761), in the amount of $1,358 (December 31, 2015 – $1,239) (see Note 11).

A second leasehold interest was acquired on February 11, 2015 from a third party and includes a land lease that expires on September 1, 2054. The land lease requires monthly payments ranging from $400 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 intends to exercise the purchase option on September 1, 2023, the purchase option price and the monthly payments up to September 1, 2023 have been included in accounts payable, net of imputed interest at 6.25% of $2,566 (December 31, 2015 – $2,954), in the amount of $6,337 (December 31, 2015 – $6,350) (see Note 11).

b) *Properties under development*
Properties under development consist of the following:

	2016	2015
Properties under development subject to development management agreements (i)	**72,564**	85,632
Properties under development not subject to development management agreements (ii)	**412,744**	458,652
	485,308	544,284

For the year ended December 31, 2016, the Trust capitalized a total of $20,228 (year ended December 31, 2015 – $17,444) of borrowing costs related to properties under development.

i) *Properties under development subject to development management agreements*
These properties under development (including certain leasehold property interests) are subject to various development management agreements with Penguin, Wal-Mart Canada Realty Inc. and Hopewell Development Corporation (Hopewell) – a company in which a Trustee is an officer.

In certain events, the developer 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, in some cases, a profit based on a pre-negotiated formula. Pursuant to the development management agreements, the 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. On completion and rental of additional space on these properties, the Trust is obligated to pay the Earnout Fee and to purchase the additional developments, at a total price calculated by a formula using the net operating rents and predetermined negotiated capitalization rates, on the date rent becomes payable on the additional space (Gross Cost). The Earnout Fee is calculated as the Gross Cost less the associated land and development costs incurred by the Trust.

For additional space completed on land with a fair value of $27,012 (December 31, 2015 – $32,550), the fixed predetermined negotiated capitalization rates range from 5.71% to 8.23% during the five-year period of the respective development management agreements. For additional space completed on land with a fair value of $45,552 (December 31, 2015 – $53,082), the predetermined negotiated capitalization rates are fixed for each contract for either the first one, two, three, four or five years, ranging from 5.60% to 8.00%, and then are determined by reference to the 10-year Government of Canada bond rate at the time of completion plus a fixed predetermined negotiated spread ranging from 2.00% to 3.90% for the remaining term of the 10-year period of the respective development management agreements subject to a maximum capitalization rate ranging from 6.60% to 9.50% and a minimum capitalization rate ranging from 5.75% to 7.50%.

For certain of these properties under development, Penguin and other unrelated parties 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 and D LP Units, Class B and D LP III Units, Class B

LP IV Units, Class B and D Oshawa South LP Units, and Class B and D Oshawa Taunton LP Units, at predetermined option strike prices subject to a maximum number of units (Note 12(b)).

For the year ended December 31, 2016, the Trust completed 57,430 square feet (year ended December 31, 2015 – 43,850 square feet) of retail space.

The Earnout options that Penguin and a third party elected to exercise during the years ended December 31, 2016 and December 31, 2015 resulted in proceeds as follows (see also Note 12(b)):

	2016	2015
Trust Units	**774**	–
Class B LP Units	**830**	1,334
Class B LP III Units	**860**	2,872
Class B LP IV Units	**345**	440
Class B Oshawa Taunton LP Units	**2,257**	–
Class D Oshawa Taunton LP Units	**1,356**	–
Total LP Units	**5,648**	4,646
	6,422	4,646

The development costs incurred (exclusive of cost of land previously acquired) and Earnout Fees paid to vendors relating to the completed retail spaces that have been reclassified to income properties during the year ended December 31, 2016 and December 31, 2015 are as follows:

	2016	2015
Development costs incurred	**11,723**	7,141
Earnout Fees	**14,476**	7,836
	26,199	14,977

Certain vendors have provided interest bearing loans to finance additional costs of development and non-interest-bearing loans for the initial land acquisition costs.

ii) Properties under development not subject to development management agreements
These properties under development are being developed directly by the Trust. Penguin and the other vendors had been granted Earnout options that gave them the right, at their option, to acquire Class B Series 1 LP Units, at predetermined option strike prices, on the completion and rental by the Trust of additional space on certain of these properties under development, subject to a maximum number of units (Note 12(b)). These Earnout options expired effective July 1, 2015.

During the year ended December 31, 2016, the Trust completed the development and leasing of certain income properties on properties under development not subject to development management agreements. The following presents the carrying value of properties, which has been reclassified from properties under development to income properties and the Earnout options exercised on the completion and rental of additional space.

	2016	2015
Land and development costs incurred	**103,402**	113,007

For the year ended December 31, 2016, nil (December 31, 2015 – nil) Class B Series 1 LP Units were issued on exercise of Earnout options relating to the completion and rental of additional space.

5. Mortgages and loans receivable

Mortgages and loans receivable consist of the following:

	2016	2015
Mortgages receivable	**124,778**	127,333
Loans receivable	**51,134**	61,600
Notes receivable	**2,979**	2,928
	178,891	191,861
Current	**105,601**	48,362
Non-current	**73,290**	143,499
	178,891	191,861

a) Mortgages receivable of $124,778 (December 31, 2015 – $127,333) have been provided pursuant to agreements with Penguin in which the Trust will lend up to $268,851 (December 31, 2015 – $278,897) for use in acquiring and/or developing nine (December 31, 2015 – nine) properties across Ontario, Quebec and British Columbia.

Interest on these mortgages accrues monthly as follows: a) at a variable rate based on the banker's acceptance rate plus 1.75% to 2.00% or at the Trust's cost of capital (as defined in the mortgage agreement) plus 0.25% on mortgages receivable of $43,733 (December 31, 2015 – $26,712); and b) at a fixed rate of 6.75% to 7.50% on mortgages receivable of $81,045 (December 31, 2015 – $100,621) and is added to the outstanding principal up to a predetermined maximum accrual after which it is payable in cash monthly or quarterly. Additional interest of $67,208 (December 31, 2015 – $74,701) may be accrued on certain of the various 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, $105,098 (December 31, 2015 – $107,654) of the outstanding balance is guaranteed by Penguin Properties Inc., one of Penguin's companies. The loans are subject to individual loan guarantee agreements that provide additional guarantees for all interest and principal advanced on extension amounts as described below for all nine loans. The guarantees decrease on achievement of certain specified value-enhancing events. All mortgages receivable are considered by management to be fully collectible.

The following illustrates the interest accrued and repayments for the year ended December 31:

	2016	2015
Interest accrued	**7,494**	8,085
Repayments	**(10,049)**	(17,862)
	(2,555)	(9,777)

The following provides further details on the mortgages receivable:

Property	Committed	Maturity Date	Interest Rate	Option (%)[8]	**December 31, 2016**	December 31, 2015
Pitt Meadows, BC	60,119	December 2017	6.93%	50%	**25,388**	23,693
Salmon Arm, BC[1,2]	23,264	October 2017	4.27%	–	**16,362**	15,671
Aurora (South), ON	34,807	June 2020	6.75%	50%	**14,885**	13,916
Caledon (Mayfield), ON[3]	10,372	March 2017	7.00%	50%	**8,630**	8,048
Innisfil, ON[1,4]	27,077	December 2020	2.88%	–	**18,810**	18,275
Mirabel (Shopping Centre), QC[5]	18,262	December 2022	7.50%	–	**–**	–
Mirabel (Option Lands), QC[6]	5,721	December 2022	7.50%	–	**–**	–
Toronto (StudioCentre), ON[1]	36,102	December 2017	6.87%	50%	**24,907**	23,257
Vaughan (7 & 427), ON[7]	53,127	December 2023	4.97%	50%	**15,796**	24,473
	268,851		5.69%		**124,778**	127,333

1 The Trust owns a 50% interest in this property, with the other 50% interest owned by Penguin. The loan is secured against Penguin's interest in the property.

2 Monthly variable rate based on a fixed rate of 6.35% on loans outstanding up to $7.2 million and banker's acceptance rate plus 1.75% on any additional loans above $7.2 million.

3 The maturity date was extended from December 31, 2016, with no changes to all other pre-existing terms, conditions and interest rate.

4 The Trust owns a 50% interest in this property, with the other 50% interest owned by Penguin. The monthly variable rate is based on the banker's acceptance rate plus 2.00%. The interest rate on this mortgage will reset in 2018 to the four-year Government of Canada bond rate plus 4.0%, subject to a lower limit of 6.75% and an upper limit of 7.75%.

5 The Trust owns a 33.3% interest in this property. The loan is secured against a 33.3% interest owned by Penguin, as well as a guarantee by Penguin.

6 The Trust owns a 25% interest in this property. The loan is secured against a 25% interest owned by Penguin, as well as a guarantee by Penguin.

7 On August 31, 2016, the loan was amended to reflect a maturity extension of December 2023 from December 2020 and an interest rate reset to 4.97% from 6.75%. Based on the amended agreement, the rate is based on the Trust's cost of capital (as defined in the mortgage agreement) plus 0.25% subject to an upper limit of 6.75%.

8 The Trust has an option to purchase an additional 50% interest in these properties and the potential area. As at December 31, 2016, it is management's expectation that the Trust will exercise these purchase options.

b) Loans receivable as at December 31, 2016 of $51,134 (December 31, 2015 – $61,600) comprise the following:

Issued to	Maturity Date	Interest Rate	**December 31, 2016**	December 31, 2015
OneREIT[1]	October 2017	6.75%	**30,314**	40,314
Unrelated party[2]	September 2018	4.50%	**11,500**	11,500
Penguin[3]	November 2020	Variable	**9,320**	9,786
			51,134	61,600

1 This loan is secured by a subordinate charge on seven properties. On October 28, 2016, the Trust entered into an agreement to extend this loan receivable for a period of one year with a revised maturity of October 30, 2017, which included a one-time prepayment option of $10,000 that was exercised by OneREIT on October 31, 2016.

2 This loan is secured by either a first or second charge on properties, assignments of rents and leases, and general security agreements.

3 This loan was provided pursuant to a development management agreement with Penguin with a total loan facility of $20,000. Repayment of the pro-rata share of the outstanding loan amount is due upon the completion of each Earnout event. The loan bears interest at 10 basis points plus the lower of: i) the Canadian prime rate plus 45 basis points, and ii) the Canadian Dealer Offered Rate ("CDOR") plus 145 basis points.

The following illustrates the total amounts funded, interest accrued and repayments for the year ended December 31:

	2016	2015
Funded	**462**	9,765
Interest accrued	**233**	20
Repayments	**(11,161)**	–
	(10,466)	9,785

c) Notes receivable of $2,979 (December 31, 2015 – $2,928) have been granted to Penguin. These secured demand notes bear interest at 9.00% per annum. During the three months ended December 31, 2016, $nil was advanced (three months ended December 31, 2015 – $nil). During the year ended December 31, 2016, $51 was advanced (year ended December 31, 2015 – $nil).

The estimated fair values of the mortgages, loans and notes receivable based on their respective current market rates – with similar terms and risks – are disclosed in Note 13.

6. Investment in associate

In 2012, the Trust entered into the Penguin-Calloway Vaughan Partnership ("PCV Partnership") with Penguin to develop the Vaughan Metropolitan Centre ("VMC"), which is expected to consist of approximately 8.0 million to 10.0 million square feet once fully developed, on 53 acres of development land in Vaughan, Ontario. The Trust has determined it has significant influence over the investment and, accordingly, has accounted for its investment using the equity method of accounting. Should there be any proposed activity that could cause the Trust to violate its REIT status as certain developments may be prohibited under the SIFT Rules and other circumstances, the Trust has an option to put certain portions of its interest in the arrangement at fair value to Penguin and may be required to provide financing to Penguin.

The following summarizes key components relating to the Trust's investment in associate:

	2016	2015
Investment – beginning of year	**107,548**	100,179
Contributions	**1,730**	6,350
Earnings	**13,787**	1,597
Distributions received	**(388)**	(578)
Investment – end of year	**122,677**	107,548

Earnings

The following summarizes the income and expenses of VMC and the Trust's share of earnings:

	2016	2015
Net rental income		
Rentals from investment properties	**4,965**	3,340
Property operating costs	**(1,996)**	(1,290)
Net rental income	**2,969**	2,050
Other income and expenses		
Fair value adjustment on revaluation of investment properties	**24,006**	3,101
Fair value adjustment on interest rate swap agreements	**960**	(1,873)
Interest expense	**(363)**	(87)
Interest income	**2**	2
Net income and comprehensive income	**27,574**	3,193
Trust's share of earnings (50%)	**13,787**	1,597

Balance sheet summary
The following summarizes the assets and liabilities of VMC and the Trust's share of net assets:

	2016	2015
Investment properties	**364,886**	304,608
Other assets	**3,874**	36
Cash and cash equivalents	**1,077**	1,357
Amounts receivable, prepaid expenses and deferred financing costs	**320**	193
Total assets	**370,157**	306,194
Non-current liabilities	**114,670**	65,411
Current liabilities	**10,133**	25,688
Total liabilities	**124,803**	91,099
Net assets	**245,354**	215,095
Trust's share of net assets (50%)	**122,677**	107,548

Investment properties
The following summarizes the activities in VMC's investment properties:

	2016			2015		
	Income Properties	**Properties Under Development**	**Total Investment Properties**	Income Properties	Properties Under Development	Total Investment Properties
Balance – beginning of period	**43,200**	**261,408**	**304,608**	57,166	152,600	209,766
Transfer from properties under development to income properties	**67,086**	**(67,086)**	**–**	–	–	–
Additions to investment properties	**–**	**36,272**	**36,272**	–	91,741	91,741
Transfer from income properties to properties under development	**–**	**–**	**–**	(10,907)	10,907	–
Fair value adjustment on revaluation of investment properties	**8,267**	**15,739**	**24,006**	(3,059)	6,160	3,101
Balance – end of period	**118,553**	**246,333**	**364,886**	43,200	261,408	304,608
Trust's share of investment properties (50%)	**59,277**	**123,167**	**182,443**	21,600	130,704	152,304

The PCV Partnership has entered into various development construction contracts with existing commitments totalling $6,867, of which the Trust's share is $3,434.

On January 19, 2015, the PCV Partnership completed development financing of $180,693, of which the Trust's share is 50%, which bears an interest rate of banker's acceptance rates plus 1.40%, is secured by a first charge over the property and matures on January 16, 2019. On February 27, 2015, the Trust entered into an agreement to lock-in the banker's acceptance rate at 1.48%, which resulted in a fixed effective interest rate of 2.88% for the term, and extended the loan maturity date to January 16, 2020. The financing comprises pre-development, construction and letters of credit facilities. The obligations of the credit facilities are joint and several to each of the VMC general partners.

The following summarizes the remaining unused development facility and the Trust's share of the amount drawn:

	2016	2015
Development facility[1]	**180,693**	189,000
Amount drawn on development facility	**(112,200)**	(63,200)
Letters of credit – outstanding	**(6,095)**	(6,373)
Remaining unused development facility	**62,398**	119,427
Trust's share of remaining unused development facility (50%)	**31,199**	59,714

[1] The development facility includes a non-revolving letter of credit facility up to a maximum amount of $24,000. At December 31, 2016, an aggregate amount of letters of credit totalling $8,307 was released (December 31, 2015 – $nil).

7. Other assets

The components of other assets are as follows:

	2016	2015
Straight-line rent receivables	**45,750**	44,816
Tenant incentives	**36,110**	35,970
Equipment	**2,044**	2,482
	83,904	83,268

8. Intangible assets

On May 28, 2015, the Trust completed the acquisition of the Penguin platform, which included substantially all Penguin employees who are involved in the acquisition, development, design, construction and leasing of current and future shopping centres for a total purchase price of $55,131, which was allocated as follows: $36,944 to key joint venture relationships, $2,995 to trademarks, $1,213 to office furniture and fixtures and the residual value of $13,979 to goodwill. The remaining useful life for intangible assets with finite lives expires in 2045 (representing 30 years from the acquisition date).

The components of intangible assets are as follows:

		2016			2015	
	Cost	**Accumulated Amortization**	**Net**	Cost	Accumulated Amortization	Net
Intangible assets with finite lives:						
Key joint venture relationships	**36,944**	**1,964**	**34,980**	36,944	732	36,212
Trademarks	**2,995**	**159**	**2,836**	2,995	60	2,935
Total intangible assets with finite lives	**39,939**	**2,123**	**37,816**	39,939	792	39,147
Goodwill	**13,979**	**–**	**13,979**	13,979	–	13,979
Total intangible assets	**53,918**	**2,123**	**51,795**	53,918	792	53,126

The total amortization expense recognized in the year ended December 31, 2016 amounted to $1,331 (year ended December 31, 2015 – $792).

9. Amounts receivable, prepaid expenses and deferred financing costs

The components of amounts receivable, prepaid expenses and deferred financing costs are as follows:

	Note	**2016**	2015
Amounts receivable			
Tenant receivables – net of allowance (a)		**7,564**	9,942
Other tenant receivables (b)		**12,529**	10,955
Other non-tenant receivables		**880**	232
Receivables from related parties	20	**8,188**	3,899
		29,161	25,028
Prepaid expenses and deposits (c)		**6,634**	5,982
Deferred financing costs (d)		**306**	607
		36,101	31,617

a) Tenant receivables – net of allowance

The reconciliation of changes in the allowance for doubtful accounts on tenant receivables is as follows:

	2016	2015
Balance – beginning of year	**4,492**	2,949
Additional allowance recognized as expense	**1,297**	2,349
Reversal of previous allowances	**(537)**	(454)
Net additional allowance	**760**	1,895
Tenant receivables written off during the period	**(762)**	(352)
Balance – end of year	**4,490**	4,492

The total net additional allowance for doubtful accounts of $760 (December 31, 2015 – additional allowance of $1,895) net of reversals of previous allowances of $537 (December 31, 2015 – $454) relates to allowances for specific tenant receivable impairments. Amounts written off totalling $762 (December 31, 2015 – $352) relate to uncollectible amounts from specific tenants that have vacated their premises or where there is a settlement of a specific amount.

Tenant receivables representing contractual rental payments from tenants are due at the beginning of each month. Annual common area maintenance ("CAM") and property taxes are considered past due 60 days after billing. Tenant receivables less than 90 days old total $4,745 (December 31, 2015 – $5,706). The tenant receivable amounts older than 90 days totalling $2,819 (December 31, 2015 – $4,236), net of bad debt allowances of $4,490 (December 31, 2015 – $4,492), primarily pertain to CAM and property tax queries. The net amounts over 90 days old are at various stages of the collection process and are considered by management to be collectible.

b) *Other tenant receivables*

Other tenant receivables totalling $12,529 (December 31, 2015 – $10,955) pertain to unbilled CAM and property tax recoveries and chargebacks, property taxes receivable from municipalities and insurance claims. These amounts are considered current and/or collectible and are at various stages of the billing and collection process, as applicable.

c) *Prepaid expenses and deposits*

Prepaid expenses and deposits consist primarily of prepaid property operating expenses and deposits relating to acquisitions and Earnouts. Included in prepaid property operating expenses are prepaid realty taxes associated with the annual realty taxes on the Trust's investment properties. As at December 31, 2016, prepaid realty taxes totalled $2,083 (December 31, 2015 – $1,595).

d) *Deferred financing costs*

Deferred financing costs that relate to the revolving operating facility consist of the following:

	2016			2015		
	Cost	**Accumulated Amortization**	**Net**	Cost	Accumulated Amortization	Net
Deferred financing costs	**1,070**	**764**	**306**	1,016	409	607

Amortization of deferred financing costs is included in interest expense (Note 10(d)).

10. Debt

Debt consists of the following:

	2016	2015
Secured debt	**2,535,326**	2,637,579
Revolving operating facility	**–**	10,000
Unsecured debentures	**1,302,466**	1,142,945
	3,837,792	3,790,524
Current	**550,581**	229,847
Non-current	**3,287,211**	3,560,677
	3,837,792	3,790,524

a) *Secured debt*

Secured debt bears interest at a weighted average interest rate of 3.79% at December 31, 2016 (December 31, 2015 – 3.87%). The total includes $2,063,204 (December 31, 2015 – $2,149,823) at fixed rates and $472,122 (December 31, 2015 – $487,756) at variable interest rates based on banker's acceptance rate plus a margin. Secured debt matures at various dates between 2017 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.

Principal repayment requirements for secured debt are as follows:

	Installment Payments	Lump Sum Payments at Maturity	Total
2017	78,388	323,429	401,817
2018	63,616	327,147	390,763
2019	58,712	335,032	393,744
2020	53,687	123,170	176,857
2021	48,694	124,566	173,260
Thereafter	166,078	832,505	998,583
	469,175	2,065,849	2,535,024
Unamortized acquisition date fair value adjustment			6,959
Unamortized financing costs			(6,657)
			2,535,326

b) Revolving operating facility

As at December 31, 2016, the Trust had $nil (December 31, 2015 – $10,000) outstanding on its operating facility of $350,000 (December 31, 2015 – $350,000). The operating facility bears interest at a variable interest rate based on the bank prime rate plus 0.45% or banker's acceptance rate plus 1.45%, and expires on September 30, 2017. The operating facility includes an accordion feature of $150,000 whereby the Trust has an option to request an increase to the operating amount with the lenders to sustain funding requirements.

	2016	2015
Revolving operating facility	**350,000**	350,000
Lines of credit – outstanding	**–**	(10,000)
Letters of credit – outstanding	**(17,964)**	(16,222)
Remaining unused operating facility	**332,036**	323,778

c) Unsecured debentures

	Maturity Date	Annual Interest Rate	Interest Payment Dates	**2016**	2015
Series F	February 1, 2019	5.000%	February 1 and August 1	**–**	100,000
Series G	August 22, 2018	4.700%	February 22 and August 22	**–**	90,000
Series H	July 27, 2020	4.050%	January 27 and July 27	**150,000**	150,000
Series I	May 30, 2023	3.985%	May 30 and November 30	**200,000**	200,000
Series J	December 1, 2017	3.385%	June 1 and December 1	**150,000**	150,000
Series L	February 11, 2021	3.749%	February 11 and August 11	**150,000**	150,000
Series M	July 22, 2022	3.730%	January 22 and July 22	**150,000**	150,000
Series N	February 6, 2025	3.556%	February 6 and August 6	**160,000**	160,000
Series O	August 28, 2024	2.987%	February 28 and August 28	**100,000**	–
Series P	August 28, 2026	3.444%	February 28 and August 28	**250,000**	–
				1,310,000	1,150,000
			Less: Unamortized financing costs	**(7,534)**	(7,055)
				1,302,466	1,142,945

Unsecured debenture activity for the year ended December 31, 2016:

Issuances

On August 16, 2016, the Trust issued $100,000 of 2.987% Series O senior unsecured debentures and $250,000 of 3.444% Series P senior unsecured debentures (combined net proceeds including issuance costs – $347,425), which are due on August 28, 2024 and August 28, 2026, respectively, with semi-annual payments due on February 28 and August 28 each year. The combined proceeds were used to redeem the outstanding principal on the 5.00% Series F senior unsecured debentures totalling $100,000, the 4.70% Series G senior unsecured debentures totalling $90,000 and to repay the outstanding amount under the Trust's revolving credit facility.

Redemptions

On September 14, 2016, the Trust redeemed $100,000 aggregate principal amount of 5.00% Series F senior unsecured debentures and $90,000 aggregate principal amount of 4.70% Series G senior unsecured debentures. In addition to paying accrued interest of $870, the Trust paid a yield maintenance fee of $15,138 in connection with the redemptions and wrote off unamortized financing costs of $1,319.

Unsecured debenture activity for the year ended December 31, 2015:
Issuances
On February 6, 2015, the Trust issued $160,000 (net proceeds including issuance costs – $158,800) of 3.556% Series N senior unsecured debentures due on February 6, 2025, with semi-annual payments due on February 6 and August 6 each year. The proceeds were used to redeem the outstanding principal on the 5.37% Series B senior unsecured debentures totalling $150,000.

Redemptions
On March 9, 2015, the Trust redeemed $150,000 aggregate principal amount of 5.37% Series B senior unsecured debentures. In addition to paying accrued interest of $3,266, the Trust paid a yield maintenance fee of $10,810 in connection with the redemption of the 5.37% Series B senior unsecured debentures and wrote off unamortized financing costs of $212.

Maturities
On October 16, 2015, $100,000 aggregate principal amount of variable rate Series K senior unsecured debentures matured, which was settled by the Trust by existing cash and credit facilities.

Credit rating of unsecured debentures
Dominion Bond Rating Services (DBRS) provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfill its obligations. An investment grade rating must exceed "BB," with the highest rating being "AAA." The Trust's debentures are rated "BBB" with a stable trend at December 31, 2016.

d) Interest expense
Interest expense consists of the following:

	Note	**2016**	2015
Interest at stated rate		**150,311**	146,916
Yield maintenance on redemption of unsecured debentures	10(c)	**15,138**	10,810
Amortization of acquisition date fair value adjustments on assumed debt		**(3,547)**	(2,828)
Accretion of convertible debentures		**–**	354
Amortization of deferred financing costs[1]		**4,074**	4,339
Distributions on vested deferred units and Class D Units, classified as liabilities		**1,966**	1,812
		167,942	161,403
Less: Interest capitalized to properties under development		**(20,228)**	(17,444)
		147,714	143,959

1 Includes $1,319 (December 31, 2015 – $212) of unamortized financing fees as part of early redemption of unsecured debentures.

11. Accounts and other payables

Accounts payable and current portion of other payables that are classified as current consist of the following:

	2016	2015
Accounts payable	**68,119**	76,071
Tenant prepaid rent, deposits and other payables	**42,069**	38,921
Accrued interest payable	**21,880**	22,204
Distributions payable	**22,056**	21,187
Realty taxes payable	**6,257**	6,944
Current portion of other payables	**9,546**	8,032
	169,927	173,359

Other payables that are classified as non-current consist of the following:

	Note	**2016**	2015
Future land development obligations		**26,042**	17,051
Finance lease obligation	4(a)(ii)	**7,695**	7,589
Long Term Incentive Plan liability		**3,629**	2,424
Total other payables		**37,366**	27,064
Less: Current portion of other payables		**(9,546)**	(8,032)
Total non-current portion of other payables		**27,820**	19,032

a) Future land development obligations
The future land development obligations represent payments required to be made to Penguin 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 10-year development management agreement periods ending in 2017 to 2025. The accrued future land development obligations were initially measured at their estimated fair values using

imputed interest rates ranging from 4.50% to 5.50%. For the year ended December 31, 2016, imputed interest of $1,464 (year ended December 31, 2015 – $993) was capitalized to properties under development. In addition, for the year ended December 31, 2016, the Trust recorded an increase to future land development obligations of $8,740 in connection with acquisitions in May 2015.

b) *Long Term Incentive Plan liability*
During the year ended December 31, 2016, the Trust accrued an additional $1,777 relating to the LTIP liability (year ended December 31, 2015 – $2,165). In addition, during the year ended December 31, 2016, the Trust settled in cash, vested LTIP performance units in the amount of $574 (year ended December 31, 2015 – $nil).

12. Other financial liabilities

The components of other financial liabilities are as follows:

	2016	2015
Class D Units (a)	**18,169**	16,987
Earnout options (b)	**1,455**	3,150
Deferred unit plan (c)	**19,743**	19,192
Fair value of interest rate swap agreements	**28**	188
	39,395	39,517

a) *Class D Units*
The following represents the number of Class D Units issued and outstanding classified as other financial liabilities. The fair value measurement of the Class D Units is described in Note 13.

Total number of Class D Units

	Note	Class D Series 1 LP Units	Class D Series 1 Oshawa South LP Units	Class D Series 1 Oshawa Taunton LP Units	Total
Balance – January 1, 2015		311,022	–	–	311,022
Units issued for properties acquired	3	–	251,649	104,530	356,179
Units exchanged for Trust Units		–	–	(104,530)	(104,530)
Balance – December 31, 2015		311,022	251,649	–	562,671
Balance – January 1, 2016		**311,022**	**251,649**	**–**	**562,671**
Options exercised	12(b)	**–**	**–**	**41,670**	**41,670**
Units exchanged for Trust Units		**–**	**–**	**(41,670)**	**(41,670)**
Balance – December 31, 2016		**311,022**	**251,649**	**–**	**562,671**

Carrying value of Class D Units

	Note	Class D Series 1 LP Units	Class D Series 1 Oshawa South LP Units	Class D Series 1 Oshawa Taunton LP Units	Total
Balance – January 1, 2015		8,491	–	–	8,491
Change in carrying value		899	375	115	1,389
Units issued for properties acquired	3	–	7,222	3,000	10,222
Units exchanged for Trust Units		–	–	(3,115)	(3,115)
Balance – December 31, 2015		9,390	7,597	–	16,987
Balance – January 1, 2016		**9,390**	**7,597**	**–**	**16,987**
Options exercised	12(b)	**–**	**–**	**1,356**	**1,356**
Change in carrying value		**654**	**528**	**229**	**1,411**
Units exchanged for Trust Units		**–**	**–**	**(1,585)**	**(1,585)**
Balance – December 31, 2016		**10,044**	**8,125**	**–**	**18,169**

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 (Note 4(b)(i)). On completion and rental of additional space on specific properties, the Earnout options vest and the holder may elect to exercise the options and receive Trust Units, Class B LP Units, Class D LP Units, Class B LP III Units, Class B LP IV Units, Class B Oshawa South LP Units, Class D Oshawa South LP Units, Class B Oshawa Taunton LP Units, Class D Oshawa Taunton LP Units and Class B Boxgrove LP Units, as applicable. Earnout options that have not vested expire at the end of the term of the corresponding development management agreement. In certain circumstances, the

Trust may be required to issue additional Earnout options to Penguin. The option strike prices were based on the market price of Trust Units on the date the substantive terms were agreed on and announced. In the case of Class B LP III Units, Class B LP IV Units, Class B Oshawa South LP Units, Class D Oshawa South LP Units, Class B Oshawa Taunton LP Units, Class D Oshawa Taunton LP Units and Class B Boxgrove LP Units, the strike price is the market price of the Trust Units at the date of exchange.

The following represents the number of Units granted, expired/cancelled, exercised and outstanding, and proceeds for the year ended December 31, 2016:

	Strike Price ($)	Options Outstanding at January 1, 2016 (#)	Options Expired/ Cancelled (#)	Options Exercised (#)	Options Outstanding at December 31, 2016 (#)	Proceeds During Year Ended December 31, 2016 ($)
Options to acquire Trust Units[1]						
July 2005	20.10	154,781	–	(32,785)	121,996	659
December 2006	29.55 to 33.55	57,344	–	(3,886)	53,458	115
July 2007	29.55 to 33.00	1,348,223	–	–	1,348,223	–
		1,560,348	–	(36,671)	1,523,677	774
Options to acquire Class B LP Units and Class D LP Units[1]						
July 2005 (Earnout)	20.10	1,380,526	–	(21,857)	1,358,669	439
December 2006	29.55 to 30.55	2,303,267	–	(13,215)	2,290,052	391
July 2007	29.55 to 33.00	1,600,000	–	–	1,600,000	–
June 2008[2]	20.10	708,004	–	–	708,004	–
		5,991,797	–	(35,072)	5,956,725	830
Options to acquire Class B LP III Units[3,4]						
September 2010	Market price	685,499	(34,041)	(4,789)	646,669	103
August 2011	Market price	612,701	–	–	612,701	–
August 2013	Market price	603,281	(2,465)	(19,841)	580,975	510
September 2014	Market price	307,142	(213)	(9,399)	297,530	247
		2,208,623	(36,719)	(34,029)	2,137,875	860
Options to acquire Class B LP IV Units[4,5]						
May 2015	Market price	464,461	(243)	(18,157)	446,061	345
		464,461	(243)	(18,157)	446,061	345
Options to acquire Class B Oshawa South LP Units and Class D Oshawa South LP Units[6]						
May 2015	Market price	60,000	–	–	60,000	–
		60,000	–	–	60,000	–
Options to acquire Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units[4,7]						
May 2015	Market price	460,000	–	(157,308)	302,692	3,613
		460,000	–	(157,308)	302,692	3,613
Options to acquire Class B Boxgrove LP Units[8]						
May 2015	Market price	170,000	–	–	170,000	–
		170,000	–	–	170,000	–
Total Earnout options		10,915,229	(36,962)	(281,237)	10,597,030	6,422

1 Each option is represented by a corresponding Class C LP Unit or Class E LP Unit.

2 Each option is convertible into Class F Series 3 LP Units. At the holder's option, the Class F Series 3 LP Units may be redeemed for cash at $20.10 per Unit or, on the completion and rental of additional space on certain development properties, the Class F Series 3 LP Units may be exchanged for Class B LP Units.

3 Each option is represented by a corresponding Class C LP III Unit.

4 During the year ended December 31, 2016, 38,830 Class C LP III Series 4 Units, 22,306 Class C LP III Series 6 Units, 9,612 Class C LP III Series 7 Units, 18,400 Class C LP IV Series 1 Units and 157,308 Class C and E Oshawa Taunton LP Series 1 Units, were available for conversion into Class B LP III Series 4 Units, Class B LP III Series 6 Units, Class B LP III Series 7 Units, Class B LP IV Series 1 Units and Class B and D Oshawa Taunton LP Series 1 Units, respectively, of which 4,789 Class C LP III Series 4 Units, 19,841 Class C LP III Series 6 Units, 9,399 Class C LP III Series 7 Units, 18,157 Class C LP IV Series 1 Units and 157,308 Class C and E Oshawa Taunton LP Series 1 Units were exercised using the predetermined conversion prices, in exchange for 3,179 Class B LP III Series 4 Units, 15,594 Class B LP III Series 6 Units, 7,241 Class B LP III Series 7 Units, 10,365 Class B LP IV Series 1 Units, 68,458 Class B Oshawa Taunton LP Series 1 Units and 41,670 Class D Oshawa Taunton LP Series 1 Units, respectively, issued based on the market price at the time of issuance. 34,041 Class C LP III Series 4 Units, 2,465 Class C LP III Series 6 Units, 213 Class C LP III Series 6 Units and 243 Class C LP IV Series 1 Units were cancelled due to the price differential between the market price and fixed conversion price.

5 Each option is represented by a corresponding Class C LP IV Unit.

6 Each option is represented by a corresponding Class C Oshawa South LP Unit or Class E Oshawa South LP Unit.

7 Each option is represented by a corresponding Class C Oshawa Taunton LP Unit or Class E Oshawa Taunton LP Unit.

8 Each option is represented by a corresponding Class C Boxgrove LP Unit.

The following represents the number of Units granted, expired/cancelled, exercised and outstanding and proceeds for the year ended December 31, 2015:

	Strike Price ($)	Options Outstanding at January 1, 2015 (#)	Additional Options Granted (#)	Options Expired/ Cancelled (#)	Options Exercised (#)	Options Outstanding at December 31, 2015 (#)	Proceeds During Year Ended December 31, 2015 ($)
Options to acquire Trust Units							
March 2005[1]	19.60	53,040	–	(53,040)	–	–	–
July 2005[3]	20.10	776,438	–	(776,438)	–	–	–
December 2006	29.55 to 33.55	57,344	–	–	–	57,344	–
July 2007	29.55 to 33.00	1,348,223	–	–	–	1,348,223	–
		2,235,045	–	(829,478)	–	1,405,567	–
Options to acquire Class B LP Units and Class D LP Units[2]							
July 2005 (Earnout)	20.10	1,446,915	–	–	(66,389)	1,380,526	1,334
July 2005 (Development)[3]	20.10	1,560,382	–	(1,560,382)	–	–	–
December 2006	29.55 to 30.55	2,303,267	–	–	–	2,303,267	–
July 2007	29.55 to 33.00	1,600,000	–	–	–	1,600,000	–
June 2008[4]	20.10	708,004	–	–	–	708,004	–
		7,618,568	–	(1,560,382)	(66,389)	5,991,797	1,334
Options to acquire Class B LP III Units[5,10]							
September 2010	Market price	771,974	–	(41,707)	(44,768)	685,499	967
August 2011	Market price	621,465	–	–	(8,764)	612,701	118
August 2013	Market price	621,746	–	(18,465)	–	603,281	–
September 2014	Market price	424,432	–	(49,145)	(68,145)	307,142	1,787
		2,439,617	–	(109,317)	(121,677)	2,208,623	2,872
Options to acquire Class B LP IV Units[6,10]							
May 2015	Market price	–	480,000	(201)	(15,338)	464,461	440
		–	480,000	(201)	(15,338)	464,461	440
Options to acquire Class B Oshawa South LP Units and Class D Oshawa South LP Units[7]							
May 2015	Market price	–	60,000	–	–	60,000	–
		–	60,000	–	–	60,000	–
Options to acquire Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units[8]							
May 2015	Market price	–	460,000	–	–	460,000	–
		–	460,000	–	–	460,000	–
Options to acquire Class B Boxgrove LP Units[9]							
May 2015	Market price	–	170,000	–	–	170,000	–
		–	170,000	–	–	170,000	–
Total Earnout options		12,293,230	1,170,000	(2,499,378)	(203,404)	10,760,448	4,646

1 As at March 1, 2015, all remaining options have expired and are therefore no longer exercisable.
2 Each option is represented by a corresponding Class C LP Unit or Class E LP Unit.
3 As at July 1, 2015, all remaining Earnout and development options have expired and are therefore no longer exercisable.
4 Each option is convertible into Class F Series 3 LP Units. At the holder's option, the Class F Series 3 LP Units may be redeemed for cash at $20.10 per Unit or, on the completion and rental of additional space on certain development properties, the Class F Series 3 LP Units may be exchanged for Class B LP Units.
5 Each option is represented by a corresponding Class C LP III Unit.
6 Each option is represented by a corresponding Class C LP IV Unit.
7 Each option is represented by a corresponding Class C Oshawa South LP Unit or Class E Oshawa South LP Unit.
8 Each option is represented by a corresponding Class C Oshawa Taunton LP Unit or Class E Oshawa Taunton LP Unit.
9 Each option is represented by a corresponding Class C Boxgrove LP Unit.
10 During the year ended December 31, 2015, 86,475 Class C LP III Series 4 Units, 8,764 Class C LP III Series 5 Units, 18,465 Class C LP III Series 6 Units, 117,290 Class C LP III Series 7 Units and 15,539 Class C LP IV Series 1 Units, were available for conversion into Class B LP III Series 4 Units, Class B LP III Series 5 Units, Class B LP III Series 6 Units, Class B LP III Series 7 Units and Class B LP IV Series 1 Units, respectively, of which 44,768 Class C LP III Series 4 Units, 8,764 Class C LP III Series 5 Units, 68,145 Class C LP III Series 7 Units and 15,338 Class C LP IV Series 1 Units were exercised using the predetermined conversion prices, in exchange for 33,288 Class B LP III Series 4 Units, 4,052 Class B LP III Series 5 Units, 60,881 Class B LP III Series 7 Units and 15,156 Class B LP IV Series 1 Units, respectively, issued based on the market price at the time of issuance. 41,707 Class C LP III Series 4 Units, 18,465 Class C LP III Series 6 Units, 49,145 Class C LP III Series 7 Units and 201 Class C LP IV Series 1 Units were cancelled due to the price differential between the market price and fixed conversion price.

The following summarizes the change in the fair value of the Earnout options:

	2016	2015
Fair value – beginning of year	**3,150**	9,749
Trust options exercised	**(336)**	–
LP options exercised[1]	**(284)**	(491)
Fair value adjustment	**(1,075)**	(6,108)
Fair value – end of year	**1,455**	3,150

1 For the year ended December 31, 2016, LP options exercised represent $284 relating to LP Units classified as equity (year ended December 31, 2015 – $491) and $nil relating to LP Units classified as other financial liabilities (year ended December 31, 2015 – $nil).

c) *Deferred unit plan*

The Trust has a deferred unit plan that entitles Trustees and senior management, at the participant's option, to receive deferred units in consideration for Trustee fees or senior management bonuses with the Trust matching the number of units received. Any deferred units granted to Trustees, which include the matching deferred units, vest immediately. Any deferred units granted to senior management as part of their compensation structure effectively vest immediately, and the matching deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units ("reinvested units") for the distributions that would otherwise have been paid on the deferred units (i.e., had they instead been issued as Trust Units on the date of grant). Once vested, participants are entitled to receive an equivalent number of Trust Units for the vested deferred units and the corresponding reinvested units.

The outstanding deferred units for the year ended December 31, 2016 and December 31, 2015 are summarized as follows:

	Outstanding	Vested	Non-Vested
Balance – January 1, 2015	795,375	689,908	105,467
Granted	85,406	44,768	40,638
Reinvested units from distributions	38,731	34,988	3,743
Vested	–	94,550	(94,550)
Exchanged for Trust Units[1]	(10,000)	(10,000)	–
Redeemed for cash[2]	(242,217)	(242,217)	–
Forfeited	(2,958)	–	(2,958)
Balance – December 31, 2015	664,337	611,997	52,340
Balance – January 1, 2016	**664,337**	**611,997**	**52,340**
Granted	**108,205**	**55,196**	**53,009**
Reinvested distributions	**34,259**	**30,869**	**3,390**
Vested	**–**	**29,411**	**(29,411)**
Redeemed for cash[2]	**(151,500)**	**(151,500)**	**–**
Balance – December 31, 2016	**655,301**	**575,973**	**79,328**

1 During the year ended December 31, 2016, nil deferred units totalling $nil were exchanged for Trust Units (year ended December 31, 2015 – 10,000 deferred units totalling $296 were exchanged for $296 of Trust Units).

2 During the year ended December 31, 2016, 151,500 deferred units totalling $5,234 were redeemed for $3,602 of cash net of payroll taxes (year ended December 31, 2015 – 242,217 deferred units totalling $7,570 were redeemed for $6,801 of cash net of payroll taxes).

The following represents the carrying value of the deferred unit plan for the year ended December 31:

	Note	**2016**	2015
Carrying value – beginning of year		**19,192**	20,324
Deferred units granted for trustee fees and bonuses		**1,699**	1,270
Reinvested distributions on vested deferred units	10(d)	**1,002**	1,016
Compensation expense – reinvested distributions, amortization and fair value change on unvested deferred units		**1,349**	1,967
Exchanged for Trust Units[1]		**–**	(296)
Redeemed for cash[2]		**(5,234)**	(7,570)
Fair value adjustment – vested deferred units		**1,735**	2,481
Carrying value – end of year		**19,743**	19,192

1 During the year ended December 31, 2016, nil deferred units totalling $nil were exchanged for Trust Units (year ended December 31, 2015 – 10,000 deferred units totalling $296 were exchanged for $296 of Trust Units).

2 During the year ended December 31, 2016, 151,500 deferred units totalling $5,234 were redeemed for $3,602 of cash net of payroll taxes (year ended December 31, 2015 – 242,217 deferred units totalling $7,570 were redeemed for $6,801 of cash net of payroll taxes).

13. Fair value of financial instruments

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

The fair value of the Trust's financial instruments is summarized in the following table:

	2016			2015		
	Fair Value Through Profit or Loss ("FVTPL")	**Loans Receivable/ Other Liabilities**	**Total**	Fair Value Through Profit or Loss ("FVTPL")	Loans Receivable/ Other Liabilities	Total
Financial assets						
Mortgages and loans receivable	**–**	**176,490**	**176,490**	–	187,582	187,582
Financial liabilities						
Secured debt	**–**	**2,626,353**	**2,626,353**	–	2,768,215	2,768,215
Revolving operating facility	**–**	**–**	**–**	–	10,000	10,000
Unsecured debentures	**–**	**1,324,236**	**1,324,236**	–	1,194,662	1,194,662
Long Term Incentive Plan	**–**	**3,629**	**3,629**	–	2,424	2,424
Class D Units	**18,169**	**–**	**18,169**	16,987	–	16,987
Earnout options	**1,455**	**–**	**1,455**	3,150	–	3,150
Deferred unit plan	**19,743**	**–**	**19,743**	19,192	–	19,192
Fair value of interest rate swap agreements	**28**	**–**	**28**	188	–	188

Fair value hierarchy

The Trust values financial assets and financial liabilities carried at fair value using quoted closing market prices, where available. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities. When quoted market prices are not available, the Trust maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. Valuations at this level are more subjective and therefore more closely managed. Such testing has not indicated that any material difference would arise due to a change in input variables.

	2016			2015		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Recurring measurements:						
Financial liabilities						
Class D Units	**18,169**	**–**	**–**	16,987	–	–
Earnout options	**–**	**–**	**1,455**	–	–	3,150
Deferred unit plan	**–**	**19,743**	**–**	–	19,192	–
Fair value of interest rate swap agreements	**–**	**28**	**–**	–	188	–

Refer to Note 12(b) for a reconciliation of Earnout option fair value measurements.

14. Unit equity

The following represents the number of Units issued and outstanding, and the related carrying value of Unit equity for the year ended December 31, 2016 and December 31, 2015. The LP Units are classified as non-controlling interests in the consolidated balance sheets.

		Number of Units Issued and Outstanding			Carrying Amount		
	Note	Trust Units (#)	LP Units (#)	Total Units (#)	Trust Units ($)	LP Units ($)	Total ($)
			(Tables A to C)			(Tables D to F)	
Balance – January 1, 2015		117,044,978	18,959,194	136,004,172	2,273,604	454,990	2,728,594
Options exercised[1]	4,12(b)	–	179,766	179,766	–	5,137	5,137
Deferred Units exchanged for Trust Units	12(c)	10,000	–	10,000	296	–	296
Distribution reinvestment plan	14(b)	1,306,354	–	1,306,354	39,137	–	39,137
Debentures converted	14(c)	2,192,495	–	2,192,495	57,827	–	57,827
Unit issuance cost		–	–	–	(4,771)	–	(4,771)
Units issued for properties acquired	3	–	5,712,719	5,712,719	–	163,955	163,955
Units issued for cash	3	8,015,500	–	8,015,500	230,285	–	230,285
Units exchanged for Trust Units[2]		104,530	–	104,530	3,115	–	3,115
Balance – December 31, 2015		128,673,857	24,851,679	153,525,536	2,599,493	624,082	3,223,575
Balance – January 1, 2016		**128,673,857**	**24,851,679**	**153,525,536**	**2,599,493**	**624,082**	**3,223,575**
Options exercised[1]	4,12(b)	**36,671**	**139,909**	**176,580**	**1,110**	**4,578**	**5,688**
Distribution reinvestment plan	14(b)	**1,379,838**	**–**	**1,379,838**	**46,212**	**–**	**46,212**
Units exchanged for Trust Units[2]		**41,670**	**–**	**41,670**	**1,585**	**–**	**1,585**
Balance – December 31, 2016		**130,132,036**	**24,991,588**	**155,123,624**	**2,648,400**	**628,660**	**3,277,060**

1 The carrying values of Trust Units and LP Units issued include the fair value of options on exercise of $336 and $284, respectively (year ended December 31, 2015 – $nil and $491).

2 41,670 Class D Oshawa Taunton LP Units (classified as a liability – see Note 12) amounting to $1,585 were exchanged for 41,670 Trust Units. (year ended December 31, 2015 – 104,530 and $3,115).

Table A: Number of LP Units issued and outstanding – Class B Series 1, 2 and 3 LP Units and Class B LP II Units

	Note	Class B Series 1 LP Units	Class B Series 2 LP Units	Class B Series 3 LP Units	Class B LP II Units	Total
Balance – January 1, 2015		14,653,414	873,741	720,432	756,525	17,004,112
Options exercised	12(b)	66,389	–	–	–	66,389
Balance – December 31, 2015		14,719,803	873,741	720,432	756,525	17,070,501
Balance – January 1, 2016		**14,719,803**	**873,741**	**720,432**	**756,525**	**17,070,501**
Options exercised	12(b)	**21,857**	**13,215**	**–**	**–**	**35,072**
Balance – December 31, 2016		**14,741,660**	**886,956**	**720,432**	**756,525**	**17,105,573**

Table B: Number of LP Units issued and outstanding – Class B Series 4, 5, 6 and 7 LP III Units

	Note	Class B Series 4 LP III Units	Class B Series 5 LP III Units	Class B Series 6 LP III Units	Class B Series 7 LP III Units	Total
Balance – January 1, 2015		611,467	555,344	421,795	366,476	1,955,082
Options exercised	12(b)	33,288	4,052	–	60,881	98,221
Balance – December 31, 2015		644,755	559,396	421,795	427,357	2,053,303
Balance – January 1, 2016		**644,755**	**559,396**	**421,795**	**427,357**	**2,053,303**
Options exercised	12(b)	**3,179**	**–**	**15,594**	**7,241**	**26,014**
Balance – December 31, 2016		**647,934**	**559,396**	**437,389**	**434,598**	**2,079,317**

Table C: Number of LP Units issued and outstanding – Class B Series 8 LP III Units, Class B Series 1 LP IV Units, Class B Series 1 Oshawa South LP Units and Class B Series 1 Oshawa Taunton LP Units

	Note	Class B Series 8 LP III Units	Class B Series 1 LP IV Units	Class B Series 1 Oshawa South LP Units	Class B Series 1 Oshawa Taunton LP Units	Total
Balance – January 1, 2015		–	–	–	–	–
Options exercised	12(b)	–	15,156	–	–	15,156
Units issued for properties acquired	3	1,698,018	3,020,600	688,336	305,765	5,712,719
Balance – December 31, 2015		1,698,018	3,035,756	688,336	305,765	5,727,875
Balance – January 1, 2016		**1,698,018**	**3,035,756**	**688,336**	**305,765**	**5,727,875**
Options exercised	12(b)	**–**	**10,365**	**–**	**68,458**	**78,823**
Balance – December 31, 2016		**1,698,018**	**3,046,121**	**688,336**	**374,223**	**5,806,698**

Table D: Carrying value of LP Units – Class B Series 1, 2 and 3 LP Units and Class B LP II Units

	Note	Class B Series 1 LP Units	Class B Series 2 LP Units	Class B Series 3 LP Units	Class B LP II Units	Total
Balance – January 1, 2015		345,109	25,255	16,836	17,680	404,880
Proceeds from options exercised[1]	12(b)	1,825	–	–	–	1,825
Balance – December 31, 2015		346,934	25,255	16,836	17,680	406,705
Balance – January 1, 2016		**346,934**	**25,255**	**16,836**	**17,680**	**406,705**
Proceeds from options exercised[1]	12(b)	**649**	**467**	**–**	**–**	**1,116**
Balance – December 31, 2016		**347,583**	**25,722**	**16,836**	**17,680**	**407,821**

[1] The carrying values of LP Units issued include the fair value of options on exercise of $284 (year ended December 31, 2015 – $491).

Table E: Carrying value of LP Units – Class B Series 4, 5, 6 and 7 LP III Units

	Note	Class B Series 4 LP III Units	Class B Series 5 LP III Units	Class B Series 6 LP III Units	Class B Series 7 LP III Units	Total
Balance – January 1, 2015		14,768	14,856	10,852	9,634	50,110
Proceeds from options exercised	12(b)	967	118	–	1,787	2,872
Balance – December 31, 2015		15,735	14,974	10,852	11,421	52,982
Balance – January 1, 2016		**15,735**	**14,974**	**10,852**	**11,421**	**52,982**
Proceeds from options exercised	12(b)	**103**	**–**	**510**	**247**	**860**
Balance – December 31, 2016		**15,838**	**14,974**	**11,362**	**11,668**	**53,842**

Table F: Carrying value of Class B Series 8 LP III Units, Class B Series 1 LP IV Units, Class B Series 1 Oshawa South LP Units and Class B Series 1 Oshawa Taunton LP Units

	Note	Class B Series 8 LP III Units	Class B Series 1 LP IV Units	Class B Series 1 Oshawa South LP Units	Class B Series 1 Oshawa Taunton LP Units	Total
Balance – January 1, 2015		**–**	**–**	**–**	**–**	**–**
Options exercised	11(b)	–	440	–	–	440
Units issued for properties acquired	3	48,732	86,692	19,755	8,776	163,955
Balance – December 31, 2015		48,732	87,132	19,755	8,776	164,395
Balance – January 1, 2016		**48,732**	**87,132**	**19,755**	**8,776**	**164,395**
Options exercised	12(b)	**–**	**345**	**–**	**2,257**	**2,602**
Balance – December 31, 2016		**48,732**	**87,477**	**19,755**	**11,033**	**166,997**

a) Authorized Units

i) Trust Units

The Trust is authorized to issue an unlimited number of voting trust units ("Trust Units"), each of which 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 (Canada) (the "Tax Act").

The Trust is authorized to issue an unlimited number of Special Voting Units that will be used to provide voting rights to holders of securities exchangeable, including all series of Class B LP Units, Class D LP Units, Class B LP II Units, Class B LP III Units, Class B LP IV Units, Class B Oshawa South LP Units, Class D Oshawa South LP Units, Class B Oshawa Taunton Units, Class D Oshawa Taunton Units and Class B Boxgrove LP 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. At December 31, 2016, there were 25,554,259 (December 31, 2015 – 25,414,350) Special Voting Units outstanding. There is no value assigned to the Special Voting Units. A July 2005 agreement preserved Penguin's voting rights at a minimum of 25.0% for a period of 10 years commencing on July 1, 2005, on the condition that Penguin's owner, Mitchell Goldhar, remains a Trustee of the Trust and owns at least 15,000,000 Trust Units, Class B LP and LP III Units, collectively. On May 26, 2015, the Trust extended the voting rights agreement for an additional five years. 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 to any Trust securities. The total number of Special Voting Units is adjusted for each annual meeting of the Unitholders based on changes in Penguin's ownership interest.

ii) Smart Limited Partnership Units

Smart Limited Partnership ("LP"), formerly known as Calloway Limited Partnership, was formed on June 15, 2005, and commenced activity on July 8, 2005.

An unlimited number of any series of Class A LP Units, Class B LP Units, Class C LP Units, Class D LP Units, Class E LP Units and Class F LP Units may be issued by the LP. Class A LP partners have 20 votes for each Class A LP Unit held, Class B LP and Class D LP partners have one vote for each Class B LP Unit or Class D LP Unit held, and Class C LP, Class E LP and Class F LP partners have no votes at meetings of the LP. The LP is under the control of the Trust.

The Class A LP Units are entitled to all distributable cash of the LP after the required distributions on the other classes of Units have been paid. At December 31, 2016, there were 75,062,169 (December 31, 2015 – 75,062,169) Class A LP Units outstanding. All Class A LP Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B LP Units and the Class D LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B LP Units and Class D LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B LP Unit and Class D LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B LP Units and the Class D LP Units are considered to be economically equivalent to Trust Units. All Class B LP Units and Class D LP Units (owned by outside parties) have been presented as non-controlling interests and liabilities, respectively.

The Class C LP Units and Class E LP Units are entitled to receive 0.01% of any distributions of the LP and have nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific predetermined amount per Unit, the Class C Series 1 and Series 2 LP Units, the Class C Series 3 LP Units and the Class E Series 1 LP Units are exchangeable into Class B LP Units, Class F Series 3 LP Units and Class D Series 1 LP Units, respectively, and the Class E Series 2 LP Units are exchangeable into Class D Series 2 LP Units (the Class C LP Units and Class E LP Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to the LP, the corresponding Class C LP Units and Class E LP Units are cancelled.

Number of Class C and E Units Outstanding	**2016**	2015
Class C Series 1 LP Units	**3,449,857**	3,471,714
Class C Series 2 LP Units	**3,090,052**	3,103,267
Class C Series 3 LP Units	**708,004**	708,004
Class E Series 1 LP Units	**16,704**	16,704
Class E Series 2 LP Units	**800,000**	800,000

Of the 3,449,857 Class C Series 1 LP Units, 1,341,965 Units relate to Earnout options, 1,357,892 Units relate to expired Earnout options and 750,000 Units are cancelled concurrently with Class F Series 3 LP Units on the completion and rental of additional space on specific properties.

The Class F Series 3 LP Units are entitled to receive distributions equivalent to 65.5% of the distributions on Trust Units. At the holder's option, the Class F Series 3 LP Units are exchangeable for $20.10 in cash per Unit or, on the completion and rental of additional space on specific properties, the Class F Series 3 LP Units are exchangeable into Class B LP Units. As at December 31, 2016, there were nil Class F Series 3 LP Units outstanding (December 31, 2015 – nil). On issuance, the Class F Series 3 LP Units are recorded as a liability in the consolidated financial statements.

The Class D LP Units (owned by outside parties) are considered to be a financial liability under IFRS. The Class B Series 1, Class B Series 2 and Class B Series 3 LP Units are classified as equity.

iii) *Smart Limited Partnership II Units*
Smart Limited Partnership II ("LP II"), formerly known as Calloway Limited Partnership II, was formed on February 6, 2006, and commenced activity on May 29, 2006.

An unlimited number of Class A LP II Units and Class B LP II Units may be issued by LP II. Class A LP II partners have five votes for each Class A LP II Unit held, and Class B LP II partners have one vote for each Class B LP II Unit held. LP II is under the control of the Trust.

The Class A LP II Units are entitled to all distributable cash of LP II after the required distributions on the Class B LP II Units have been paid. At December 31, 2016, there were 200,002 (December 31, 2015 – 200,002) Class A LP II Units outstanding. The Class A LP II Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B LP II Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B LP II Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B LP II Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B LP II Units are considered to be economically equivalent to Trust Units. All Class B LP II Units are owned by outside parties and have been presented as non-controlling interests.

iv) *Smart Limited Partnership III Units*
Smart Limited Partnership III ("LP III"), formerly known as Calloway Limited Partnership III, was formed on September 2, 2010 and commenced activity on September 13, 2010.

An unlimited number of Class A LP III Units, Class B LP III Units and Class C LP III Units may be issued by LP III. Class A LP III partners have 20 votes for each Class A LP III Unit held, Class B LP III partners have one vote for each Class B LP III Unit held and Class C LP III Units have no votes at meetings of the LP III. LP III is under the control of the Trust.

The Class A LP III Units are entitled to all distributable cash of LP III after the required distributions on the Class B LP III Units have been paid. At December 31, 2016, there were 12,556,688 (December 31, 2015 – 12,556,688) Class A LP III Units outstanding. The Class A LP III Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B LP III Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B LP III Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B LP III Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B LP III Units are considered to be economically equivalent to Trust Units. All Class B LP III Units are owned by outside parties and have been presented as non-controlling interests.

The Class C LP III Units are entitled to receive 0.01% of any distributions of LP III and have a nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 4 LP III Units, Class C Series 5 LP III Units, Class C Series 6 LP III Units and Class C Series 7 LP III Units are exchangeable into Class B LP III Units (the Class C LP III Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to LP III, the corresponding Class C LP III Units are cancelled. At December 31, 2016, there were 2,137,875 (December 31, 2015 – 2,208,623) Class C LP III Units outstanding.

v) *Smart Limited Partnership IV Units*
Smart Limited Partnership IV ("LP IV") was formed on May 28, 2015 in connection with the acquisition of 22 properties from Penguin and other vendors (Note 3), as well as the Penguin platform from Penguin (Note 8).

An unlimited number of Class A LP IV Units, Class B LP IV Units and Class C LP IV Units may be issued by LP IV. Class A LP IV partners have 20 votes for each Class A LP IV Unit held, Class B LP IV partners have one vote for each Class B LP IV Unit held and Class C LP IV Units have no votes at meetings of the LP IV. LP IV is under the control of the Trust.

The Class A LP IV Units are entitled to all distributable cash of LP IV after the required distributions on the Class B LP IV Units have been paid. At December 31, 2016, there were 102,569 (December 31, 2015 – 102,569) Class A LP IV Units outstanding. The Class A LP IV Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B LP IV Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B LP IV Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B LP IV Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B LP IV Units are considered to be economically equivalent to Trust Units. All Class B LP IV Units are owned by outside parties and have been presented as non-controlling interests.

The Class C LP IV Units are entitled to receive 0.01% of any distributions of LP IV and have a nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 LP IV Units are exchangeable into Class B LP IV Units (the Class C LP IV Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to LP IV, the corresponding Class C LP IV Units are cancelled. At December 31, 2016, there were 446,061 (December 31, 2015 – 464,461) Class C LP IV Units outstanding.

vi) Smart Oshawa South Limited Partnership Units

Smart Oshawa South Limited Partnership ("Oshawa South LP") was formed on May 28, 2015 in connection with the acquisition of 22 properties from Penguin and other vendors (Note 3), as well as the Penguin platform from Penguin (Note 8).

An unlimited number of Class A Oshawa South LP Units, Class B Oshawa South LP Units, Class C Oshawa South LP Units, Class D Oshawa South LP Units and Class E Oshawa South LP Units may be issued by Oshawa South LP. Class A Oshawa South LP partners have 20 votes for each Class A Oshawa South LP Unit held, Class B Oshawa South LP and Class D Oshawa South LP partners have one vote for each Class B Oshawa South LP or Class D Oshawa South LP Unit held, and Class C Oshawa South LP and Class E Oshawa South LP Units have no votes at meetings of Oshawa South LP. Oshawa South LP is under the control of the Trust.

The Class A Oshawa South LP Units are entitled to all distributable cash of Oshawa South LP after the required distributions on the other classes of Units have been paid. At December 31, 2016, there were 138,680 (December 31, 2015 – 138,680) Class A Oshawa South LP Units outstanding. The Class A Oshawa South LP Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B Oshawa South LP Units and Class D Oshawa South LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B Oshawa South LP Units and Class D Oshawa South LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B Oshawa South LP Unit and Class D Oshawa South LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B Oshawa South LP Units and Class D Oshawa South LP Units are considered to be economically equivalent to Trust Units. All Class B Oshawa South LP Units and Class D Oshawa South LP Units (owned by outside parties) have been presented as non-controlling interests and liabilities, respectively.

The Class C Oshawa South LP Units and Class E Oshawa South LP Units are entitled to receive 0.01% of any distributions of Oshawa South LP and have a nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 Oshawa South LP Units and Class E Series 1 Oshawa South LP Units are exchangeable into Class B Oshawa South LP Units and Class D Oshawa South LP Units, respectively (the Class C Oshawa South LP Units and Class E Oshawa South LP Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to Oshawa South LP, the corresponding Class C Oshawa South LP Units and Class E Oshawa South LP Units are cancelled.

Number of Class C and E Units Outstanding	**2016**	2015
Class C Series 1 Oshawa South LP Units	**45,000**	45,000
Class E Series 1 Oshawa South LP Units	**15,000**	15,000
	60,000	60,000

The Class D Series 1 Oshawa South LP Units (owned by outside parties) are considered to be a financial liability under IFRS, whereas the Class B Series 1 Oshawa South LP Units are classified as equity.

vii) Smart Oshawa Taunton Limited Partnership Units

Smart Oshawa Taunton Limited Partnership ("Oshawa Taunton LP") was formed on May 28, 2015 in connection with the acquisition of 22 properties from Penguin and other vendors (Note 3), as well as the Penguin platform from Penguin (Note 8).

An unlimited number of Class A Oshawa Taunton LP Units, Class B Oshawa Taunton LP Units, Class C Oshawa Taunton LP Units, Class D Oshawa Taunton LP Units and Class E Oshawa Taunton LP Units may be issued by Oshawa Taunton LP. Class A Oshawa Taunton LP partners have 20 votes for each Class A Oshawa Taunton LP Unit held, Class B Oshawa Taunton LP and Class D Oshawa Taunton LP partners have one vote for each Class B Oshawa Taunton LP and Class D Oshawa Taunton LP Unit held, and Class C Oshawa Taunton LP Units and Class E Oshawa Taunton LP Units have no votes at meetings of Oshawa Taunton LP. Oshawa Taunton LP is under the control of the Trust.

The Class A Oshawa Taunton LP Units are entitled to all distributable cash of Oshawa Taunton LP after the required distributions on the Class B Oshawa Taunton LP Units have been paid. At December 31, 2016, there were 637,895 (December 31, 2015 –

596,225) Class A Oshawa Taunton LP Units outstanding. The Class A Oshawa Taunton LP Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B Oshawa Taunton LP and Class D Oshawa Taunton LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B Oshawa Taunton LP Unit and Class D Oshawa Taunton LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units are considered to be economically equivalent to Trust Units. All Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units (owned by outside parties)have been presented as non-controlling interests and liabilities, respectively.

The Class C Oshawa Taunton LP Units and Class E Oshawa Taunton LP Units are entitled to receive 0.01% of any distributions of Oshawa Taunton LP and have a nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 Oshawa Taunton LP Units and Class E Series 1 Oshawa Taunton LP Units are exchangeable into Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units, respectively (the Class C Oshawa Taunton LP Units and Class E Oshawa Taunton LP Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to Oshawa Taunton LP, the corresponding Class C Oshawa Taunton LP Units and Class E Oshawa Taunton LP Units are cancelled.

Number of Class C and E Units Outstanding	**2016**	2015
Class C Series 1 Oshawa Taunton LP Units	**151,346**	230,000
Class E Series 1 Oshawa Taunton LP Units	**151,346**	230,000
	302,692	460,000

The Class D Series 1 Oshawa Taunton LP Units (owned by outside parties) are considered to be a financial liability under IFRS, whereas the Class B Series 1 Oshawa Taunton LP Units are classified as equity.

viii) Smart Boxgrove Limited Partnership Units

Smart Boxgrove Limited Partnership ("Boxgrove LP") was formed on May 28, 2015 in connection with the acquisition of 22 properties from Penguin and other vendors (Note 3), as well as the Penguin platform from Penguin (Note 8).

An unlimited number of Class A Boxgrove LP Units, Class B Boxgrove LP Units and Class C Boxgrove LP Units may be issued by Boxgrove LP. Class A Boxgrove LP partners have 20 votes for each Class A Boxgrove LP Unit held, Class B Boxgrove LP partners have one vote for each Class B Boxgrove LP Unit held and Class C Boxgrove LP Units have no votes at meetings of Boxgrove LP. Boxgrove LP is under the control of the Trust.

The Class A Boxgrove LP Units are entitled to all distributable cash of Boxgrove LP after the required distributions on the Class B Boxgrove LP Units have been paid. At December 31, 2016, there were 397,438 (December 31, 2015 – 397,438) Class A Boxgrove LP Units outstanding. The Class A Boxgrove LP Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B Boxgrove LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B Boxgrove LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B Boxgrove LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B Boxgrove LP Units are considered to be economically equivalent to Trust Units. All Class B Boxgrove LP Units are owned by outside parties and have been presented as non-controlling interests. At December 31, 2016, there were nil (December 31, 2015 – nil) Class B Boxgrove LP Units outstanding.

The Class C Boxgrove LP Units are entitled to receive 0.01% of any distributions of Boxgrove LP and have a nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 Boxgrove LP Units are exchangeable into Class B Boxgrove LP Units (the Class C Boxgrove LP Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to Boxgrove LP, the corresponding Class C Boxgrove LP Units are cancelled. At December 31, 2016, there were 170,000 (December 31, 2015 – 170,000) Class C Boxgrove LP Units outstanding.

b) Distribution reinvestment plan (DRIP)

The Trust enables holders of Trust Units to reinvest their cash distributions in additional Units of the Trust at 97% of the weighted average Unit price over the 10 trading days prior to the distribution. The 3% bonus amount is recorded as an additional distribution and issuance of Units.

c) Convertible debentures

During the year ended December 31, 2016, $nil (year ended December 31, 2015 – $56,457) of the face value of the convertible debentures was converted into nil (year ended December 31, 2015 – 2,192,495) Trust Units. The following presents the adjustments related to the conversion of convertible debentures into Trust Units.

	2016	2015
Face value of convertible debentures converted	–	56,457
Adjustment of conversion feature of convertible debentures on conversion	–	3,062
Adjustment to accretion expense on conversion	–	(1,692)
	–	57,827

15. Unit distributions

Pursuant to the Declaration of Trust, the Trust endeavours to distribute annually such amount as is necessary to ensure the Trust will not be subject to tax on its net income under Part I of the Tax Act. Unit distributions declared during the year ended December 31, 2016 and December 31, 2015 are as follows:

Unit Type Subject to Distributions	Note	Class and Series	2016	2015
Trust Units		N/A	**216,648**	201,957
Smart Limited Partnership		Class B Series 1	**24,507**	23,718
Smart Limited Partnership		Class B Series 2	**1,456**	1,409
Smart Limited Partnership		Class B Series 3	**1,198**	1,162
Smart Limited Partnership		Class D Series 1	**517**	455
Smart Limited Partnership II		Class B	**1,258**	1,220
Smart Limited Partnership III		Class B Series 4	**1,076**	1,005
Smart Limited Partnership III		Class B Series 5	**930**	900
Smart Limited Partnership III		Class B Series 6	**712**	680
Smart Limited Partnership III		Class B Series 7	**719**	624
Smart Limited Partnership III		Class B Series 8	**2,823**	1,833
Smart Limited Partnership IV		Class B Series 1	**5,061**	3,269
Smart Oshawa South Limited Partnership		Class B Series 1	**1,144**	743
Smart Oshawa South Limited Partnership		Class D Series 1	**418**	272
Smart Oshawa Taunton Limited Partnership		Class B Series 1	**600**	330
Smart Oshawa Taunton Limited Partnership		Class D Series 1	**29**	70
			42,448	37,690
Distributions classified as liabilities relating to Class D Units	10(d)		**(964)**	(796)
Distributions recorded as acquisition costs relating to LP Units	3		**–**	(809)
Total LP Units			**41,484**	36,085
Distributions relating to Units classified as equity			**258,132**	238,042
Distributions paid through DRIP			**46,212**	39,137

On January 18, 2017, the Trust declared a distribution for the month of January 2017 of $0.14167 per Unit, representing $1.70 per Unit on an annualized basis, to Unitholders of record on January 31, 2017.

16. Rentals from investment properties

Rentals from investment properties consist of the following:

	2016	2015
Gross base rent	**471,880**	444,473
Less: Amortization of tenant incentives	**(6,078)**	(5,291)
Net base rent	**465,802**	439,182
Property operating costs recovered	**235,274**	217,949
Miscellaneous revenue[1]	**24,191**	11,522
	725,267	668,653

[1] Miscellaneous revenue includes settlement proceeds associated with the Target lease terminations net of other amounts recorded during the year ended December 31, 2016.

The future contractual minimum base rent payments under non-cancellable operating leases expected from tenants in investment properties are as follows:

	Total
2017	466,589
2018	426,933
2019	380,539
2020	336,663
2021	287,249
Thereafter	1,042,891
	2,940,864

17. Service and other revenues

For the year ended December 31, 2016, the Trust recorded service and other revenues of $11,548 (year ended December 31, 2015 – $9,006), which relate to the development, management and other services being performed by the Trust pursuant to the acquisition of the Penguin platform on May 28, 2015. For the year ended December 31, 2016, the relevant expenses ("other expenses") related to these revenues totalled $11,543 (year ended December 31, 2015 – $8,974).

18. General and administrative expense

The general and administrative expense consists of the following:

	Note	**2016**	2015
Salaries and benefits		**43,237**	32,625
Professional and consulting fees		**5,319**	3,073
Public company costs		**1,297**	1,145
Rent and occupancy		**2,596**	1,738
Amortization of intangible assets	8	**1,331**	792
Other costs including IT, marketing, communications and other employee expenses		**5,941**	4,239
Total general and administrative expense before allocation		**59,721**	43,612
Allocated to property operating costs		**(12,238)**	(11,065)
Capitalized to properties under development		**(11,449)**	(4,139)
Charged back to Penguin and third parties[1]		**(11,543)**	(8,974)
Total amounts allocated, capitalized and charged back		**(35,230)**	(24,178)
General and administrative expense (net)		**24,491**	19,434

[1] The expenses charged back to Penguin and third parties are recorded as "other expenses" in the consolidated statements of income and comprehensive income for the year ended December 31, 2016 and December 31, 2015.

19. Supplemental cash flow information

Cash and cash equivalents consist of the following:

	2016	2015
Cash	**22,479**	20,426
Short-term deposits	**614**	910
	23,093	21,336

The following summarizes supplemental cash flow information and non-cash transactions:

	Note	**2016**	2015
Supplemental			
Interest paid on debt[1]		**160,038**	153,943
Interest received		**8,038**	7,475
Non-cash transactions			
Secured debt assumed for acquisitions		**43,669**	645,503
Adjustment for other working capital amounts		**6,556**	7,069
Distributions payable		**22,056**	21,187
Liabilities relating to additions to investment properties		**25,825**	30,114
Value of Units issued:			
Consideration for acquisitions and Earnouts		**6,422**	178,823
Distribution reinvestment plan		**46,212**	39,137
Conversion of convertible debentures		**–**	56,457
Units exchanged for Trust Units	14	**1,585**	3,115

[1] For the year ended December 31, 2016, interest paid on debt includes yield maintenance costs of unsecured debentures of $15,138 (year ended December 31, 2015 – $10,810).

Changes in other non-cash operating items

Changes in other non-cash operating items consist of the following:

	2016	2015
Amounts receivable and prepaid expenses	**(12,404)**	(17,854)
Accounts payable and accrued liabilities	**(796)**	22,998
	(13,200)	5,144

20. Related party transactions

Transactions with related parties are conducted in the normal course of operations and have been recorded at their respective exchange amounts.

At December 31, 2016, Penguin (the Trust's largest Unitholder), owned by Mitchell Goldhar, owned the following Units, which represent in total approximately 22.4% of the issued and outstanding Units (December 31, 2015 – 22.6%):

Type	Class and Series	**2016**	2015
Trust Units	N/A	**13,769,471**	13,732,800
Smart Limited Partnership	Class B Series 1	**12,484,300**	12,462,443
Smart Limited Partnership	Class B Series 2	**304,447**	291,232
Smart Limited Partnership	Class B Series 3	**720,432**	720,432
Smart Limited Partnership III	Class B Series 4	**647,934**	644,755
Smart Limited Partnership III	Class B Series 5	**559,396**	559,396
Smart Limited Partnership III	Class B Series 6	**437,389**	421,795
Smart Limited Partnership III	Class B Series 7	**434,598**	427,357
Smart Limited Partnership III	Class B Series 8	**1,698,018**	1,698,018
Smart Limited Partnership IV	Class B Series 1	**2,819,411**	2,887,012
Smart Oshawa South Limited Partnership	Class B Series 1	**611,478**	688,336
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**374,223**	305,765
		34,861,097	34,839,341

Certain conditions related to the Declaration of Trust require the Trust 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"). At December 31, 2016, there were 5,181,409 additional Special Voting Units outstanding (December 31, 2015 – 4,285,399). 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. As a result of the extension for an additional five years of the existing Voting Top-Up Right in favour of Penguin, which was approved by Unitholders at the Trust's 2015 Unitholder meeting, at the request of the TSX, the Trust also redesignated its Trust Units as "Variable Voting Units." Such designation will cease on the termination of the Voting-Top Up Right in 2020. The Voting Top-Up Right is more particularly described in the Trust's management information circular dated May 6, 2016 and filed on the System for Electronic Document Analysis and Retrieval (SEDAR).

Penguin has Earnout options to acquire certain Units as follows:

Type	Class and Series	**2016**	2015
Trust Units	N/A	**1,353,225**	1,353,225
Smart Limited Partnership	Class B Series 1	**1,341,965**	1,363,822
Smart Limited Partnership	Class B Series 2	**3,090,052**	3,103,267
Smart Limited Partnership	Class B Series 3	**708,004**	708,004
Smart Limited Partnership III	Class B Series 4	**646,669**	685,499
Smart Limited Partnership III	Class B Series 5	**612,701**	612,701
Smart Limited Partnership III	Class B Series 6	**580,975**	603,281
Smart Limited Partnership III	Class B Series 7	**297,530**	307,142
Smart Limited Partnership IV	Class B Series 1	**409,548**	437,051
Smart Oshawa South Limited Partnership	Class B Series 1	**40,000**	45,000
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**151,346**	230,000
Smart Boxgrove Limited Partnership	Class B Series 1	**170,000**	170,000
		9,402,015	9,618,992

At December 31, 2016, Penguin's ownership would increase to 26.6% (December 31, 2015 – 26.9%) if Penguin were to exercise all remaining Earnout options. Pursuant to its rights under the Declaration of Trust, at December 31, 2016, Penguin has appointed two Trustees out of seven.

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

In connection with the acquisition of the Penguin platform, as well as interests in 22 properties from Penguin and other vendors, on May 28, 2015, the original management, services and trademark agreements have been replaced by the following:

1. The Development and Services Agreement, under which the Trust has agreed to provide to Penguin the following services for a five-year term:
   a. Construction management services and leasing services are provided, at the discretion of Penguin, with respect to certain of Penguin's properties under development for a market-based fee based on construction costs incurred. Fees for leasing services, requested at the discretion of Penguin, are based on various rates that approximate market rates, depending on the term and nature of the lease. In addition, management fees are provided for a market-based fee based on rental revenue.
   b. Transition services relate to activities necessary to become familiar with the Penguin projects and establishing processes and systems to accommodate the needs of Penguin.
   c. Support services are provided for a fee based on an allocation of the relevant costs of the support services incurred by the Trust. Such relevant costs include: office administration, human resources, information technology, insurance, legal and marketing.

2. The Services Agreement under which Mitchell Goldhar, owner of Penguin, has agreed to provide to the Trust certain advisory, consulting and strategic services, including but not limited to strategies dealing with development, municipal approvals, acquisitions, dispositions, and construction costs, as well as strategies for marketing new projects and leasing opportunities. The fees associated with this agreement are $875 per quarter for a five-year term (these charges are included in the following table as "Master planning services").

3. The Trust has an agreement to rent its office premises from Penguin for a term ending in May 2025.

In addition to agreements and contracts with Penguin described elsewhere in these consolidated financial statements, the Trust had previously entered into the following agreements with Penguin, which were effective until May 27, 2015, at which time they were replaced by the agreements noted above:

1. The Management Agreement, under which the Trust had agreed to provide to Penguin certain limited property management services for a market-based fee based on net rental revenues of the managed properties for a one-year term ending December 31, 2015. The Management Agreement automatically renewed for subsequent one-year terms unless terminated by either Penguin or the Trust.

2. The Support Services Agreement, under which Penguin had agreed to provide to the Trust certain support services for a fee based on an allocation of the relevant costs of the support services incurred by Penguin for a one-year term ending December 31, 2015. The Support Services Agreement automatically renewed for subsequent one-year terms unless terminated by either Penguin or the Trust. In addition, the Trust rented its office premises from Penguin for a term of five years to December 2016.

3. The Construction and Leasing Services Agreement, under which Penguin had agreed to provide to the Trust construction management services and leasing services. The construction management services were provided, at the discretion of the Trust, with respect to certain of the Trust's properties under development for a market-based fee based on construction costs incurred. Fees for leasing services, requested at the discretion of the Trust, were based on various rates that approximate market rates, depending on the term and nature of the lease. The agreement was in force until terminated by either Penguin or the Trust.

4. The Trademark Licence Agreement and Marketing Cost Sharing Agreement (collectively, the Licence Agreement), under which the Trust licensed the use of the trademark "SmartCentres" from Penguin for a 10-year term ending December 31, 2016. Under the Licence Agreement, the Trust would pay 50% of the costs incurred by Penguin in connection with branding and marketing the trademark together with the Trust's proportionate share of signage costs. Penguin had the right to terminate the Licence Agreement at any time in the event any third party acquired 20.0% of the aggregate of the Trust Units and Special Voting Units.

In addition to related party transactions and balances disclosed elsewhere in these consolidated financial statements, the following summarizes other related party transactions and balances with Penguin and other related parties, including the Trust's share of amounts relating to VMC:

(in thousands of dollars)	**2016**	2015
Related party transactions with Penguin		
Revenues:		
Transition services fee revenue[1]	**4,000**	2,409
Management fee revenue pursuant to the Development and Services Agreement[1]	**5,150**	4,659
Support services[1]	**557**	507
Interest income from mortgages and loans receivable	**7,993**	8,372
Head lease rents and operating cost recoveries included in rentals from income properties	**2,128**	2,324
Expenses:		
Master planning services[1]:		
Included in general and administrative expense	**875**	517
Capitalized to properties under and held for development	**2,625**	1,550
Development fees and costs (capitalized to properties under development)	**19**	3,156
Interest expense (capitalized to properties under development)	**17**	29
Opportunity fees (capitalized to properties under development)[2]	**2,319**	2,184
Rent and operating costs (included in general and administrative expense and property operating costs)	**2,221**	1,565
Time billings, and other administrative costs (included in general and administration expenses and property operating costs)	**107**	301
Leasing and related consulting service fees (included in general and administration expenses)	**271**	–
Shared service costs (included in general and administration expenses)	**79**	895
Marketing cost sharing (included in property operating costs)	**303**	432
Other related party transactions		
Legal fees paid to a legal firm in which a partner is a Trustee (included in general and administrative expense and property operating costs)	**421**	–

[1] These amounts were recorded in connection with the Transaction.

[2] These amounts relate to accrued interest on prepaid land costs subject to future Earnouts.

The following is a summary of other related party balances:

	Note	**2016**	2015
Related party balances with Penguin			
Receivables:			
Amounts receivable	9	**8,188**	3,899
Mortgages receivable	5(a)	**124,778**	127,333
Loans receivable	5(b)	**9,320**	9,786
Notes receivable	5(c)	**2,979**	2,928
Payables and other accruals:			
Accrued liabilities		**1,918**	1,538
Future land development obligation[1]	11	**26,042**	17,051
Secured debt		**3,468**	5,175
Other related party balances			
Opportunity fees receivable (capitalized to properties under development)		**–**	185

[1] The future land development obligations represent payments required to be made to Penguin 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 10-year development management agreement periods ending in 2017 to 2025. The accrued future land development obligations were initially measured at their estimated fair values using imputed interest rates ranging from 4.50% to 5.50%.

21. Key management and Trustee compensation

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly. The Trust's key management personnel include the Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer, Chief Development Officer, and Executive Vice President, Portfolio Management and Investments. In addition, the Trustees have oversight responsibility for the Trust.

The compensation recorded relating to key management and Trustees is shown below:

	2016	2015
Salaries and other short-term employee benefits	**2,527**	2,080
Trustee fees	**581**	610
Deferred unit plan	**1,996**	1,900
Long Term Incentive Plan expense	**1,777**	2,165
	6,881	6,755

22. Co-ownership interests

The Trust is a co-owner in several properties that are subject to joint control based on the Trust's decision-making authority with regard to the operating, financing and investing activities of the properties. These co-ownerships have been classified as joint operations and, accordingly, the Trust recognizes its proportionate share of the assets, liabilities, revenue and expenses of these co-ownerships in the respective lines in the consolidated financial statements.

			Trust's Ownership	
Jointly Controlled Property	Location	Property Type	**2016**	2015
Aurora North[1]	Aurora, ON	Shopping centre	**100.0%**	100.0%
Richmond Hill	Richmond Hill, ON	Shopping centre	**50.0%**	50.0%
Chatham	Chatham, ON	Shopping centre	**50.0%**	50.0%
Montreal (Decarie)	Montreal, QC	Shopping centre	**50.0%**	50.0%
Hull	Hull, QC	Shopping centre	**49.9%**	49.9%
Innisfil[2]	Innisfil, ON	Development	**50.0%**	50.0%
London North	London, ON	Shopping centre	**50.0%**	50.0%
Milton	Milton, ON	Shopping centre	**50.0%**	50.0%
Oshawa South[1]	Oshawa, ON	Shopping centre	**100.0%**	100.0%
Salmon Arm[2]	Salmon Arm, BC	Shopping centre	**50.0%**	50.0%
Ottawa South	Ottawa, ON	Shopping centre	**50.0%**	50.0%
401 & Weston[2]	Toronto, ON	Shopping centre	**44.4%**	44.4%
Woodbridge	Woodbridge, ON	Shopping centre	**50.0%**	50.0%
Markham (Woodside)	Markham, ON	Shopping centre	**50.0%**	50.0%
Mississauga (GO Lands)[1]	Mississauga, ON	Shopping centre	**100.0%**	100.0%
Eastern Avenue[2]	Toronto, ON	Development	**50.0%**	50.0%
Halton Hills	Halton, ON	Shopping centre	**50.0%**	50.0%
Montreal Premium Outlets	Mirabel, QC	Development	**50.0%**	50.0%
Mirabel Adjacent Lands[2]	Mirabel, QC	Development	**33.0%**	33.0%
Mirabel Option Lands[2]	Mirabel, QC	Development	**25.0%**	25.0%
Ottawa Laurentian	Ottawa, ON	Shopping centre	**50.0%**	50.0%
Edmonton Capilano	Edmonton, AB	Shopping centre	**50.0%**	50.0%
Lachenaie	Lachenaie, QC	Shopping centre	**50.0%**	50.0%
Markham (Boxgrove)	Markham, ON	Shopping centre	**40.0%**	40.0%
Orleans (II Front Land)[2]	Orleans, ON	Development	**60.0%**	60.0%

1 On May 28, 2015, the Trust acquired an additional 50% interest in these properties as part of the transaction discussed in Note 3(c).

2 Penguin is the co-owner in this property.

The following amounts, included in these consolidated financial statements, represent the Trust's proportionate share of the assets and liabilities of the 22 co-ownership interests as at December 31, 2016 (22 co-ownership interests at December 31, 2015) and the results of operations and cash flows for the years ended December 31, 2016 and December 31, 2015:

	2016	2015
Assets[1]	**1,040,448**	1,004,635
Liabilities	**346,516**	376,666

1 Includes cash and cash equivalents of $6,450 (December 31, 2015 – $12,199).

	2016	2015
Revenues	**82,357**	80,968
Expenses	**44,014**	43,485
Income before fair value adjustments	**38,343**	37,483
Fair value adjustment on investment properties	**22,975**	63,257
Net income	**61,318**	100,740
Cash flow provided by operating activities	**39,155**	31,469
Cash flow (used in) provided by financing activities	**(27,592)**	104,239
Cash flow used in investing activities	**(17,313)**	(134,390)

Management believes the assets of the co-ownerships are sufficient for the purpose of satisfying the associated obligations of the co-ownerships. Penguin is the co-owner in seven investment properties.

23. Segmented information

The Trust owns, develops, manages and operates 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 Canada Corp., accounting for 26.3% of the Trust's annualized rentals from investment properties for the year ended December 31, 2016 (year ended December 31, 2015 – 26.9%).

24. Adjustments to fair value

The following summarizes the adjustments to fair value for the year ended December 31:

	2016	2015
Investment properties		
Income properties	**73,636**	50,701
Properties under development	**(13,324)**	(17,866)
Fair value adjustment on revaluation of investment properties	**60,312**	32,835
Financial instruments		
Class D Units	**(1,411)**	(1,389)
Earnout options	**1,075**	6,108
Conversion feature of convertible debentures	**–**	(1,279)
Deferred unit plan – vested portion	**(1,735)**	(2,481)
Unit issuance of subscription receipts[1]	**–**	(240)
Fair value of interest rate swap agreements	**160**	(188)
Fair value adjustment on financial instruments	**(1,911)**	531
Total adjustments to fair value	**58,401**	33,366

1 In connection with the acquisition of the Penguin platform and group of 22 property interests, part of the purchase price included the issuance of 8,015,500 subscription receipts at a per Unit price of $28.70 totalling $230,045 on April 20, 2015. Once the acquisition closed on May 28, 2015, the subscription receipts were exchanged for Trust Units and therefore the Trust performed a fair valuation of the subscription receipts from the date of issuance to the date the acquisition closed, resulting in a fair value loss of $240.

For the year ended December 31, 2016, the fair value adjustment for income properties includes a decrease of approximately $35,970 related to prior periods, which was the result of corrections to the fair value assessments.

25. Risk management

a) *Financial risks*

The Trust's activities expose it to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. The Trust's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Trust's financial performance. The Trust may use derivative financial instruments to hedge certain risk exposures.

i) *Interest rate risk*

The majority of the Trust's debt is financed at fixed rates with maturities staggered over a number of years, thereby mitigating its exposure to changes in interest rates and financing risks. At December 31, 2016, approximately 12.30% (December 31, 2015 – 13.13%) of the Trust's debt is financed at variable rates, exposing the Trust to changes in interest rates on such debt.

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

The Trust monitors the historical movement of 10-year Government of Canada bonds for the past two years and performs a sensitivity analysis to show the possible impact on net income of an interest rate shift. The simulation is performed on a quarterly basis to ensure the maximum loss potential is within the limit acceptable to management. Management runs the simulation only for the interest-bearing secured debt and revolving operating facility. The Trust's policy is to capitalize interest expense incurred relating to properties under development (year ended December 31, 2016 – 12.04% of total interest costs; year ended December 31,2015 – 10.81% of total interest costs). The sensitivity analysis below shows the maximum impact (net of estimated interest capitalized to properties under development) on net income of possible changes in interest rates on variable-rate debt.

Interest shift of:	–0.50%	–0.25%	+0.25%	+0.50%
Net income increase (decrease)	2,387	1,193	(1,193)	(2,387)

ii) Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures with respect to mortgages and loans receivable (Note 5) and tenant receivables (Note 9). Tenants may experience financial difficulty and become unable to fulfill their lease commitments. The Trust mitigates this risk of credit loss by reviewing tenants' covenants, by ensuring its tenant mix is diversified and by limiting its exposure to any one tenant except Walmart Canada Corp. Further risks arise in the event that borrowers of mortgages and loans receivable default on the repayment of amounts owing to the Trust. The Trust endeavours to ensure adequate security has been provided in support of mortgages and loans receivable. The Trust limits cash transactions to high-credit-quality financial institutions to minimize its credit risk from cash and cash equivalents.

iii) Liquidity risk

Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to lease out vacant units. In the next 12 months, $720,508 of liabilities will mature and will need to be settled by means of renewal or payment.

Due to the dynamic nature of the underlying business, the Trust aims to maintain flexibility and opportunities in funding by keeping committed credit lines available, obtaining additional mortgages as the value of investment properties increases, issuing equity and issuing convertible or unsecured debentures. During the year ended December 31, 2016, the Trust has been able to raise additional secured debt and unsecured debentures financing.

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

The Trust's liquidity position is monitored on a regular basis by management. A schedule of principal repayments on secured debt and other debt maturities is disclosed in Note 10.

b) Capital risk management

The Trust defines capital as the aggregate amount of Unitholders' equity, debt and LP Units classified as a liability. The Trust's primary objectives when managing capital are:

- to safeguard the Trust's ability to continue as a going concern so that it can continue to provide returns for Unitholders; and
- to ensure that the Trust has access to sufficient funds for acquisition (including Earnouts) or development activities.

The Trust sets the amount of capital in proportion to risk. The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Trust may adjust the amount of distributions paid to Unitholders, issue new Units and debt or sell assets to reduce debt or fund acquisition or development activities.

The Trust anticipates meeting all current and future obligations. Management expects to finance future acquisitions, mortgages receivable, development costs and maturing debt from: (i) existing cash balances; (ii) a mix of debt secured by investment properties, operating facilities, issuance of equity and convertible and unsecured debentures; and (iii) the sale of non-core assets. Cash flow generated from operating activities is the source of liquidity to service debt (except maturing debt), sustaining capital expenditures, leasing costs and Unit distributions.

The Trust monitors its capital structure based on the following ratios: interest coverage ratio, debt to total assets and debt to total earnings before interest, taxes, depreciation and amortization (EBITDA) and fair value changes associated with investment properties and financial instruments. These ratios are used by the Trust to manage an acceptable level of leverage and are not considered measures in accordance with IFRS; nor are there equivalent IFRS measures.

The following are the significant financial covenants that the Trust is required by its operating line lenders to maintain:

Ratio	Threshold
Debt to aggregate assets	65%
Secured debt to aggregate assets	40%
Fixed charge coverage ratio	1.5X
Unencumbered assets to unsecured debt	1.4X
Unitholders' equity (in thousands)	$2,000,000

The Trust's indentures require its unsecured debentures to maintain debt to gross book value including convertible debentures not more than 65%, an interest coverage ratio not less than 1.65 and Unitholders' equity not less than $500,000.

These covenants are required to be calculated based on Canadian generally accepted accounting principles (GAAP) at the time of debt issuance. If the Trust does not meet all externally imposed financial covenants, then the related debt will become immediately due and payable unless the Trust is able to remedy the default or obtain a waiver from lenders. For the year ended December 31, 2016, the Trust was in compliance with all externally imposed financial covenants.

26. Commitments and contingencies

The Trust has certain obligations and commitments pursuant to development management agreements to complete the purchase of Earnouts totalling approximately 0.6 million square feet of development space from Penguin and others over periods extending to 2020 at formula prices, as more fully described in Note 4(b). As at December 31, 2016, the carrying value of the properties under development was $72,564 (December 31, 2015 – $85,632) with respect to these obligations and commitments. The timing of completion of the purchase of the Earnouts, and the final price, 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 $3,340 (excluding VMC – see Note 6) that will be incurred in future periods.

The Trust entered into agreements with Penguin in which the Trust will lend monies in the form of mortgages receivable, as disclosed in Note 5(a). The maximum amount that may be provided under the agreements totals $268,851, of which $124,778 has been provided at December 31, 2016 (December 31, 2015 – $127,333).

Letters of credit totalling $45,826 (including letters of credit drawn down under the revolving operating facility described in Note 10(b)) have been issued on behalf of the Trust by financial institutions as security for debt and for maintenance and development obligations to municipal authorities.

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

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

27. Subsequent events

Subsequent to year end, the Trust extended the maturity date of a mortgage receivable from December 31, 2016 to March 31, 2017, with no changes to all other pre-existing terms, conditions and interest rate.

Design: www.jumpcommunicationsinc.com

Corporate Information

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Huw Thomas
Chief Executive Officer
Smart Real Estate Investment Trust

Jamie McVicar[1, 3]
Trustee

Kevin Pshebniski[1, 2]
President
Hopewell Development Corporation

Garry Foster[1, 2]
Trustee

Michael Young[2, 3]
Principal
Quadrant Capital Partners Inc.

Gregory Howard[2, 3]
Trustee

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

SENIOR MANAGEMENT

Huw Thomas
Chief Executive Officer

Peter Forde
President & Chief Operating Officer

Peter Sweeney
Chief Financial Officer

Mauro Pambianchi
Chief Development Officer

Rudy Gobin
Executive Vice President
Portfolio Management & Investments

BANKERS

TD Bank Financial Group
BMO Capital Markets
RBC Capital Markets
CIBC World Markets
Scotia Capital
National Bank of Canada
HSBC Bank Canada
Desjardins Securities Inc.
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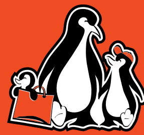

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