Real Estate Potential. Realized.

MORGUARD REAL ESTATE INVESTMENT TRUST

MARCH 31, 2020

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	March 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Real estate properties	3	**$2,783,465**	$2,892,103
Right-of-use asset	4	**304**	324
Equity-accounted investment	5	**22,656**	23,705
		2,806,425	2,916,132
Current assets			
Amounts receivable		**14,891**	14,314
Prepaid expenses and other		**8,814**	1,112
Cash		**7,163**	5,783
		30,868	21,209
Total assets		**$2,837,293**	$2,937,341
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	7	**$829,918**	$902,708
Convertible debentures	8	**171,272**	170,753
Lease liabilities	9	**10,968**	10,993
Accounts payable and accrued liabilities		**4,660**	4,550
		1,016,818	1,089,004
Current liabilities			
Mortgages payable	7	**229,379**	165,640
Lease liabilities	9	**118**	123
Accounts payable and accrued liabilities		**61,423**	47,448
Morguard loan payable	14(b)	**35,500**	32,500
Bank indebtedness	10	**73,632**	65,158
		400,052	310,869
Total liabilities		**1,416,870**	1,399,873
Unitholders' equity		**1,420,423**	1,537,468
		$2,837,293	$2,937,341
Commitments and contingencies	17		

See accompanying notes to the condensed consolidated financial statements.

On behalf of the Trustees:

(Signed) "K. Rai Sahi"

K. Rai Sahi,
Chairman of the Board of Trustees

(Signed) "Bart S. Munn"

Bart S. Munn,
Trustee

STATEMENTS OF (LOSS)/INCOME AND COMPREHENSIVE (LOSS)/INCOME

In thousands of Canadian dollars, except per unit amounts

For the three months ended March 31,	Note	2020	2019
Revenue from real estate properties	11	**$66,373**	$70,454
Property operating costs			
Property operating expenses	12(a)	**(16,751)**	(17,363)
Property taxes		**(12,551)**	(12,975)
Property management fees		**(2,243)**	(2,256)
		34,828	37,860
Interest expense	13	**(14,572)**	(14,408)
General and administrative	12(b)	**(1,080)**	(1,177)
Amortization expense		**(20)**	(21)
Other income		**—**	41
Fair value losses on real estate properties	3	**(121,117)**	(5,680)
Net (loss)/income from equity-accounted investment	5	**(594)**	300
Net (loss)/income and comprehensive (loss)/income		**($102,555)**	$16,915
NET (LOSS)/INCOME PER UNIT	15(d)		
Basic		**($1.69)**	$0.28
Diluted		**($1.69)**	$0.25

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF UNITHOLDERS' EQUITY

In thousands of Canadian dollars, except number of units

	Number of Units	Issue of Units	Retained Earnings	Equity Component of Convertible Debentures	Contributed Surplus	Total Unitholders' Equity
Unitholders' equity, January 1, 2019	60,694,053	$612,183	$961,773	$4,594	$1,864	$1,580,414
Net income	—	—	16,915	—	—	16,915
Distributions to unitholders	—	—	(14,503)	—	—	(14,503)
Issue of units – DRIP [1]	5,238	64	(64)	—	—	—
Unitholders' equity, March 31, 2019	60,699,291	612,247	964,121	4,594	1,864	1,582,826
Net loss	—	—	(2,075)	—	—	(2,075)
Distributions to unitholders	—	—	(43,283)	—	—	(43,283)
Issue of units – DRIP [1]	36,248	433	(433)	—	—	—
Unitholders' equity, December 31, 2019	60,735,539	612,680	918,330	4,594	1,864	1,537,468
Net loss	**—**	**—**	**(102,555)**	**—**	**—**	**(102,555)**
Distributions to unitholders	**—**	**—**	**(14,490)**	**—**	**—**	**(14,490)**
Issue of units – DRIP [1]	**7,391**	**88**	**(88)**	**—**	**—**	**—**
Unitholders' equity, March 31, 2020	**60,742,930**	**$612,768**	**$801,197**	**$4,594**	**$1,864**	**$1,420,423**

1. Distribution Reinvestment Plan ("DRIP").

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the three months ended March 31,	Note	2020	2019
OPERATING ACTIVITIES			
Net (loss)/income		**($102,555)**	$16,915
Add items not affecting cash	16(a)	**122,662**	6,058
Distributions from equity-accounted investment, net	5	**455**	632
Additions to tenant incentives and leasing commissions		**(690)**	(696)
Net change in non-cash operating assets and liabilities	16(b)	**946**	(9,545)
Cash provided by operating activities		**20,818**	13,364
FINANCING ACTIVITIES			
Proceeds from new mortgages		**—**	11,253
Financing costs on new mortgages		**—**	(81)
Repayment of mortgages			
Repayments on maturity		**—**	(16,253)
Principal instalment repayments		**(9,234)**	(8,454)
Payment of lease liabilities, net		**(30)**	(28)
Proceeds from/(repayment of) bank indebtedness, net	10	**8,474**	(35,467)
Decrease in Morguard loan receivable	14(b)	**—**	10,000
Proceeds from Morguard loan payable	14(b)	**23,000**	43,500
Repayment of Morguard loan payable	14(b)	**(20,000)**	—
Distributions to unitholders		**(9,630)**	(9,647)
Cash used in financing activities		**(7,420)**	(5,177)
INVESTING ACTIVITIES			
Capital expenditures on real estate properties		**(3,187)**	(2,230)
Expenditures on properties under development		**(8,831)**	(5,841)
Cash used in investing activities		**(12,018)**	(8,071)
Net change in cash		**1,380**	116
Cash, beginning of period		**5,783**	10,652
Cash, end of period		**$7,163**	$10,768

See accompanying notes to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2020 and 2019

In thousands of Canadian dollars, except units, per unit amounts and where otherwise noted

NOTE 1
NATURE AND FORMATION OF THE TRUST

Morguard Real Estate Investment Trust (the "Trust") is a "closed-end" real estate investment trust governed pursuant to an amended and restated declaration of trust dated May 5, 2015 ("the Declaration of Trust"), under, and governed by, the laws of the Province of Ontario. The Trust commenced active operations on October 14, 1997. The Trust units trade on the Toronto Stock Exchange ("TSX") under the symbol "MRT.UN". The Trust owns a diverse portfolio of retail, office and industrial properties located in six Canadian provinces. The Trust's head office is located at 55 City Centre Drive, Suite 1000, Mississauga, Ontario, L5B 1M3.

The Trust has a property management agreement with Morguard Investments Limited ("MIL"), a subsidiary of Morguard Corporation ("Morguard"). Morguard is the parent company of the Trust, owning 58.48% of the outstanding units as at March 31, 2020. Morguard is a real estate company that owns a diversified portfolio of multi-suite residential, retail, hotel, office and industrial properties. Morguard also provides advisory and management services to institutional and other investors.

NOTE 2
STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"), and thus do not contain all of the disclosures applicable to the annual audited consolidated financial statements.

These condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual consolidated financial statements and should be read in conjunction with the most recent annual audited consolidated financial statements.

The condensed consolidated financial statements were approved and authorized for issue by the Trustees on April 30, 2020.

NOTE 3
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at	**March 31, 2020**	December 31, 2019
Income producing properties	**$2,715,854**	$2,834,394
Properties under development	**27,261**	18,909
Held for development	**40,350**	38,800
	$2,783,465	$2,892,103

Reconciliations of the carrying amounts for real estate properties at the beginning and end of the current financial period are set out below:

	Income Producing Properties	Properties Under Development	Held for Development	Total Real Estate Properties
Balance as at December 31, 2018	$2,858,255	$22,887	$34,450	$2,915,592
Adoption of IFRS 16	10,825	—	—	10,825
Additions:				
Capital expenditures/capitalized costs	12,928	33,818	—	46,746
Tenant improvements, tenant incentives and commissions	9,542	—	—	9,542
Transfers	37,796	(37,796)	—	—
Disposition	(15,914)	—	—	(15,914)
Fair value (losses)/gains	(78,200)	—	4,350	(73,850)
Other changes	(838)	—	—	(838)
Balance as at December 31, 2019	**2,834,394**	**18,909**	**38,800**	**2,892,103**
Additions:				
Capital expenditures/capitalized costs	1,231	8,831	—	10,062
Tenant improvements, tenant incentives and commissions	2,646	—	—	2,646
Transfers	479	(479)	—	—
Fair value (losses)/gains	(122,667)	—	1,550	(121,117)
Other changes	(229)	—	—	(229)
Balance as at March 31, 2020	**$2,715,854**	**$27,261**	**$40,350**	**$2,783,465**

APPRAISAL CAPITALIZATION AND DISCOUNT RATES

Morguard's subsidiary has a valuation team that consists of Appraisal Institute of Canada ("AIC") designated Accredited Appraiser Canadian Institute ("AACI") members who are qualified to offer valuation and consulting services and expertise for all types of real property, all of whom are knowledgeable and have recent experience in the fair value techniques for investment properties. AACI designated members must adhere to AIC's Canadian Uniform Standards of Professional Appraisal Practice and undertake ongoing professional development. Morguard's appraisal division is responsible for determining the fair value of investment properties every quarter. The team reports to a senior executive, and the internal valuation team's valuation processes and results are reviewed by senior management at least once every quarter, in line with the Trust's quarterly reporting dates.

Generally, the Trust's real estate properties are appraised using a number of approaches that typically include a discounted cash flow analysis, a direct capitalization approach and a direct comparison approach. The primary method of valuation used by the Trust is discounted cash flow analysis. This approach involves determining the fair value of each income producing property based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable balance sheet dates, less future cash outflows pertaining to the respective leases. Fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years and including a terminal value based on the application of a capitalization rate to estimated year 11 net operating income.

Using the direct capitalization income approach to corroborate the discounted cash flow method, the properties were valued using capitalization rates in the range of 4.3% to 8.5% applied to a stabilized net operating income (December 31, 2019 – 4.3% to 8.5%), resulting in an overall weighted average capitalization rate of 6.52% (December 31, 2019 – 6.38%). The total stabilized annual net operating income as at March 31, 2020, was $163,381 (December 31, 2019 – $171,345).

In appraising the fair values for the enclosed mall asset class, consideration was given to the number of tenants that did not pay their April rent in assessing this segment.

The stabilized capitalization rates by business segments are set out in the following table:

	March 31, 2020					December 31, 2019				
	Stabilized Occupancy		**Capitalization Rates**			Stabilized Occupancy		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Retail	**100.0%**	**90.0%**	**7.3%**	**5.3%**	**6.8%**	100.0%	90.0%	7.3%	5.3%	6.5%
Office	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.3%**	100.0%	90.0%	8.5%	4.3%	6.3%
Industrial	**100.0%**	**95.0%**	**5.5%**	**5.3%**	**5.4%**	100.0%	95.0%	5.5%	5.3%	5.4%

The table below provides further details of the discount rates and terminal cap rates used in the discounted cash flow method by business segments:

	March 31, 2020			December 31, 2019		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
RETAIL						
Discount rate	**8.0%**	**6.0%**	**7.1%**	7.8%	6.0%	6.9%
Terminal cap rate	**7.0%**	**5.3%**	**6.2%**	7.0%	5.3%	6.0%
OFFICE						
Discount rate	**7.8%**	**5.3%**	**6.3%**	7.8%	5.3%	6.3%
Terminal cap rate	**7.3%**	**4.3%**	**5.5%**	7.3%	4.3%	5.5%
INDUSTRIAL						
Discount rate	**6.5%**	**6.0%**	**6.2%**	6.5%	6.0%	6.2%
Terminal cap rate	**5.8%**	**5.5%**	**5.5%**	5.8%	5.5%	5.5%

Excluded from the above analysis is a retail property located in British Columbia where the highest and best use is a redevelopment to mixed residential and commercial use. As at March 31, 2020, the value of the property is in the underlying land value with minimal holding income, and it has been valued using recent land sales with comparable redevelopment potential.

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in net operating income, with a lower capitalization rate resulting in a greater impact to the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rate were to increase or decrease by 25 basis points, the value of the income producing properties as at March 31, 2020, would decrease by $92,351 or increase by $99,731, respectively.

The sensitivity of the fair values of the Trust's income producing properties is set out in the table below:

For the three months ended	**March 31, 2020**		March 31, 2019	
Change in capitalization rate	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Retail	**($50,005)**	**$53,846**	($59,168)	$64,174
Office	**(40,626)**	**43,998**	(46,015)	49,970
Industrial	**(1,720)**	**1,887**	(2,108)	2,291
	($92,351)	**$99,731**	($107,291)	$116,435

NOTE 4
RIGHT-OF-USE ASSET

The following table presents the change in the balance of the Trust's right-of-use (head office lease) asset:

As at	March 31, 2020	December 31, 2019
Balance, beginning of period	**$324**	$—
Adoption of IFRS 16	**—**	407
Amortization expense	**(20)**	(83)
Balance, end of period	**$304**	$324

NOTE 5
EQUITY-ACCOUNTED INVESTMENT

On December 22, 2011, the Trust and a major Canadian pension fund each acquired a 50% interest in a limited partnership that owns and operates a 304,000 square foot Class A office complex located in downtown Edmonton, Alberta, in which the Trust has a total original net investment of $28,008. The Trust has joint control over the limited partnership and accounts for its investment using the equity method.

As at	March 31, 2020	December 31, 2019
Balance, beginning of period	**$23,705**	$24,746
Equity (loss)/income	**(594)**	1,044
Distributions to partners	**(785)**	(2,755)
Contributions from partners	**330**	670
Balance, end of period	**$22,656**	$23,705

The following details the Trust's share of the limited partnership's aggregated assets, liabilities and results of operations accounted for under the equity method:

As at	March 31, 2020	December 31, 2019
Real estate property	**$48,000**	$49,405
Current assets	**834**	651
Total assets	**48,834**	50,056
Non-current liabilities	**(4)**	(7)
Current liabilities	**(26,174)**	(26,344)
Net equity	**$22,656**	$23,705

For the three months ended March 31,	2020	2019
Revenue from real estate property	**$1,628**	$1,541
Property operating expenses	**(577)**	(492)
Net operating income	**1,051**	1,049
Interest and other	**(239)**	(251)
Fair value losses on real estate property	**(1,406)**	(498)
Net (loss)/income	**($594)**	$300

The real estate property included above in the Trust's equity-accounted investment is appraised using a number of approaches that typically include a discounted cash flow analysis, a direct capitalization approach and a direct comparison approach. As at March 31, 2020, the property was valued using a discount rate of 7.3% (December 31, 2019 – 7.3%), a terminal cap rate of 6.3% (December 31, 2019 – 6.3%) and a stabilized cap rate of 5.8% (December 31, 2019 – 6.0%). The stabilized annual net operating income as at March 31, 2020, was $3,211 (December 31, 2019 – $3,096).

NOTE 6

CO-OWNERSHIP INTERESTS

The Trust is a co-owner in several properties, listed below, which are subject to joint control based on the Trust's decision-making authority with regard to the relevant activities of the properties. These co-ownerships have been classified as joint operations and, accordingly, the Trust recognizes its rights to and obligations for the assets, liabilities, revenue and expenses of these co-ownerships in the respective lines in the condensed consolidated financial statements.

			Trust's Ownership Share	
Jointly Controlled Operations	**Location**	**Property Type**	**2020**	2019
505 Third Street	Calgary, AB	Office	**50%**	50%
Scotia Place	Edmonton, AB	Office	**20%**	20%
Prairie Mall	Grande Prairie, AB	Retail	**50%**	50%
Heritage Place	Ottawa, ON	Office	**50%**	50%
Standard Life Centre	Ottawa, ON	Office	**50%**	50%
77 Bloor	Toronto, ON	Office	**50%**	50%
Woodbridge Square	Woodbridge, ON	Retail	**50%**	50%
Place Innovation	Saint-Laurent, QC	Office	**50%**	50%
REAL ESTATE PROPERTIES SOLD (SEE NOTE 3)				
825 Des Érables [1]	Salaberry-de-Valleyfield, QC	Industrial	**50%**	50%

1. Sold July 31, 2019.

The following amounts, included in these condensed consolidated financial statements, represent the Trust's proportionate share of the assets and liabilities of its co-ownerships as at March 31, 2020 and December 31, 2019, and the results of operations for the three months ended March 31, 2020 and 2019:

As at	**March 31, 2020**	December 31, 2019
Assets	**$513,589**	$520,359
Liabilities	**$165,455**	$164,901

For the three months ended March 31,	**2020**	2019
Revenue	**$12,767**	$13,697
Expenses	**(7,990)**	(8,216)
Income before fair value adjustments	**4,777**	5,481
Fair value losses on real estate properties	**(10,726)**	(2,970)
Net (loss)/income	**($5,949)**	$2,511

NOTE 7
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	March 31, 2020	December 31, 2019
Mortgages payable before deferred financing costs	**$1,061,604**	$1,070,838
Deferred financing costs	**(2,307)**	(2,490)
Mortgages payable	**$1,059,297**	$1,068,348
Mortgages payable – non-current	**$829,918**	$902,708
Mortgages payable – current	**229,379**	165,640
Mortgages payable	**$1,059,297**	$1,068,348
Range of interest rates	**2.7% to 5.5%**	2.7% to 5.5%
Weighted average term to maturity (years)	**3.5**	3.7

The aggregate principal repayments and balances maturing on the mortgages payable as at March 31, 2020, together with the weighted average contractual rate on debt maturing in the year indicated, are as follows:

	Principal Instalment Repayments	Balances Maturing	Total	Weighted Average Contractual Rate on Balance Maturing
2020 (remainder of year)	$27,047	$114,110	$141,157	4.6%
2021	30,516	169,373	199,889	4.1%
2022	26,989	171,560	198,549	3.8%
2023	16,821	208,194	225,015	3.7%
2024	8,557	136,860	145,417	4.4%
Thereafter	35,793	115,784	151,577	4.0%
	$145,723	**$915,881**	**$1,061,604**	**4.1%**

Substantially all of the Trust's rental properties and related rental revenue have been pledged as collateral for the mortgages payable.

NOTE 8
CONVERTIBLE DEBENTURES
Debentures

On December 30, 2016, the Trust issued a $175,000 principal amount of 4.50% convertible unsecured subordinated debentures ("Convertible Debentures") maturing on December 31, 2021 (the "Maturity Date"). As at March 31, 2020, Morguard held a total of $60,000 principal amount of the Convertible Debentures (2019 – $60,000).

Interest is payable semi-annually, not in advance, on June 30 and December 31 of each year.

The Convertible Debentures, with the exception of the value assigned to the holders' conversion option, have been recorded as debt on the balance sheets. The following table summarizes the allocation of the principal amount and related issue costs of the Convertible Debentures at the date of original issue. The portion of issue costs attributable to the liability of $4,991 was capitalized and will be amortized over the term to maturity, while the remaining amount of $139 was charged to equity.

	Liability	Equity	Principal Amount Issued
Transaction date – December 30, 2016	$170,267	$4,733	$175,000
Issue costs	(4,991)	(139)	(5,130)
	$165,276	**$4,594**	**$169,870**

Each Convertible Debenture is convertible into freely tradable units of the Trust at the option of the holder, exercisable at any time prior to the close of business on the last business day preceding the Maturity Date at a conversion price of $20.40 per unit, being a rate of approximately 49.0196 units per thousand principal amount of Convertible Debentures, subject to adjustment.

The Convertible Debentures payable consist of the following:

As at	March 31, 2020	December 31, 2019
Convertible debentures – liability	**$170,267**	$170,267
Convertible debentures – accretion	**2,919**	2,666
Convertible debentures before issue costs	**173,186**	172,933
Issue costs	**(1,914)**	(2,180)
Convertible debentures	**$171,272**	$170,753

Remaining interest and principal payments on the Convertible Debentures are as follows:

	Interest	Principal	Total
2020	$7,875	$—	$7,875
2021	7,875	175,000	182,875
	$15,750	**$175,000**	**$190,750**

Redemption Rights

Each Convertible Debenture is redeemable any time from January 1, 2020, to the close of business on December 31, 2020, in whole or in part, on at least 30 days' prior notice at a redemption price equal to par plus accrued and unpaid interest at the Trust's sole option, provided that the weighted average trading price of the units on the TSX for the 20 consecutive trading days ending five trading days prior to the date on which the notice of redemption is given is not less than 125% of the Conversion Price.

From January 1, 2021, to the close of business on December 31, 2021, the Convertible Debentures are redeemable, in whole or in part, at par plus accrued and unpaid interest at the Trust's sole option.

Payment Upon Redemption or Maturity

As a part of the above redemption options, or at maturity, the Trust may satisfy its obligation to repay the principal amounts of the Convertible Debentures, in whole or in part, by delivering units of the Trust. In the event that the Trust elects to satisfy its obligation to repay principal with units of the Trust, the number of units issued is obtained by dividing the principal amount of the Convertible Debentures by 95% of the weighted average trading price of the units on the TSX for the 20 consecutive trading days ending five trading days prior to the date fixed for redemption or the Maturity Date, as applicable.

Interest Payment Election

The Trust may elect, subject to applicable regulatory approval, to issue and deliver units of the Trust to the Debenture Trustee in order to raise funds to pay interest on the Convertible Debentures, in which event the holders of the Convertible Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such units.

NOTE 9
LEASE LIABILITIES

The following table presents the change in the balance of the Trust's lease liabilities:

As at	March 31, 2020	December 31, 2019
Balance, beginning of period	**$11,116**	$—
Adoption of IFRS 16	**—**	11,232
Lease payments	**(203)**	(813)
Interest	**173**	697
Balance, end of period	**$11,086**	$11,116
Current	**$118**	$123
Non-current	**10,968**	10,993
	$11,086	$11,116
Weighted average borrowing rate	**6.2%**	6.3%

NOTE 10
BANK INDEBTEDNESS

The Trust has operating lines of credit totalling $110,000 (December 31, 2019 – $95,000), which renew annually and are secured by fixed charges on specific properties owned by the Trust.

As at March 31, 2020, the Trust had borrowed $73,632 (December 31, 2019 – $65,158) on its credit facilities and issued letters of credit in the amount of $1,267 (December 31, 2019 – $1,267) related to these facilities.

The bank credit agreements include certain restrictive covenants and undertakings by the Trust. As at March 31, 2020, and December 31, 2019, the Trust was in compliance with all covenants and undertakings. As the bank indebtedness is current and at prevailing market rates, the carrying value of the debt as at March 31, 2020, approximates fair value.

NOTE 11
REVENUE FROM REAL ESTATE PROPERTIES

Revenue from real estate properties consists of the following:

For the three months ended March 31, 2020	Retail	Office	Industrial	Total
Rental revenue	**$23,122**	**$17,508**	**$535**	**$41,165**
CAM recoveries	**5,986**	**7,480**	**203**	**13,669**
Property tax and insurance recoveries	**6,355**	**4,245**	**82**	**10,682**
Other ancillary revenue	**893**	**193**	**—**	**1,086**
Amortized rents	**5**	**(228)**	**(6)**	**(229)**
	$36,361	**$29,198**	**$814**	**$66,373**

For the three months ended March 31, 2019	Retail	Office	Industrial	Total
Rental revenue	$22,881	$18,069	$803	$41,753
CAM recoveries	7,331	8,029	207	15,567
Property tax and insurance recoveries	6,369	4,954	167	11,490
Other ancillary revenue	1,320	269	66	1,655
Amortized rents	25	11	(47)	(11)
	$37,926	$31,332	$1,196	$70,454

CAM recoveries and other ancillary revenue noted in the above table are considered to be a component of revenue from contracts with customers.

NOTE 12
EXPENSES
(a) Property Operating Expenses

Property operating expenses consist of the following:

For the three months ended March 31,	2020	2019
Repairs and maintenance	**$7,559**	$8,229
Utilities	**4,061**	4,254
Other operating expenses	**5,131**	4,880
	$16,751	$17,363

(b) General and Administrative

General and administrative expenses consist of the following:

For the three months ended March 31,	2020	2019
Trustees' fees and expenses	**$78**	$70
Professional and compliance fees	**412**	419
Other administrative expenses	**590**	688
	$1,080	$1,177

NOTE 13
INTEREST EXPENSE

The components of interest expense are as follows:

For the three months ended March 31,	2020	2019
Mortgages payable	**$10,718**	$11,127
Amortization of deferred financing costs – mortgages	**183**	155
Convertible debentures	**1,942**	1,942
Accretion on convertible debentures, net	**253**	239
Amortization of deferred financing costs – convertible debentures	**266**	252
Lease liabilities	**173**	175
Bank indebtedness	**753**	353
Morguard loan payable and other	**447**	364
Capitalized interest	**(163)**	(199)
	$14,572	$14,408

NOTE 14
RELATED PARTY TRANSACTIONS

Related party transactions are summarized as follows:

(a) Agreement with Morguard Investments Limited

Under the property management agreement, the Trust pays MIL fees for property management services, capital expenditure administration, information system support activities and risk management administration. Property management fees average approximately 3.3% of gross revenue from the income producing properties owned by the Trust. The management agreement is renewed annually to ensure fees paid reflect fair value for the services provided. Under the leasing services arrangement, the Trust may, at its option, use MIL for leasing services. Leasing fees range from 2% to 6% of the total minimum rent of new leases. Fees for the renewal of a lease are half of the fees for a new lease. Leasing services include lease documentation.

The Trust has employed the services of MIL for both the acquisition and disposition of properties on a case-by-case basis. Fees are generally based on the sale price of the properties and are capitalized in the case of an asset acquisition. MIL is a tenant at three of the Trust's properties. The Trust has employed the services of MIL for the appraisal of its real estate properties as required for IFRS reporting purposes. Fees are generally based on the size and complexity of each property and are expensed as part of the Trust's professional and compliance fees.

During the year, the Trust incurred/(earned) the following:

For the three months ended March 31,	2020	2019
Property management fees [1]	**$2,269**	$2,287
Appraisal/valuation fees	**89**	90
Information services	**55**	55
Leasing fees	**564**	416
Project administration fees	**80**	75
Project management fees	**72**	92
Risk management fees	**93**	86
Internal audit fees	**36**	34
Off-site administrative charges	**461**	452
Rental revenue	**(51)**	(51)
	$3,668	$3,536

1. Includes property management fees on equity-accounted investment.

The following amounts relating to MIL are included in the balance sheets:

As at	March 31, 2020	December 31, 2019
Accounts payable and accrued liabilities, net	**$1,169**	$1,527

(b) Revolving Loan with Morguard

The Trust has a revolving loan agreement with Morguard that provides for borrowings or advances of up to $75,000 (December 31, 2019 – $50,000), which is interest bearing at the lender's borrowing rate and due on demand subject to available funds.

Morguard Loan Payable

During the three months ended March 31, 2020, a gross amount of $23,000 was advanced from Morguard, and a gross amount of $20,000 was repaid to Morguard. As at March 31, 2020, $35,500 remains payable to Morguard (December 31, 2019 – $32,500). For the three months ended March 31, 2020, the Trust incurred interest expense in the amount of $409 (2019 – $364) at an average interest rate of 4.49% (2019 – 4.12%).

Morguard Loan Receivable

During the three months ended March 31, 2020, there were no advances or repayments, and as at March 31, 2020, there is no loan receivable from Morguard (December 31, 2019 – $nil). For the three months ended March 31, 2020, the Trust did not earn interest income on loans receivable from Morguard (2019 – $33), at an average interest rate of n/a (2019 – 5.05%). The interest income earned from Morguard is included with other income on the statements of (loss)/income and comprehensive (loss)/income.

(c) Sublease with Morguard (Excluding MIL)

The Trust subleases office space from Morguard. For the three months ended March 31, 2020, the Trust incurred rent expense in the amount of $56 (2019 – $55).

(d) Amounts Receivable from and Accounts Payable to Morguard (Excluding MIL)

Other than the revolving loan, the following additional amounts relating to Morguard are included in the balance sheets:

As at	March 31, 2020	December 31, 2019
Amounts receivable	**$65**	$63
Accounts payable and accrued liabilities	**$138**	$124

(e) Rental Revenue from Morguard (Excluding MIL)

Morguard is a tenant in one of the Trust's properties. For the three months ended March 31, 2020, the Trust earned rental revenue in the amount of $28 (2019 – $27).

NOTE 15
UNITHOLDERS' EQUITY
(a) Units Outstanding

The Trust is authorized to issue an unlimited number of units. These units have no par value. The following table summarizes the changes in units from January 1, 2019 to March 31, 2020:

As at	March 31, 2020	December 31, 2019
Balance, beginning of period	**60,735,539**	60,694,053
Distribution Reinvestment Plan	**7,391**	41,486
Balance, end of period	**60,742,930**	60,735,539

Total distributions recorded during the three months ended March 31, 2020, amounted to $14,578 or $0.24 per unit (2019 – $14,567 or $0.24 per unit). Included in this amount is a distribution declared on March 13, 2020, in the amount of $0.08 per unit for the month of March 2020, payable to unitholders on April 15, 2020. On April 20, 2020, the Trust declared a distribution of $0.08 per unit payable on May 15, 2020.

(b) Normal Course Issuer Bid

On February 5, 2020, the Trust announced that the TSX had accepted notice filed by the Trust of its intention to make a normal course issuer bid. The notice provided that during the 12-month period commencing February 7, 2020, and ending February 6, 2021, the Trust may purchase for cancellation on the TSX up to 3,036,776 units in total, being approximately 5% of the outstanding units. Additionally, the Trust may purchase for cancellation up to $11,496 principal amount of the Convertible Debentures due on the Maturity Date, 10% of the public float of outstanding Convertible Debentures. The price that the Trust would pay for any such units or debentures would be the market price at the time of acquisition.

During the year ended December 31, 2019, the Trust did not purchase any units for cancellation. During the three months ended March 31, 2020, the Trust did not purchase any units for cancellation.

(c) Distribution Reinvestment Plan

Under the Trust's Distribution Reinvestment Plan, unitholders can elect to reinvest cash distributions into additional units at a weighted average trading price of the units on the TSX for the 20 trading days immediately preceding the applicable date of distribution. During the three months ended March 31, 2020, the Trust issued 7,391 units under the DRIP (2019 – 5,238 units).

(d) Net (Loss)/Income Per Unit

The following table sets forth the computation of basic and diluted net (loss)/income per unit:

For the three months ended March 31,	2020	2019
Net (loss)/income – basic	**($102,555)**	$16,915
Net (loss)/income – diluted	**($102,555)**	$19,348
Weighted average number of units outstanding – basic	**60,738**	60,696
Weighted average number of units outstanding – diluted	**60,738**	77,321
Net (loss)/income per unit – basic	**($1.69)**	$0.28
Net (loss)/income per unit – diluted	**($1.69)**	$0.25

To calculate net (loss)/income – diluted, interest, accretion and the amortization of financing costs on convertible debentures outstanding that were expensed during the year are added back to net (loss)/income – basic. The weighted average number of units outstanding – diluted is calculated as if all convertible debentures outstanding as at March 31, 2020, and 2019, had been converted into units of the Trust at the beginning of the year. The calculation of net (loss)/income per unit – diluted excludes the impact of the convertible debentures for the three months ended March 31, 2020, as their inclusion would be anti-dilutive.

NOTE 16
STATEMENTS OF CASH FLOWS
(a) Items Not Affecting Cash

For the three months ended March 31,	2020	2019
Fair value losses on real estate properties	**$121,117**	$5,680
Net loss/(income) from equity-accounted investment	**594**	(300)
Amortized stepped rent	**5**	5
Amortized free rent	**151**	(75)
Amortization of deferred financing costs – mortgages	**183**	155
Amortization of tenant incentives	**73**	81
Amortization of right-of-use asset	**20**	21
Amortization of deferred financing costs – convertible debentures	**266**	252
Accretion on convertible debentures	**253**	239
	$122,662	$6,058

(b) Net Change in Non-Cash Operating Assets and Liabilities

For the three months ended March 31,	2020	2019
Amounts receivable	**($577)**	($823)
Prepaid expenses and other	**(7,702)**	(8,342)
Accounts payable and accrued liabilities	**9,225**	(380)
	$946	($9,545)

Other supplemental cash flow information consists of the following:		
Interest paid	**$12,137**	$12,097
Issue of units – DRIP	**$88**	$64

NOTE 17
COMMITMENTS AND CONTINGENCIES
(a) Commitments
The Trust has entered into various agreements relating to capital expenditures for its properties. These expenditures include development of new space, redevelopment or retrofit of existing space, and other capital expenditures. Should all conditions be met, as at March 31, 2020, committed capital expenditures in the next 12 months are estimated at $12,750.

The Trust has various other contractual obligations in the normal course of operations. These contracts can generally be cancelled with 30 days' notice.

(b) Contingencies
The Trust is liable contingently with respect to litigation, claims and environmental matters that arise from time to time, including those that could result in mandatory damages or other relief, which could result in significant expenditures. While the outcome of these matters cannot be predicted with certainty, in the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the financial position or results of operations of the Trust. Any expected settlement of claims in excess of amounts recorded will be charged to operations as and when such determination is made.

NOTE 18
MANAGEMENT OF CAPITAL

The Trust defines capital that it manages as the aggregate of its unitholders' equity and interest-bearing debt less cash and interest-bearing receivables. The Trust's objective when managing capital is to ensure that the Trust will continue as a going concern so that it can sustain daily operations and provide adequate returns to its unitholders.

The Trust is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt. The Trust mitigates these risks by its continued efforts to stagger the maturity profile of its long-term debt, to enhance the value of its real estate properties and to maintain high occupancy levels. 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.

The total managed capital for the Trust is summarized below:

As at	Note	March 31, 2020	December 31, 2019
Mortgages payable	7	**$1,059,297**	$1,068,348
Convertible debentures	8	**171,272**	170,753
Bank indebtedness	10	**73,632**	65,158
Morguard loan payable	14(b)	**35,500**	32,500
Lease liabilities	9	**11,086**	11,116
Cash		**(7,163)**	(5,783)
Unitholders' equity		**1,420,423**	1,537,468
		$2,764,047	$2,879,560

The Declaration of Trust permits the Trust to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of all indebtedness of the Trust is not more than 60% of the gross book value of the Trust's total assets as defined in the Declaration of Trust. The Declaration of Trust also permits the Trust to incur floating-rate debt, provided that the total amount of all floating-rate debt of the Trust is not more than 15% of the gross book value of the Trust's total assets.

The Trust's debt ratios compared to its borrowing limits established in the Declaration of Trust are outlined in the table below:

As at	Borrowing Limits	March 31, 2020	December 31, 2019
Fixed-rate debt to gross book value of total assets	N/A	**43.7%**	42.5%
Floating-rate debt to gross book value of total assets	15%	**3.8%**	3.3%
	60%	**47.5%**	45.8%

As at March 31, 2020, the Trust met all externally imposed ratios and minimum equity requirements.

Mortgages Payable

All mortgages payable in place for the Trust are secured against the real property assets and, as a result, have been relieved from having restrictive financial covenant requirements.

Convertible Debentures

The Trust's unsecured subordinated convertible debentures have no restrictive covenants.

Bank Indebtedness

The Trust's loan agreements permit the Trust to incur indebtedness. The loan agreements are fixed amounts that renew annually and are secured by fixed charges on specific properties owned by the Trust.

NOTE 19
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Trust's financial assets and liabilities comprise cash, amounts receivable, accounts payable and accrued liabilities, bank indebtedness, Morguard loan payable, mortgages payable and convertible debentures. Fair values of financial assets and liabilities and discussion of risks associated with financial assets and liabilities are presented as follows.

Fair Value of Financial Assets and Liabilities

The fair values of cash, amounts receivable, accounts payable and accrued liabilities, bank indebtedness and Morguard loan payable approximate their carrying values due to the short-term maturities of these instruments.

(a) Mortgages Payable

Mortgages payable are carried at amortized cost using the effective interest rate method of amortization. The estimated fair values of long-term borrowings are based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the Trust as at March 31, 2020.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using March 31, 2020, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2020, of the mortgages payable has been estimated at $1,096,057 (December 31, 2019 – $1,093,438) compared with the carrying value before deferred financing costs of $1,061,604 (December 31, 2019 – $1,070,838). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(b) Convertible Debentures

The fair value of the Convertible Debentures is based on their market trading price (TSX: MRT.DB) (Level 1). The fair value as at March 31, 2020, of the Convertible Debentures has been estimated at $139,143 (December 31, 2019 – $177,188) compared with the carrying value before deferred financing costs of $173,186 (December 31, 2019 – $172,933).

(c) Fair Value Hierarchy of Real Estate Properties

The fair value hierarchy of income producing properties, properties under development and held for development measured at fair value in the balance sheets is as follows:

	March 31, 2020			December 31, 2019		
As at	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Income producing properties	**$—**	**$—**	**$2,715,854**	$—	$—	$2,834,394
Properties under development	**$—**	**$—**	**$27,261**	$—	$—	$18,909
Held for development	**$—**	**$—**	**$40,350**	$—	$—	$38,800

Risks Associated with Financial Assets and Liabilities

The Trust is exposed to financial risks arising from its financial assets and liabilities. The financial risks include interest rate risk, credit risk and liquidity risk. The Trust's overall risk management program focuses on establishing policies to identify and analyze the risks faced by the Trust, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Trust's activities. The Trust aims to develop a disciplined control environment in which all employees understand their roles and obligations.

NOTE 20
SEGMENTED INFORMATION

IFRS 8, "Operating Segments", requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision-makers for the purpose of allocating resources to the segment and assessing its performance. The Trust has applied judgment by aggregating its operating segments according to the nature of the property operations. Such judgment considers the nature of operations, types of customers and an expectation that operating segments within a reportable segment have similar long-term economic characteristics. As at March 31, 2020, the Trust has the following three reportable segments: retail, office and industrial.

Business Segments

For the three months ended March 31, 2020	Retail	Office	Industrial	Total
Revenue from real estate properties	**$36,361**	**$29,198**	**$814**	**$66,373**
Property operating expenses	**(8,914)**	**(7,626)**	**(211)**	**(16,751)**
Property taxes	**(7,904)**	**(4,560)**	**(87)**	**(12,551)**
Property management fees	**(1,267)**	**(951)**	**(25)**	**(2,243)**
	$18,276	**$16,061**	**$491**	**$34,828**

For the three months ended March 31, 2019	Retail	Office	Industrial	Total
Revenue from real estate properties	$37,926	$31,332	$1,196	$70,454
Property operating expenses	(9,240)	(7,835)	(288)	(17,363)
Property taxes	(7,615)	(5,210)	(150)	(12,975)
Property management fees	(1,319)	(898)	(39)	(2,256)
	$19,752	$17,389	$719	$37,860

	Retail	Office	Industrial	Total
As at March 31, 2020				
Real estate properties	**$1,585,298**	**$1,154,717**	**$43,450**	**$2,783,465**
Mortgages payable (based on collateral)	**$607,216**	**$452,081**	**$—**	**$1,059,297**
For the three months ended March 31, 2020				
Additions to real estate properties	**$11,389**	**$1,276**	**$43**	**$12,708**
Fair value (losses)/gains on real estate properties	**($97,748)**	**($23,552)**	**$183**	**($121,117)**

	Retail	Office	Industrial	Total
As at December 31, 2019				
Real estate properties	$1,671,653	$1,177,220	$43,230	$2,892,103
Mortgages payable (based on collateral)	$612,078	$456,270	$—	$1,068,348
For the three months ended March 31, 2019				
Additions to real estate properties	$5,470	$3,263	$34	$8,767
Fair value gains/(losses) on real estate properties	$1,767	($7,760)	$313	($5,680)

NOTE 21
SUBSEQUENT EVENTS
COVID-19

During and subsequent to the first quarter of 2020, the outbreak of the novel strain of coronavirus ("COVID-19") has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of travel bans, restrictions on or closures of non-essential businesses, self-imposed quarantine periods and physical distancing, have caused an economic slowdown and material disruption to business in Canada and globally which has resulted in an uncertain and challenging economic environment that could negatively impact the Trust's operations and financial results in future periods. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty associated with the Trust's future operating assumptions and expectations as compared to prior periods. As such, it is not possible to estimate the impacts COVID-19 will have on the Trust's financial position or results of operations in future periods.

At this time, the duration and impact of the COVID-19 pandemic is unknown, as is the effectiveness of the government and central bank interventions. Any estimate of the length and severity of these measures is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the Trust's operations, financial results and condition in future periods are also subject to significant uncertainty.

There are tenants in all asset classes who did not pay their rent due on April 1, 2020. As of April 29, 2020, the Trust has collected approximately 65% (or $0.2 million) of April rent from its industrial tenants, approximately 91% (or $9.0 million) of April rent from its office tenants and approximately 45% (or $5.4 million) of April rent from its retail tenants. In total the Trust has collected 65% of its April rent across all asset classes. This is analyzed in more depth on page 10 of the Trust's March 31, 2020 Management's Discussion and Analysis.

Distribution to Unitholders

On March 13, 2020, the Trust declared a distribution of $0.08 per unit which was paid to unitholders on April 15, 2020. Morguard elected to participate in the distribution reinvestment program, and as a result the Trust issued 574,555 units to Morguard on April 15, 2020. After the issuance of units related to this distribution, Morguard owns 58.86% of the Trust's outstanding units as at April 15, 2020.