



Real Estate Potential. *Realized.*



MORGUARD REAL ESTATE
INVESTMENT TRUST

SEPTEMBER 30, 2023

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)

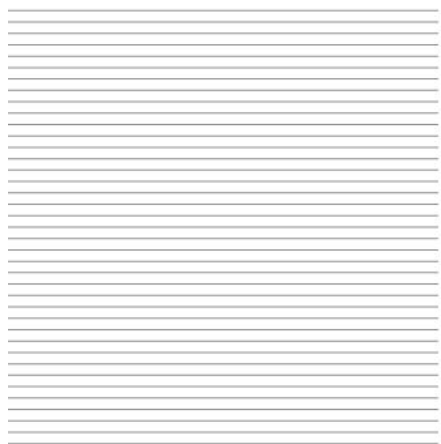


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BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	September 30, 2023	December 31, 2022
ASSETS			
Non-current assets			
Real estate properties	3	\$2,285,852	\$2,337,805
Right-of-use asset	4	14	76
Equity-accounted investment	5	9,146	11,658
		2,295,012	2,349,539
Current assets			
Amounts receivable	6	10,161	15,736
Prepaid expenses and other		10,114	1,200
Cash		6,066	9,712
		26,341	26,648
Total assets		\$2,321,353	\$2,376,187
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	8	\$660,331	\$739,503
Convertible debentures	9	151,391	149,835
Lease liabilities	10	16,318	16,384
Accounts payable and accrued liabilities		5,608	5,392
		833,648	911,114
Current liabilities			
Mortgages payable	8	400,866	311,999
Lease liabilities	10	99	167
Accounts payable and accrued liabilities		56,948	46,457
Bank indebtedness	11	37,000	55,622
		494,913	414,245
Total liabilities		1,328,561	1,325,359
Unitholders' equity		992,792	1,050,828
		\$2,321,353	\$2,376,187
Commitments and contingencies	18		

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,
Lead Trustee**

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

In thousands of Canadian dollars, except per unit amounts

	Note	Three months ended		Nine months ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Revenue from real estate properties	12	\$62,512	\$61,127	\$189,219	\$182,965
Property operating costs					
Property operating expenses	13(a)	(17,714)	(16,410)	(53,774)	(51,608)
Property taxes		(12,122)	(12,111)	(36,400)	(36,394)
Property management fees		(2,125)	(2,173)	(6,481)	(6,303)
Net operating income		30,551	30,433	92,564	88,660
Interest expense	14	(16,072)	(13,343)	(45,672)	(39,426)
General and administrative	13(b)	(911)	(935)	(2,970)	(2,923)
Amortization expense		(21)	(20)	(62)	(62)
Other income		5	—	5	—
Fair value losses on real estate properties	3	(52,047)	(73,263)	(88,885)	(35,973)
Net loss from equity-accounted investment	5	(1,170)	(1,151)	(1,630)	(997)
Net (loss)/income and comprehensive (loss)/income		(\$39,665)	(\$58,279)	(\$46,650)	\$9,279
NET (LOSS)/INCOME PER UNIT	16(d)				
Basic		(\$0.62)	(\$0.91)	(\$0.73)	\$0.14
Diluted		(\$0.62)	(\$0.91)	(\$0.73)	\$0.14

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF UNITHOLDERS' EQUITY

In thousands of Canadian dollars, except number of units

	Note	Number of Units	Issue of Units	Retained Earnings	Equity Component of Convertible Debentures	Contributed Surplus	Total Unitholders' Equity
Unitholders' equity, January 1, 2022		64,161,097	\$635,531	\$503,120	\$6,879	\$6,458	\$1,151,988
Net income		—	—	9,279	—	—	9,279
Distributions to unitholders	16(a)	—	—	(11,327)	—	—	(11,327)
Issue of units – DRIP ¹	16(c)	42,113	221	(221)	—	—	—
Unitholders' equity, September 30, 2022		64,203,210	635,752	500,851	6,879	6,458	1,149,940
Net loss		—	—	(95,376)	—	—	(95,376)
Distributions to unitholders	16(a)	—	—	(3,736)	—	—	(3,736)
Issue of units – DRIP ¹	16(c)	23,644	122	(122)	—	—	—
Unitholders' equity, December 31, 2022		64,226,854	635,874	401,617	6,879	6,458	1,050,828
Net loss		—	—	(46,650)	—	—	(46,650)
Distributions to unitholders	16(a)	—	—	(11,386)	—	—	(11,386)
Issue of units – DRIP ¹	16(c)	31,844	173	(173)	—	—	—
Unitholders' equity, September 30, 2023		64,258,698	\$636,047	\$343,408	\$6,879	\$6,458	\$992,792

1. Distribution Reinvestment Plan ("DRIP").

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

	Note	Three months ended		Nine months ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
OPERATING ACTIVITIES					
Net (loss)/income		(\$39,665)	(\$58,279)	(\$46,650)	\$9,279
Add items not affecting cash	17(a)	54,076	75,160	93,986	40,266
Distributions from equity-accounted investment, net	5	315	973	882	3,250
Additions to tenant incentives and leasing commissions		(5,562)	(942)	(8,856)	(3,124)
Net change in non-cash operating assets and liabilities	17(b)	12,125	4,503	6,088	3,329
Cash provided by operating activities		21,289	21,415	45,450	53,000
FINANCING ACTIVITIES					
Proceeds from new mortgages		70,781	17,800	127,967	17,800
Financing costs on new mortgages		(440)	(107)	(704)	(97)
Repayment of mortgages					
Repayments on maturity		(41,005)	(12,674)	(92,589)	(12,674)
Principal instalment repayments		(8,331)	(9,111)	(25,685)	(27,087)
Payment of lease liabilities, net		(45)	(43)	(134)	(125)
(Repayment of)/proceeds from bank indebtedness, net	11	(34,974)	292	(18,622)	(401)
Morguard loan payable, net	15(b)	—	(5,000)	—	—
Distributions to unitholders		(3,815)	(3,758)	(10,106)	(11,009)
Cash used in financing activities		(17,829)	(12,601)	(19,873)	(33,593)
INVESTING ACTIVITIES					
Capital expenditures on real estate properties		(6,204)	(5,317)	(17,227)	(9,898)
Expenditures on properties under development		(2,541)	(4,460)	(11,996)	(9,908)
Cash used in investing activities		(8,745)	(9,777)	(29,223)	(19,806)
Net change in cash		(5,285)	(963)	(3,646)	(399)
Cash, beginning of period		11,351	11,834	9,712	11,270
Cash, end of period		\$6,066	\$10,871	\$6,066	\$10,871

See accompanying notes to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended September 30, 2023, and 2022

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, 2021 (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 65.3% of the outstanding units as at September 30, 2023. 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 International Accounting Standards 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board, 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 audited 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 October 25, 2023.

Significant assumptions are used in the assessment of fair value, including estimates of future operating cash flows, the time period over which they will occur, appropriate discount and capitalization rates and stabilized net operating income (which is primarily influenced by revenue growth, vacancy rates, inflation rates and operating costs). These assumptions could change periodically and ultimately impact the underlying valuation of the Trust's real estate properties and equity-accounted investment.

NOTE 3

REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at	September 30, 2023	December 31, 2022
Income producing properties	\$2,202,573	\$2,260,657
Properties under development	15,038	25,948
Held for development	68,241	51,200
	\$2,285,852	\$2,337,805

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, 2021	\$2,395,750	\$15,401	\$40,150	\$2,451,301
Additions:				
Capital expenditures/capitalized costs	14,076	14,565	—	28,641
Tenant improvements, tenant incentives and commissions	8,132	—	—	8,132
Transfers	4,018	(4,018)	—	—
Fair value (losses)/gains	(160,027)	—	11,050	(148,977)
Other changes	(1,292)	—	—	(1,292)
Balance as at December 31, 2022	2,260,657	25,948	51,200	2,337,805
Additions:				
Capital expenditures/capitalized costs	10,410	11,996	—	22,406
Tenant improvements, tenant incentives and commissions	15,673	—	—	15,673
Transfers	22,906	(22,906)	—	—
Fair value (losses)/gains	(105,926)	—	17,041	(88,885)
Other changes	(1,147)	—	—	(1,147)
Balance as at September 30, 2023	\$2,202,573	\$15,038	\$68,241	\$2,285,852

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 4.5% to 8.8% applied to a stabilized net operating income (December 31, 2022 – 4.3% to 8.3%), resulting in an overall weighted average capitalization rate of 7.41% (December 31, 2022 – 7.10%).

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

	September 30, 2023					December 31, 2022				
	Stabilized Occupancy		Capitalization Rates			Stabilized Occupancy		Capitalization Rates		
	Max.	Min.	Max.	Min.	Weighted Average	Max.	Min.	Max.	Min.	Weighted Average
Retail	97.0%	90.0%	8.0%	5.0%	7.4%	97.0%	90.0%	7.8%	5.0%	7.4%
Office	100.0%	85.0%	8.8%	4.5%	7.6%	100.0%	90.0%	8.3%	4.3%	6.9%
Industrial	100.0%	95.0%	5.5%	5.3%	5.6%	100.0%	95.0%	5.5%	5.3%	5.6%

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

	September 30, 2023			December 31, 2022		
	Maximum	Minimum	Weighted Average	Maximum	Minimum	Weighted Average
RETAIL						
Discount rate	9.0 %	5.8 %	7.6 %	8.8 %	5.8 %	7.5 %
Terminal cap rate	8.0 %	5.0 %	6.8 %	7.8 %	5.0 %	6.7 %
OFFICE						
Discount rate	9.0 %	5.5 %	6.8 %	9.0 %	5.3 %	6.5 %
Terminal cap rate	8.3 %	4.5 %	5.9 %	8.0 %	4.3 %	5.7 %
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 September 30, 2023, 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 September 30, 2023, would decrease by \$66,844 or increase by \$71,542, respectively.

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

For the nine months ended September 30, 2023

Change in capitalization rate	0.25%	(0.25%)
Retail	(\$36,197)	\$38,734
Office	(27,781)	29,673
Industrial	(2,866)	3,135
	(\$66,844)	\$71,542

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:

	September 30, 2023	December 31, 2022
As at		
Balance, beginning of period	\$76	\$159
Amortization expense	(62)	(83)
Balance, end of period	\$14	\$76

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.

	September 30, 2023	December 31, 2022
As at		
Balance, beginning of period	\$11,658	\$18,578
Equity loss	(1,630)	(3,022)
Distributions to partners, net	(882)	(3,898)
Balance, end of period	\$9,146	\$11,658

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:

	September 30, 2023	December 31, 2022
As at		
Real estate property	\$33,500	\$36,500
Current assets	1,187	998
Total assets	34,687	37,498
Non-current liabilities	(3)	(4)
Current liabilities	(25,538)	(25,836)
Net equity	\$9,146	\$11,658

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Revenue from real estate property	\$1,322	\$1,404	\$4,058	\$4,042
Property operating expenses	(531)	(663)	(1,702)	(1,748)
Net operating income	791	741	2,356	2,294
Interest and other	(362)	(220)	(938)	(659)
Fair value losses on real estate property	(1,599)	(1,672)	(3,048)	(2,632)
Net loss	(\$1,170)	(\$1,151)	(\$1,630)	(\$997)

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 September 30, 2023, the property was valued using a discount rate of 8.8% (December 31, 2022 – 8.3%), a terminal cap rate of 7.8% (December 31, 2022 – 7.5%) and a stabilized cap rate of 7.5% (December 31, 2022 – 7.3%). The stabilized annual net operating income as at September 30, 2023, was \$3,129 (December 31, 2022 – \$2,954).

NOTE 6
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at	September 30, 2023	December 31, 2022
Tenant receivables	\$3,819	\$5,428
Unbilled other tenant receivables	3,256	3,445
Receivables from related parties	442	495
Other	4,409	8,975
Allowance for expected credit loss	(1,765)	(2,607)
	\$10,161	\$15,736

NOTE 7

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.

Jointly Controlled Operations	Location	Property Type	Trust's Ownership Share	
			2023	2022
505 Third Street	Calgary, AB	Office	50%	50%
Rice Howard 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%

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 September 30, 2023, and December 31, 2022, and the results of operations for the three and nine months ended September 30, 2023, and 2022:

As at	September 30, 2023	December 31, 2022
Assets	\$390,895	\$422,749
Liabilities	\$217,484	\$211,805

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Revenue	\$11,573	\$11,609	\$34,907	\$35,663
Expenses	(8,189)	(7,417)	(24,461)	(23,485)
Income before fair value adjustments	3,384	4,192	10,446	12,178
Fair value losses on real estate properties	(16,831)	(12,962)	(35,681)	(16,227)
Net loss	(\$13,447)	(\$8,770)	(\$25,235)	(\$4,049)

NOTE 8

MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	September 30, 2023	December 31, 2022
Mortgages payable before deferred financing costs	\$1,063,394	\$1,053,701
Deferred financing costs	(2,197)	(2,199)
Mortgages payable	\$1,061,197	\$1,051,502
Mortgages payable – non-current	\$660,331	\$739,503
Mortgages payable – current	400,866	311,999
Mortgages payable	\$1,061,197	\$1,051,502
Range of interest rates	2.7% to 7.9%	2.7% to 6.9%
Weighted average fixed interest rate	4.0%	3.6%
Weighted average interest rate on all mortgages	5.0%	4.2%
Weighted average term to maturity (years)	2.8	3.2

The mortgages payable above include floating-rate mortgages. As at September 30, 2023, these mortgages totalled \$290,198 (December 31, 2022 – \$179,161). The increase in floating-rate mortgages during the period stems mainly from one mortgage that matured in August 2023. This mortgage was converted from fixed-rate to floating-rate and extended to January 1, 2024.

The aggregate principal repayments and balances maturing on the mortgages payable as at September 30, 2023, 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
2023 (remainder of year)	\$15,864	\$65,098	\$80,962	7.5 %
2024	25,136	431,067	456,203	6.1 %
2025	18,163	115,653	133,816	3.2 %
2026	11,664	103,613	115,277	4.0 %
2027	9,651	42,485	52,136	4.1 %
Thereafter	34,437	190,563	225,000	3.8 %
	\$114,915	\$948,479	\$1,063,394	5.0 %

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

The Trust has various financial covenants in relation to various outstanding debt instruments and facilities, including debt to asset and debt service coverage ratios. As at September 30, 2023, and December 31, 2022, the Trust was in compliance with those covenants.

NOTE 9

CONVERTIBLE DEBENTURES

Debentures

On December 7, 2021, the Trust issued \$159,000 principal amount of 5.25% convertible unsecured subordinated debentures ("Convertible Debentures") maturing on December 31, 2026 (the "Maturity Date"). As at September 30, 2023, Morguard held a total of \$60,000 principal amount of the Convertible Debentures (December 31, 2022 – \$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 \$4,026 was capitalized and will be amortized over the term to maturity, while the remaining amount of \$187 was charged to equity.

	Liability	Equity	Principal Amount Issued
Transaction date – December 7, 2021	\$151,934	\$7,066	\$159,000
Issue costs	(4,026)	(187)	(4,213)
	\$147,908	\$6,879	\$154,787

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 \$7.80 per unit, being a rate of approximately 128.2 units per thousand principal amount of Convertible Debentures, subject to adjustment.

The Convertible Debentures payable consist of the following:

As at	September 30, 2023	December 31, 2022
Convertible debentures – liability	\$151,934	\$151,934
Convertible debentures – accretion	2,219	1,228
Convertible debentures before issue costs	154,153	153,162
Issue costs	(2,762)	(3,327)
Convertible debentures	\$151,391	\$149,835

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

	Interest	Principal	Total
2023	\$4,174	\$—	\$4,174
2024	8,348	—	8,348
2025	8,348	—	8,348
2026	8,348	159,000	167,348
	\$29,218	\$159,000	\$188,218

Redemption Rights

Each Convertible Debenture is redeemable any time from January 1, 2025, to the close of business on December 31, 2025, 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, 2026, to the close of business on December 31, 2026, 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 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 10

LEASE LIABILITIES

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

As at	September 30, 2023	December 31, 2022
Balance, beginning of period	\$16,551	\$16,718
Lease payments	(903)	(1,203)
Interest	769	1,036
Balance, end of period	\$16,417	\$16,551
Current	\$99	\$167
Non-current	16,318	16,384
	\$16,417	\$16,551
Weighted average borrowing rate	6.2 %	6.2 %

NOTE 11

BANK INDEBTEDNESS

The Trust has operating lines of credit totalling \$102,500 (December 31, 2022 – \$108,000), which renew annually and are secured by fixed charges on specific properties owned by the Trust. One of these lines is subject to cash flow tests based on the operating results of the secured properties along with prevailing bond yields. As at September 30, 2023, there is a maximum of \$83,000 available (December 31, 2022 – \$93,700).

As at September 30, 2023, the Trust had borrowed \$37,000 (December 31, 2022 – \$55,622) on its credit facilities and issued letters of credit in the amount of \$1,024 (December 31, 2022 – \$1,090) related to these facilities. The net availability remaining on the Trust's credit facilities is \$44,976 (December 31, 2022 – \$36,988).

The bank credit agreements include certain restrictive covenants and undertakings by the Trust. As at September 30, 2023, and December 31, 2022, 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 September 30, 2023, approximates fair value.

NOTE 12

REVENUE FROM REAL ESTATE PROPERTIES

Revenue from real estate properties consists of the following:

For the three months ended September 30, 2023	Retail	Office	Industrial	Total
Rental revenue	\$22,264	\$15,312	\$535	\$38,111
CAM recoveries	5,328	6,969	158	12,455
Property tax and insurance recoveries	5,797	3,493	140	9,430
Other revenue and lease cancellation fees	652	585	—	1,237
Parking revenue	2	1,374	—	1,376
Amortized rents	(20)	(95)	18	(97)
	\$34,023	\$27,638	\$851	\$62,512

For the three months ended September 30, 2022	Retail	Office	Industrial	Total
Rental revenue	\$22,535	\$15,420	\$580	\$38,535
CAM recoveries	4,373	6,937	226	11,536
Property tax and insurance recoveries	5,054	3,779	148	8,981
Other revenue and lease cancellation fees	546	371	61	978
Parking revenue	—	1,143	—	1,143
Amortized rents	(159)	135	(22)	(46)
	\$32,349	\$27,785	\$993	\$61,127

For the nine months ended September 30, 2023	Retail	Office	Industrial	Total
Rental revenue	\$66,547	\$46,453	\$1,522	\$114,522
CAM recoveries	16,060	20,920	592	37,572
Property tax and insurance recoveries	19,234	11,097	418	30,749
Other revenue and lease cancellation fees	1,863	1,631	—	3,494
Parking revenue	(1)	4,030	—	4,029
Amortized rents	(160)	(1,071)	84	(1,147)
	\$103,543	\$83,060	\$2,616	\$189,219

For the nine months ended September 30, 2022	Retail	Office	Industrial	Total
Rental revenue	\$66,160	\$46,296	\$1,698	\$114,154
CAM recoveries	14,212	20,348	816	35,376
Property tax and insurance recoveries	15,378	11,657	458	27,493
Other revenue and lease cancellation fees	2,216	1,416	178	3,810
Parking revenue	1	3,274	—	3,275
Amortized rents	(281)	(828)	(34)	(1,143)
	\$97,686	\$82,163	\$3,116	\$182,965

Common area maintenance ("CAM") recoveries and other revenue and lease cancellation fees noted in the above table are considered to be a component of revenue from contracts with customers.

NOTE 13

EXPENSES

(a) Property Operating Expenses

Property operating expenses consist of the following:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Repairs and maintenance	\$6,980	\$6,816	\$22,519	\$22,073
Utilities	4,678	4,838	13,907	13,321
Bad debt expense	(30)	(522)	41	497
Other operating expenses	6,086	5,278	17,307	15,717
	\$17,714	\$16,410	\$53,774	\$51,608

(b) General and Administrative

General and administrative expenses consist of the following:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Trustees' fees and expenses	\$42	\$62	\$170	\$182
Professional and compliance fees	327	323	997	1,043
Payroll and other administrative expenses	542	550	1,803	1,698
	\$911	\$935	\$2,970	\$2,923

NOTE 14

INTEREST EXPENSE

The components of interest expense are as follows:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Mortgages payable	\$12,342	\$10,252	\$34,485	\$30,316
Amortization of deferred financing costs – mortgages	234	207	706	636
Convertible debentures	2,104	2,104	6,278	6,278
Accretion on convertible debentures, net	323	301	991	926
Amortization of deferred financing costs – convertible debentures	184	172	565	529
Lease liabilities	255	259	769	778
Bank indebtedness	1,045	154	2,908	238
Morguard loan payable and other	18	17	31	20
Capitalized interest	(433)	(123)	(1,061)	(295)
	\$16,072	\$13,343	\$45,672	\$39,426

NOTE 15

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 period, the Trust incurred/(earned) the following:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Property management fees ¹	\$2,145	\$2,158	\$6,548	\$6,334
Appraisal/valuation fees	85	85	255	251
Information services	55	55	165	165
Leasing fees	1,171	681	2,724	2,215
Project administration fees	242	252	657	408
Project management fees	8	1	20	5
Risk management fees	82	78	244	234
Internal audit fees	30	31	90	94
Off-site administrative charges	471	476	1,447	1,426
Rental revenue	(48)	(50)	(144)	(150)
	\$4,241	\$3,767	\$12,006	\$10,982

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

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

As at	September 30, 2023	December 31, 2022
Amounts payable to MIL, net	\$1,314	\$1,293

(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, 2022 – \$75,000), which is interest-bearing at the lender's borrowing rate and due on demand subject to available funds.

Morguard Loan Payable

During the nine months ended September 30, 2023, there were no advances or repayments. As at September 30, 2023, and December 31, 2022, there was no loan payable to Morguard. For the three months ended September 30, 2023, the Trust incurred no interest expense (2022 – \$17) at an average interest rate of n/a (2022 – 4.19%). For the nine months ended September 30, 2023, the Trust incurred no interest expense (2022 – \$20) at an average interest rate of n/a (2022 – 4.07%).

Morguard Loan Receivable

During the nine months ended September 30, 2023, there were no advances or repayments. As at September 30, 2023 and December 31, 2022, there was no loan receivable from Morguard. For the three months and nine months ended September 30, 2023, and 2022, the Trust did not earn interest income on loans receivable from Morguard. 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 September 30, 2023, the Trust incurred rent expense in the amount of \$56 (2022 – \$52). For the nine months ended September 30, 2023, the Trust incurred rent expense in the amount of \$163 (2022 – \$157).

(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	September 30, 2023	December 31, 2022
Amounts receivable	\$63	\$125
Accounts payable and accrued liabilities	\$—	\$—

(e) Rental Revenue from Morguard (Excluding MIL)

Morguard is a tenant in one of the Trust's properties. For the three months ended September 30, 2023, the Trust earned rental revenue in the amount of \$29 (2022 – \$29). For the nine months ended September 30, 2023, the Trust earned rental revenue in the amount of \$86 (2022 – \$86).

NOTE 16

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, 2022 to September 30, 2023:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of period	64,226,854	64,161,097
Distribution Reinvestment Plan	31,844	65,757
Balance, end of period	64,258,698	64,226,854

Total distributions recorded during the nine months ended September 30, 2023, amounted to \$11,559 or \$0.18 per unit (2022 – \$11,548 or \$0.18 per unit). On September 15, 2023, the Trust declared a distribution in the amount of \$0.02 per unit for the month of September 2023, payable on October 16, 2023.

(b) Normal Course Issuer Bid

On February 7, 2023, 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 9, 2023, and ending February 8, 2024, the Trust may purchase for cancellation on the TSX up to 3,211,342 units in total, being approximately 5% of the outstanding units. Additionally, the Trust may purchase for cancellation up to \$9,800 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 nine months ended September 30, 2023, and 2022, the Trust did not purchase any units or debentures for cancellation.

(c) Distribution Reinvestment Plan

Under the Trust's DRIP, 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 nine months ended September 30, 2023, the Trust issued 31,844 units under the DRIP (2022 – 42,113 units).

(d) Net (Loss)/Income Per Unit

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

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net (loss)/income – basic	(\$39,665)	(\$58,279)	(\$46,650)	\$9,279
Net (loss)/income – diluted	(\$39,665)	(\$58,279)	(\$46,650)	\$9,279
Weighted average number of units outstanding – basic	64,255	64,194	64,244	64,178
Weighted average number of units outstanding – diluted	64,255	64,194	64,244	64,178
Net (loss)/income per unit – basic	(\$0.62)	(\$0.91)	(\$0.73)	\$0.14
Net (loss)/income per unit – diluted	(\$0.62)	(\$0.91)	(\$0.73)	\$0.14

To calculate net (loss)/income – diluted, interest, accretion and the amortization of financing costs on convertible debentures outstanding that were expensed during the period 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 September 30, 2023, and 2022, 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 and nine months ended September 30, 2023, and 2022, as their inclusion would be anti-dilutive.

NOTE 17

STATEMENTS OF CASH FLOWS

(a) Items Not Affecting Cash

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Fair value losses on real estate properties	\$52,047	\$73,263	\$88,885	\$35,973
Net loss from equity-accounted investment	1,170	1,151	1,630	997
Amortized stepped rent	182	2	835	906
Amortized free rent	(164)	(22)	(63)	(35)
Amortization of deferred financing costs – mortgages	234	207	706	636
Amortization of tenant incentives	79	66	375	272
Amortization of right-of-use asset	21	20	62	62
Amortization of deferred financing costs – convertible debentures	184	172	565	529
Accretion on convertible debentures	323	301	991	926
	\$54,076	\$75,160	\$93,986	\$40,266

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

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Amounts receivable	\$2,545	\$928	\$5,575	\$4,093
Prepaid expenses and other	5,094	919	(8,914)	(9,393)
Accounts payable and accrued liabilities	4,486	2,656	9,427	8,629
	\$12,125	\$4,503	\$6,088	\$3,329
Other supplemental cash flow information consists of the following:				
Interest paid	\$13,189	\$10,307	\$41,796	\$35,935
Issue of units – DRIP	\$40	\$93	\$173	\$221

NOTE 18

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 September 30, 2023, committed capital expenditures in the next 12 months are estimated at \$7,810.

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 19

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	September 30, 2023	December 31, 2022
Mortgages payable	8	\$1,061,197	\$1,051,502
Convertible debentures	9	151,391	149,835
Bank indebtedness	11	37,000	55,622
Lease liabilities	10	16,417	16,551
Cash		(6,066)	(9,712)
Unitholders' equity		992,792	1,050,828
		\$2,252,731	\$2,314,626

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 65% 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	September 30, 2023	December 31, 2022
Fixed-rate debt to gross book value of total assets	N/A	40.4 %	43.7 %
Floating-rate debt to gross book value of total assets	15 %	14.1 %	9.9 %
	65 %	54.5 %	53.6 %

As at September 30, 2023, the Trust met all externally imposed ratios and minimum equity requirements.

Mortgages Payable

The Trust has mortgages payable that include financial covenants such as coverage and leverage ratios, on a property and consolidated basis, as defined in the respective agreements. These ratios are evaluated by the Trust on an ongoing basis to ensure compliance. The Trust was in compliance with each of the financial covenants as at September 30, 2023, and December 31, 2022.

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 20

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 September 30, 2023.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using September 30, 2023, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at September 30, 2023, of the mortgages payable has been estimated at \$1,002,985 (December 31, 2022 – \$1,007,073) compared with the carrying value before deferred financing costs of \$1,063,394 (December 31, 2022 – \$1,053,701). 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.A) (Level 1). The fair value as at September 30, 2023, of the Convertible Debentures has been estimated at \$140,699 (December 31, 2022 – \$147,870) compared with the carrying value before deferred financing costs of \$154,153 (December 31, 2022 – \$153,162).

(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:

As at	September 30, 2023			December 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Income producing properties	\$—	\$—	\$2,202,573	\$—	\$—	\$2,260,657
Properties under development	\$—	\$—	\$15,038	\$—	\$—	\$25,948
Held for development	\$—	\$—	\$68,241	\$—	\$—	\$51,200

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 21

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 maker 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 September 30, 2023, the Trust has the following three reportable segments: retail, office and industrial.

Business Segments

For the three months ended September 30, 2023	Retail	Office	Industrial	Total
Revenue from real estate properties	\$34,023	\$27,638	\$851	\$62,512
Property operating expenses	(9,225)	(8,315)	(174)	(17,714)
Property taxes	(7,807)	(4,152)	(163)	(12,122)
Property management fees	(1,218)	(879)	(28)	(2,125)
Net operating income	\$15,773	\$14,292	\$486	\$30,551

For the three months ended September 30, 2022	Retail	Office	Industrial	Total
Revenue from real estate properties	\$32,349	\$27,785	\$993	\$61,127
Property operating expenses	(8,240)	(7,967)	(203)	(16,410)
Property taxes	(7,709)	(4,248)	(154)	(12,111)
Property management fees	(1,220)	(919)	(34)	(2,173)
Net operating income	\$15,180	\$14,651	\$602	\$30,433

For the three months ended September 30, 2023	Retail	Office	Industrial	Total
Additions to real estate properties	\$5,135	\$8,709	\$463	\$14,307
Fair value (losses)/gains on real estate properties	(\$2,095)	(\$54,272)	\$4,320	(\$52,047)

For the three months ended September 30, 2022	Retail	Office	Industrial	Total
Additions to real estate properties	\$7,999	\$2,650	\$70	\$10,719
Fair value losses on real estate properties	(\$41,103)	(\$29,963)	(\$2,197)	(\$73,263)

For the nine months ended September 30, 2023	Retail	Office	Industrial	Total
Revenue from real estate properties	\$103,543	\$83,060	\$2,616	\$189,219
Property operating expenses	(28,211)	(24,877)	(686)	(53,774)
Property taxes	(23,035)	(12,879)	(486)	(36,400)
Property management fees	(3,731)	(2,664)	(86)	(6,481)
Net operating income	\$48,566	\$42,640	\$1,358	\$92,564

For the nine months ended September 30, 2022	Retail	Office	Industrial	Total
Revenue from real estate properties	\$97,686	\$82,163	\$3,116	\$182,965
Property operating expenses	(27,430)	(23,417)	(761)	(51,608)
Property taxes	(22,776)	(13,154)	(464)	(36,394)
Property management fees	(3,524)	(2,676)	(103)	(6,303)
Net operating income	\$43,956	\$42,916	\$1,788	\$88,660

	Retail	Office	Industrial	Total
As at September 30, 2023				
Real estate properties	\$1,299,270	\$909,482	\$77,100	\$2,285,852
Mortgages payable (based on collateral)	\$596,712	\$464,485	\$—	\$1,061,197
For the nine months ended September 30, 2023				
Additions to real estate properties	\$22,437	\$13,913	\$1,729	\$38,079
Fair value (losses)/gains on real estate properties	(\$4,682)	(\$95,940)	\$11,737	(\$88,885)

	Retail	Office	Industrial	Total
As at December 31, 2022				
Real estate properties	\$1,281,675	\$992,580	\$63,550	\$2,337,805
Mortgages payable (based on collateral)	\$578,749	\$472,753	\$—	\$1,051,502
For the nine months ended September 30, 2022				
Additions to real estate properties	\$15,889	\$6,893	\$148	\$22,930
Fair value (losses)/gains on real estate properties	(\$29,027)	(\$17,083)	\$10,137	(\$35,973)