2023 FIRST QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS
AND CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

MORGUARD REIT

Morguard

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SUMMARY OF OPERATIONS

In thousands of dollars, except per-unit amounts	Three Months Ended March 31, 2023	2022
Revenue from real estate properties	**$64,816**	$61,326
Net operating income	**31,546**	28,544
Fair value (losses)/gains on real estate properties	**(21,541)**	24,965
Net (loss)/income	**(5,157)**	39,909
Funds from operations [1]	**16,278**	14,961
Adjusted funds from operations [1,2]	**10,300**	9,105
Amounts presented on a per unit basis		
Net (loss)/income – basic	**($0.08)**	$0.62
Net (loss)/income – diluted	**($0.08)**	$0.44
Funds from operations – basic [1]	**$0.25**	$0.23
Funds from operations – diluted [1]	**$0.22**	$0.20
Adjusted funds from operations – basic [1,2]	**$0.16**	$0.14
Adjusted funds from operations – diluted [1,2]	**$0.15**	$0.13
Distributions per unit	**$0.06**	$0.06
Payout ratio – Adjusted funds from operations [1]	**37.5%**	42.9%
Weighted average number of units (in thousands)		
Basic	**64,231**	64,163
Diluted [3]	**84,615**	84,548

1. The following represents a non-GAAP financial measure/ratio that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure/ratio can be found under the MD&A section Part I, "Specified Financial Measures".

2. The Trust uses normalized productive capacity maintenance expenditures to calculate adjusted funds from operations.

3. Includes the dilutive impact of convertible debentures and presented on a cash settlement basis for consistency with industry practice for calculating FFO and AFFO.

SUMMARY OF FINANCIAL POSITION

As at	March 31, 2023	December 31, 2022	March 31, 2022
Total assets (thousands of dollars)	**$2,372,021**	$2,376,187	$2,530,317
Total gross debt (thousands of dollars)	**1,274,949**	1,279,036	1,297,974
Total equity (thousands of dollars)	**1,041,882**	1,050,828	1,188,084
Gross leasable area as at quarter-end (in thousands of square feet) [1]			
Retail	**4,478**	4,478	4,567
Office	**3,245**	3,253	3,252
Industrial	**293**	293	293
Total	**8,016**	**8,024**	**8,112**
Occupancy as at quarter-end (%) [2]			
Retail	**93.6%**	94.5%	94.0%
Office	**85.0%**	86.1%	87.2%
Industrial	**86.1%**	86.1%	95.1%
Total	**89.7%**	90.6%	91.2%

1. Excludes equity-accounted investment.

2. Excludes properties held for sale, area either held for or under development and equity accounted investment.

PART I

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") for Morguard Real Estate Investment Trust (the "Trust"), should be read in conjunction with the Trust's condensed consolidated financial statements and the accompanying notes for the three months ended March 31, 2023, and 2022.

This MD&A sets out the Trust's strategies and provides an analysis of the financial performance for the three months ended March 31, 2023, and significant risks facing the business. Historical results, including trends that might appear, should not be taken as indicative of future operations or results.

The Trust's condensed consolidated financial statements and the accompanying notes for the three months ended March 31, 2023, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These condensed consolidated financial statements include the accounts of the Trust and other entities that the Trust controls and are reported in thousands of Canadian dollars, except where otherwise noted.

The information in this MD&A is current to April 26, 2023.

FORWARD-LOOKING DISCLAIMER

Statements contained herein that are not based on historical or current fact, including without limitation, statements containing the words "anticipate", "believe", "may", "continue", "estimate", "expects", "will" and words of similar expression, constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, both nationally and in the regions in which the Trust operates; changes in business strategy or development/acquisition plans; environmental exposures; financing risk; existing governmental regulations and changes in, or the failure to comply with, governmental regulations; liability and other claims asserted against the Trust; and other factors including risks and uncertainties relating to the COVID-19 pandemic referred to in the Trust's filings with Canadian securities regulators. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Trust does not assume the obligation to update or revise any forward-looking statements.

SPECIFIED FINANCIAL MEASURES

The Trust reports its financial results in accordance with IFRS. However, this MD&A also uses specified financial measures that are not defined by IFRS, which follow the disclosure requirements established by National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure.* Specified financial measures are categorized as non-GAAP financial measures, non-GAAP ratios, and other financial measures, which are capital management measures, supplementary financial measures, and total of segments measures.

NON-GAAP FINANCIAL MEASURES

Non-GAAP financial measures do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. These measures should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. The Trust's management uses these measures to aid in assessing the Trust's underlying core performance and provides these additional measures so that investors may do the same. Management believes that the non-GAAP financial measures described below, which supplement the IFRS measures, provide readers with a more comprehensive understanding of management's perspective on the Trust's operating results and performance.

The following discussion describes the non-GAAP financial measures the Trust uses in evaluating its operating results:

NET OPERATING INCOME – SAME ASSETS

Net operating income ("NOI") is used as a key indicator of performance as it represents a measure over which management has control, and is a key input in determining the value of the Trust's properties. NOI – same assets is a non-GAAP measure used by the Trust to assess period-over-period performance of those properties that are stabilized and owned by the Trust continuously for the current and comparable reporting period. The Trust believes it is useful to provide an analysis of NOI – same assets, which also eliminates non-recurring and non-cash items. NOI – same assets represents NOI from properties that have been adjusted for: (i) acquisitions; (ii) dispositions; and (iii) area either held for, or under, development/redevelopment/intensification. NOI – same assets also excludes the impact of straight-line rents, lease cancellation fees and other non-recurring items. A reconciliation of NOI – same assets from the IFRS financial statement presentation can be found in Part III.

FUNDS FROM OPERATIONS ("FFO")

FFO is a non-GAAP measure widely used as a real estate industry standard that supplements net income and evaluates operating performance but is not indicative of funds available to meet the Trust's cash requirements. FFO can assist with comparisons of the operating performance of the Trust's real estate between periods and relative to other real estate entities. FFO is computed by the Trust in accordance with the current definition of the Real Property Association of Canada ("REALpac") and is defined as net income adjusted for fair value changes on real estate properties and gains/(losses) on the sale of real estate properties. The Trust considers FFO to be a useful measure for reviewing its comparative operating and financial performance. A reconciliation of net income to FFO is presented under Part III, "Funds from Operations and Adjusted Funds from Operations".

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

AFFO is a non-GAAP measure that was developed to be a recurring economic earnings measure for real estate entities. The Trust presents AFFO in accordance with the current definition of the REALpac. The Trust defines AFFO as FFO adjusted for straight-line rent and productive capacity maintenance expenditures ("PCME"). AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital. A reconciliation of FFO to AFFO is presented under Part III, "Funds from Operations and Adjusted Funds from Operations".

ADJUSTED CASH FLOW FROM OPERATIONS ("ACFO")

ACFO is a non-GAAP measure intended as a supplemental measure of sustainable economic cash flow for real estate entities. The Trust presents ACFO in accordance with the current definition of the REALpac. The Trust defines ACFO as cash flow from operating activities as per the condensed consolidated financial statements adjusted by: (i) adding back the non-recurring change in non-cash operating assets and liabilities; (ii) deducting normalized PCME; (iii) adding back actual additions to tenant incentives and leasing commissions; (iv) deducting amortization of deferred financing costs; and (v) an adjustment for the portion relating to equity-accounted investment in each of the above adjustments. A reconciliation of cash flow from operating activities from the IFRS financial statement presentation to ACFO is presented under Part III, "Adjusted Cash Flow From Operations".

PROPORTIONATE SHARE BASIS

The Trust's balance sheets, statements of income and statements of cash flows, all prepared in accordance with IFRS, have been adjusted (as described below) to derive the Trust's proportionately owned financial results ("Proportionate Basis"). Management believes that the Proportionate Basis non-GAAP measures described below, which supplement the IFRS measures, provide readers with a more comprehensive understanding of management's perspective on the Trust's operating results and performance.

Equity interest adjusts interests in joint arrangements that are accounted for using the equity method of accounting. The financial results of one property under IFRS is presented on a single line within the condensed consolidated balance sheets and statements of (loss)/income and comprehensive (loss)/income and has been adjusted on a proportionately owned basis to each respective financial statement line presented within the balance sheets, statements of (loss)/income and comprehensive (loss)/income and statements of cash flows (see Part IX). The presentation of *pro rata* assets, liabilities, revenue and expenses represents a non-GAAP measure and may not accurately depict the legal and economic implications of the Trust's interest in the joint venture.

NORMALIZED PRODUCTIVE CAPACITY MAINTENANCE EXPENDITURES

Normalized PCME are an estimate made by management of the amount of ongoing capital investment required to maintain the condition of the physical property and current rental revenues. Since actual capital expenditures can vary widely from one period to another, depending on a number of factors, management believes that normalized PCME are a more relevant input than actual PCME in assessing the Trust's distribution payout ratio and for determining an appropriate level of sustainable distributions over time. The factors affecting variations in actual PCME include, but are not limited to, lease expiry profile, tenant vacancies, age and location of the properties, general economic and market conditions, which impact the level of tenant bankruptcies and acquisitions and dispositions.

The Trust defines PCME as expenditures on leasing, replacement or major repair of component parts of properties that are required to preserve the existing earning capacity of the Trust's real estate portfolio. The Trust categorizes these expenditures as leasing commissions, tenant allowances and recoverable and non-recoverable capital expenditures.

NON-GAAP RATIOS

Non-GAAP ratios do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. These measures should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. The Trust's management uses these measures to aid in assessing the Trust's underlying core performance and provides these additional measures so that investors may do the same. Management believes that the non-GAAP ratios described below provide readers with a more comprehensive understanding of management's perspective on the Trust's operating results and performance.

The following discussion describes the non-GAAP ratios the Trust uses in evaluating its operating results:

FFO/AFFO/ACFO PAYOUT RATIO

The Trust calculates its payout ratios by dividing the distributions per common unit by FFO/AFFO/ACFO per unit over the same period. Management uses these payout ratios to measure the Trust's ability to pay distributions.

INTEREST COVERAGE RATIO

Interest coverage ratio is a non-GAAP measure used by the Trust to assess the Trust's ability to pay interest on its debt from operating revenues and is calculated on a proportionate basis using net operating income, less general and administrative expenses divided by interest expense, net of amortization of deferred financing costs.

DEBT SERVICE COVERAGE RATIO

Debt service coverage ratio is a non-GAAP measure used by the Trust and the real estate industry to assess the ability to pay down its debts. The Trust calculates this measure on a proportionate basis by using net operating income, less general and administrative expenses divided by the cash interest and principal costs of servicing its debt.

DEBT TO ASSETS RATIO

Debt to assets ratio is a non-GAAP measure used by the Trust and the real estate industry to assess the risk profile of its capital allocations and the ability to incur additional debt. The Trust calculates this measure by taking assets adjusted by accumulated amortization divided by net debt. The Trust's debt to assets ratio is limited to 65% as detailed in its Declaration of Trust.

SUPPLEMENTARY FINANCIAL MEASURES

Supplementary financial measures represent a component of a financial statement line item (including ratios that are not non-GAAP ratios) that are presented, in a more granular way outside the financial statements, calculated in accordance with the accounting policies used to prepare the line item presented in the financial statements.

The following discussion describes the supplementary financial measures the Trust uses in evaluating its operating results:

BIFURCATION OF SEGMENTS

Management believes bifurcating the retail and office financial statement segments into community strip centres and enclosed regional centres (retail) along with single-/dual-tenant and multi-tenant buildings (office) provides important information about the risk profile and other characteristics of the above asset classes. This has been analyzed for financial statement line items such as revenue, net operating income and fair value adjustments on real estate properties.

CAPITAL MANAGEMENT MEASURES

The Trust's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions pursuant to the Declaration of Trust, as well as existing debt covenants, while continuing to build long-term unitholder value and maintaining sufficient capital contingencies.

The following discussion describes the Trust's capital management measures:

LIQUIDITY

Liquidity is calculated as the sum of cash, amounts available under its bank lines of credit and revolving credit facility with Morguard and is presented in this MD&A because management considers this capital management measure to be an important measure of the REIT’s financial position as well as determining the annual level of distributions to unitholders.

ADDITIONAL INFORMATION

Additional information relating to the Trust, including the audited annual consolidated financial statements, Annual Information Form ("AIF"), Material Change Reports and all other continuous disclosure documents required by securities regulators, are filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed electronically at www.sedar.com and www.morguard.com.

REVIEW AND APPROVAL BY THE BOARD OF TRUSTEES

The Board of Trustees ("the Trustees"), upon the recommendation of its Audit Committee, approved the contents of this MD&A on April 26, 2023.

PART II

BUSINESS OVERVIEW AND STRATEGY

The Trust's primary business goal is to accumulate a Canadian portfolio of high-quality real estate assets and then deliver the benefits of such real estate ownership to unitholders. The primary benefit is a reliable and, over time, increasing cash distribution. The Trust manages distributions to ensure sufficient cash is retained to meet fixed obligations while ensuring a stable cash flow to unitholders.

The Trust is an unincorporated "closed-end" trust, governed by the laws of the Province of Ontario, created and constituted pursuant to an amended and restated Declaration of Trust dated May 5, 2021 ("Declaration of Trust"). The Trust was formed on June 18, 1997, and began operations on October 14, 1997. The Trust units are publicly traded and listed on the Toronto Stock Exchange ("TSX") under the symbol MRT.UN.

Morguard Corporation ("Morguard") is the parent company of the Trust, owning 63.8% of the outstanding units as at March 31, 2023. Morguard is a real estate company that owns a diversified portfolio of multi-unit residential, retail, hotel, office and industrial properties in both Canada and the United States.

The Trust's asset management team is focused on continually improving the returns from the assets currently owned, and making quality acquisitions that are accretive in the long term. As part of its strategy to continually improve the quality of its property portfolio, the Trust undertakes the disposition of properties in cases where both the cash flows and values have been maximized, where the properties no longer fit the Trust's portfolio or where market trends indicate that superior investment return opportunities are available elsewhere.

The Trust's management team is incentivized to maintain occupancy levels and rents that outperform local markets. The Trust has established standards for maintaining the quality of its portfolio and operating its properties at cost levels that are competitive in their respective markets. These efforts are enhanced through a sustainability program that tracks utility usage and savings over time. These savings are returned to our tenants through reduced operating costs, increasing the Trust's reputation as a responsible landlord.

The Trust's management team is supported by contracted property management. The choice to contract for property management provides the Trust with a day-to-day operating platform that is both "best-in-class" and cost effective. Property management services are delivered through a management agreement with Morguard Investments Limited ("MIL"). MIL is a full-service real estate advisory company wholly owned by Morguard. MIL also provides advisory and management services to institutional and other investors not related to Morguard or the Trust. The Trust's agreement with MIL provides property management services at predetermined rates based on a percentage of revenue. This provides predictability to a key component of operating costs. In addition, MIL provides the Trust with leasing services across the full portfolio. With MIL locations across the country, the Trust benefits from local market knowledge and local broker relationships. An annual review of this agreement, combined with MIL's institutional client base, ensures that rates for services reflect current market conditions.

The Trust's long-term debt strategy involves the use of conventional property-specific secured mortgages or bonds, unsecured convertible debentures and secured floating-rate bank financing. The Trust currently targets a capital structure with an overall indebtedness ratio in the range of 50-55% of gross assets. Through its Declaration of Trust, the Trust is allowed to increase its overall indebtedness ratio to 65%.

In this MD&A, the discussion of the Trust's property performance for the purpose of *some* measures is focused on income producing properties ("IPP"), excluding properties held for development, area under development and properties held for sale. The Trust defines these excluded areas as follows:

Properties held for development: These properties, while income producing, operate with future opportunity in mind. As a result, management will enter into lease arrangements with shorter lease terms and options to exit the lease at the landlord's request. As a result, these properties do not deliver the same results (rental rates) as other IPP.

Area under development: When circumstances warrant, the Trust will reposition component parts of its properties. When this occurs, the associated area ("area under development") is not available for occupancy. As a result, this area is not income producing.

Properties held for sale: The Trust may undertake to actively dispose of certain assets. In these circumstances, management has determined that the performance of the ongoing operations is of the greatest importance to stakeholders.

PORTFOLIO OVERVIEW

The risk and reliability characteristics of real estate asset classes are different, and delivering on the primary business goal requires a mix of assets that balance risk and rewards. As at March 31, 2023, the Trust owned a diversified real estate portfolio of 46 retail, office and industrial properties consisting of approximately 8.2 million square feet of gross leasable area ("GLA") located in the provinces of British Columbia ("BC"), Alberta, Saskatchewan, Manitoba, Ontario and Quebec. Included in this portfolio is one retail property that the Trust has deemed as held for development, and one office property, consisting of 0.2 million square feet of GLA, located in the province of Alberta, which is accounted for using the equity method.

Retail: The retail portfolio includes two broad categories of income producing properties: enclosed full-scale, regional shopping centres that are dominant in their respective markets; and community strip centres that are primarily anchored by food retailers, discount department stores and banking institutions. Investing across these two broad categories of retail assets allows the Trust to spread its tenant base, reducing its exposure to a single category retailer.

Office: The office portfolio is focused on well-located, high-quality properties in major Canadian urban centres. The portfolio is balanced between single-tenant properties under long-term lease to government and large national tenants that work to secure the Trust's cash flow, and multi-tenant properties with well-distributed lease expiries that allow the Trust to benefit from increased rental rates on lease renewal.

Industrial: The Trust has an interest in four industrial properties located in Ontario.

PORTFOLIO COMPOSITION BY ASSET TYPE AND LOCATION

	Retail		Office		Industrial		Total		
Location	Number of Properties	GLA (000s)	Number of Properties	GLA (000s)	Number of Properties	GLA (000s)	Number of Properties	GLA (000s)	%
British Columbia	2	415	3	600	—	—	5	1,015	13%
Alberta	5	821	9	1,174	—	—	14	1,995	25%
Saskatchewan	1	499	—	—	—	—	1	499	6%
Manitoba	3	659	—	—	—	—	3	659	8%
Ontario	7	2,017	9	1,023	4	293	20	3,333	42%
Quebec	—	—	1	448	—	—	1	448	6%
	18	**4,411**	**22**	**3,245**	**4**	**293**	**44**	**7,949**	**100%**
IPP held for development	1	67	—	—	—	—	1	67	
Income producing properties	**19**	**4,478**	**22**	**3,245**	**4**	**293**	**45**	**8,016**	
Equity-accounted investment (Alberta)	—	—	1	152	—	—	1	152	
Grand Total	**19**	**4,478**	**23**	**3,397**	**4**	**293**	**46**	**8,168**	
% [1]		**55%**		**41%**		**4%**		**100%**	

1. Excluding IPP held for development, properties held for sale/sold, and equity-accounted investment.

ENCLOSED REGIONAL CENTRES OVERVIEW

At March 31, 2023, the Trust's enclosed regional centres portfolio totalled 3.2 million square feet of GLA, which comprises a 100% interest in six regional centres totalling 3.1 million square feet and a 50% interest in one additional centre totalling 0.1 million square feet. Included in the above 3.2 million square feet of GLA is 0.3 million square feet of area either held for, or under, development.

COMMUNITY STRIP CENTRES OVERVIEW

At March 31, 2023, the Trust's community strip centres portfolio totalled 1.3 million square feet of GLA, comprising a 100% interest in 11 such properties totalling 1.2 million square feet, as well as a 50% interest in one additional property totalling 0.1 million square feet. Included in the above 1.3 million square feet of GLA is 0.1 million square feet of area either held for, or under, development.

SINGLE-/DUAL-TENANT BUILDINGS OVERVIEW

At March 31, 2023, the Trust's single-/dual-tenant buildings portfolio totalled 2.4 million square feet of GLA, which comprises a 100% interest in nine properties totalling 1.5 million square feet and a 50% interest in four properties totalling 0.9 million square feet. Included in the above 2.4 million square feet of GLA is 0.2 million square feet of area relating to the Trust's equity-accounted investment, and area either held for, or under, development.

MULTI-TENANT BUILDINGS OVERVIEW

At March 31, 2023, the Trust's multi-tenant buildings portfolio totalled 1.0 million square feet of GLA, which comprises a 100% interest in six properties totalling 0.6 million square feet, a 50% interest in three properties totalling 0.3 million square feet and a 20% interest in one property totalling 0.1 million square feet.

INDUSTRIAL OVERVIEW

At March 31, 2023, the Trust's industrial portfolio includes 100% interest in four industrial properties comprising 0.3 million square feet. This portfolio includes some retail storefronts.

PART III

TRUST PERFORMANCE

SELECTED FINANCIAL INFORMATION

The table below sets forth selected financial data relating to the Trust's fiscal three months ended March 31, 2023, and 2022. This financial data is derived from the Trust's condensed consolidated statements which are prepared in accordance with IFRS.

For the three months ended March 31,	2023	2022	% Change
Revenue from real estate properties	**$64,816**	$61,326	5.7%
Property operating expenses	**(18,611)**	(18,096)	2.8%
Property taxes	**(12,420)**	(12,614)	(1.5%)
Property management fees	**(2,239)**	(2,072)	8.1%
Net operating income	**31,546**	28,544	10.5%
Interest expense	**(14,709)**	(12,991)	13.2%
General and administrative	**(1,056)**	(1,094)	(3.5%)
Amortization expense	**(21)**	(21)	—%
Fair value (losses)/gains on real estate properties	**(21,541)**	24,965	(186.3%)
Net income from equity-accounted investment	**624**	506	23.3%
Net (loss)/income	**($5,157)**	$39,909	(112.9%)
Net (loss)/income per unit – basic	**($0.08)**	$0.62	(112.9%)
Funds from operations per unit – basic	**$0.25**	$0.23	8.7%
Adjusted funds from operations per unit – basic	**$0.16**	$0.14	14.3%

CONSOLIDATED OPERATING HIGHLIGHTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023

Revenue from real estate properties includes contracted rent from tenants along with recoveries of property expenses (including property taxes).

The following is an analysis of revenue from real estate properties by segment:

For the three months ended March 31,	2023	2022	Variance
Industrial	**$873**	$1,036	($163)
Office – Single-/dual-tenant buildings	**21,743**	20,373	1,370
Office – Multi-tenant buildings	**6,140**	7,201	(1,061)
Retail – Community strip centres	**9,479**	9,490	(11)
Retail – Enclosed regional centres	**26,581**	23,226	3,355
Total	**$64,816**	$61,326	$3,490

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The following is an analysis of revenue from real estate properties by revenue type:

For the three months ended March 31,	2023	2022	Variance
Rental revenue	**$38,109**	$37,574	$535
CAM recoveries	**12,840**	12,110	730
Property tax and insurance recoveries	**12,130**	9,798	2,332
Other revenue and lease cancellation fees	**914**	1,283	(369)
Parking revenue	**1,298**	1,008	290
Amortized rents	**(475)**	(447)	(28)
	$64,816	$61,326	$3,490

The following is an analysis of property operating expenses by expense type:

For the three months ended March 31,	2023	2022	Variance
Repairs and maintenance	**$7,969**	$7,759	$210
Utilities	**5,305**	4,657	648
Bad debt expense	**117**	638	(521)
Other operating expenses	**5,220**	5,042	178
	$18,611	$18,096	$515

Property operating expenses include costs related to interior and exterior maintenance, insurance and utilities. Property operating expenses for the three months ended March 31, 2023, increased 2.8% to $18.6 million from $18.1 million for the same period in 2022. This increase is primarily due to significant increases in the cost of utilities in Alberta in 2023.

Net operating income for the three months ended March 31, 2023, increased 10.5% as compared to 2022, due to a one-time prior year property tax refund received on an enclosed regional centre in the amount of $2.8 million primarily for vacant space and space previously occupied by bankrupt or otherwise failed tenants.

Interest expense for the three months ended March 31, 2023, increased 13.2% versus the same period in 2022. This increase is primarily due to higher interest rates on both variable and new fixed rate debt on a year-over-year basis, offset by a $23.0 million decline in overall debt levels on a year-over-year basis.

The Trust records its income producing properties at fair value in accordance with IFRS. These adjustments are a result of the Trust's regular quarterly IFRS fair value process. In accordance with this policy, the following fair value adjustments by segment have been recorded:

For the three months ended March 31,	2023	2022
Retail – enclosed regional centres	**$3,570**	$3,879
Retail – community strip centres	**(1,159)**	2,602
Office	**(24,461)**	10,697
Industrial	**509**	7,787
	($21,541)	$24,965

Reported net loss for the three months ended March 31, 2023, was $5.2 million as compared to income of $39.9 million in 2022. This change is due to the increase in fair value losses recorded in 2023, as described above.

NET OPERATING INCOME BY ASSET TYPE AND LOCATION

The following is a geographical breakdown of the net operating income for the three months ended March 31, 2023.

	Retail		Office		Industrial		Total		
Location	Number of Properties	NOI (000s)	Number of Properties	NOI (000s)	Number of Properties	NOI (000s)	Number of Properties	NOI (000s)	%
British Columbia	2	$2,074	3	$3,701	—	$—	5	$5,775	18%
Alberta	5	2,378	9	5,770	—	—	14	8,148	26%
Saskatchewan	1	1,603	—	—	—	—	1	1,603	5%
Manitoba	3	2,775	—	—	—	—	3	2,775	9%
Ontario	7	8,073	9	3,014	4	455	20	11,542	38%
Quebec	—	—	1	1,406	—	—	1	1,406	4%
	18	16,903	22	13,891	4	455	44	31,249	**100%**
IPP held for development	1	317	—	—	—	(20)	1	297	
Income producing properties	**19**	**17,220**	**22**	**13,891**	**4**	**435**	**45**	**31,546**	
Equity-accounted investment	—	—	1	750	—	—	1	750	
Grand Total	**19**	**$17,220**	**23**	**$14,641**	**4**	**$435**	**46**	**$32,296**	
% [1]		**55%**		**44%**		**1%**		**100%**	

1. Excluding IPP held for development, properties held for sale/sold, and equity-accounted investment.

NET OPERATING INCOME BY ASSET TYPE

For the three months ended March 31,	2023	2022	%
Enclosed regional centres	**$11,560**	$8,095	42.8%
Community strip centres	**5,660**	5,622	0.7%
Subtotal – retail	**17,220**	13,717	25.5%
Single-/dual-tenant buildings	**12,129**	11,340	7.0%
Multi-tenant buildings	**1,762**	2,878	(38.8%)
Subtotal – office	**13,891**	14,218	(2.3%)
Industrial	**435**	609	(28.6%)
Net operating income	**$31,546**	$28,544	10.5%

The increase in enclosed regional centres net operating income for the three months ended March 31, 2023, is due to a one-time prior year property tax refund received on an enclosed regional centre in the amount of $2.8 million primarily for vacant space and space previously occupied by bankrupt or otherwise failed tenants. The decrease in multi-tenant office net operating income for the three months ended March 31, 2023, is due to higher vacancy in this asset class. The decrease in industrial office net operating income for the three months ended March 31, 2023, is due to vacancy at one of the Trust's single tenant industrial properties.

RETAIL PROPERTIES – NET OPERATING INCOME

For the three months ended March 31,	2023	2022	%
Revenue from real estate properties	**$36,060**	$32,716	10.2%
Property operating expenses	**(9,604)**	(9,911)	(3.1%)
Property taxes	**(7,926)**	(7,937)	(0.1%)
Property management fees	**(1,310)**	(1,151)	13.8%
Net operating income	**$17,220**	$13,717	25.5%

The Trust's retail properties' NOI for the three months ended March 31, 2023, was $17.2 million versus $13.7 million for the same period ended 2022, a increase of $3.5 million. The increase was mainly the result of a one-time prior year property tax refund received on an enclosed regional centre in the amount of $2.8 million primarily for vacant space and space previously occupied by bankrupt or otherwise failed tenants, coupled with increases in percentage rent of $0.4 million.

RETAIL PROPERTIES TOP TENANTS

The following is a breakdown of the Trust's 20 largest retail tenants by rental revenue as at March 31, 2023:

	Tenant	Percentage of Total Retail Revenue	# of Locations	GLA (000s)	% of Total Retail GLA	Weighted Average Remaining Lease Term
1	Canadian chartered banks – Tier 1	4.7 %	16	108	2.4 %	2.0
2	Canadian Tire Corporation Ltd.	4.0 %	7	285	6.4 %	2.9
3	Loblaw Companies Ltd.	3.4 %	8	107	2.4 %	3.9
4	GoodLife Fitness	3.2 %	5	192	4.3 %	8.7
5	Sobeys Inc.	2.5 %	3	161	3.6 %	8.3
6	Dollarama	2.5 %	11	106	2.4 %	2.8
7	Cineplex Odeon	2.1 %	3	110	2.5 %	6.0
8	TJX	1.6 %	4	101	2.3 %	6.2
9	Walmart	1.3 %	2	241	5.4 %	3.3
10	L Brands	1.2 %	6	25	0.6 %	1.9
11	Ardene	1.2 %	7	82	1.8 %	3.6
12	YM Inc.	1.0 %	7	73	1.6 %	1.4
13	Tip Top Tailors	0.9 %	5	18	0.4 %	0.3
14	HBC	0.9 %	2	290	6.5 %	3.1
15	Indigo	0.8 %	2	40	0.9 %	5.8
16	The Children's Place	0.8 %	6	23	0.5 %	0.6
17	Co-Op Grocery Store	0.8 %	1	45	1.0 %	7.6
18	Soft Moc	0.8 %	5	12	0.3 %	5.3
19	Ashley Furniture	0.7 %	1	31	0.7 %	4.6
20	A&W	0.7 %	9	8	0.2 %	5.0
		35.1 %	**110**	**2,058**	**46.2 %**	**4.4**

OFFICE PROPERTIES – NET OPERATING INCOME

For the three months ended March 31,	2023	2022	%
Revenue from real estate properties	**$27,883**	$27,574	1.1%
Property operating expenses	**(8,761)**	(7,943)	10.3%
Property taxes	**(4,332)**	(4,526)	(4.3%)
Property management fees	**(899)**	(887)	1.4%
Net operating income	**$13,891**	$14,218	(2.3%)

The Trust's office properties' NOI for the three months ended March 31, 2023, was $13.9 million versus $14.2 million for the same period ended 2022. The unfavourable variance of $0.3 million is mainly the result of increased vacancy costs of $1.0 million at the Trust's Ontario office assets, offset by increases in basic rent of $0.5 million at the Trust's Alberta and British Columbia properties.

The Trust has a strong government presence in its office tenancy which helps mitigate the risk of non-payment of rent for this asset class. Approximately 28% of the Trust's office contracted gross revenue is attributable to government tenants.

OFFICE PROPERTIES TOP TENANTS

The following is a breakdown of the Trust's 20 largest office tenants by rental revenue as at March 31, 2023:

	Tenant	Percentage of Total Office Revenue	# of Locations	GLA (000s)	% of Total Office GLA	Weighted Average Remaining Lease Term
1	Federal and provincial governments	28.2 %	8	823	24.2 %	3.3
2	Obsidian Energy Ltd.	9.0 %	1	158	4.7 %	1.8
3	Bombardier Inc.	7.9 %	1	242	7.1 %	8.1
4	Athabasca Oil Corporation	6.3 %	1	149	4.4 %	1.8
5	Wood Canada Limited	5.3 %	1	108	3.2 %	2.8
6	Canadian chartered banks – Tier 1	4.6 %	2	84	2.5 %	2.5
7	Stantec Consulting	3.7 %	2	82	2.4 %	2.7
8	CH2M Hill Canada Limited	3.3 %	1	78	2.3 %	5.4
9	Western Energy Services Corp.	2.2 %	1	43	1.3 %	1.8
10	National Bank of Canada	2.1 %	1	43	1.3 %	5.8
11	Sephora	1.8 %	1	4	0.1 %	3.8
12	AJW Technique Inc.	1.5 %	1	75	2.2 %	7.3
13	Bonavista Energy Corporation	1.0 %	1	50	1.5 %	1.8
14	Genetec Inc.	0.9 %	1	34	1.0 %	3.1
15	Ciena	0.8 %	1	27	0.8 %	0.2
16	i3 Energy Canada Ltd.	0.7 %	1	26	0.8 %	0.8
17	The Ottawa Hospital	0.7 %	1	28	0.8 %	2.0
18	Assent Compliance	0.7 %	1	43	1.3 %	7.8
19	Harry Rosen	0.7 %	1	14	0.4 %	9.3
20	Realstar Holdings Partnership	0.7 %	1	14	0.4 %	2.4
		82.1 %	**29**	**2,125**	**62.7 %**	**3.8**

INDUSTRIAL PROPERTIES – NET OPERATING INCOME

For the three months ended March 31,	2023	2022	%
Revenue from real estate properties	**$873**	$1,036	(15.7%)
Property operating expenses	**(246)**	(242)	1.7%
Property taxes	**(162)**	(151)	7.3%
Property management fees	**(30)**	(34)	(11.8%)
Net operating income	**$435**	$609	(28.6%)

The Trust's industrial properties' NOI for the three months ended March 31, 2023, was $0.4 million versus $0.6 million for the same period ended 2022. This unfavourable variance is mainly the result of increased vacancy costs at one of the Trust's single tenant industrial properties.

NET OPERATING INCOME – SAME ASSETS

The components of net operating income – same assets are displayed in the table below. For comparability in this section, the NOI is focused on same assets which is a supplementary financial measure. Assets acquired, disposed of and developed/redeveloped/intensified over the comparable periods are removed, along with the impact of stepped rents, lease cancellation fees and area either held for, or under, development and other non-recurring adjustments, collectively; the adjustments for same assets. Lease cancellation fees relate to payments received from tenants where the Trust and the tenant agreed to terminate a lease prior to the contractual expiry date. Lease cancellation fees are unpredictable and period-over-period changes are not indicative of trends.

For the three months ended March 31,	2023	2022	Variance	%
Enclosed regional centres (retail)	**$8,818**	$8,116	$702	8.6%
Community strip centres (retail)	**5,301**	5,225	76	1.5%
Single-/dual-tenant buildings (office)	**11,972**	11,359	613	5.4%
Multi-tenant buildings (office)	**1,850**	2,736	(886)	(32.4%)
Industrial properties	**457**	585	(128)	(21.9%)
Net operating income – same assets	**28,398**	28,021	377	1.3%
Area under development	**93**	—	93	—%
Real estate properties held for development/held for sale/sold	**297**	351	(54)	(15.4%)
Lease cancellation fees	**201**	561	(360)	(64.2%)
Stepped rents	**(269)**	(389)	120	(30.8%)
Other (prior year property tax refund)	**2,826**	—	2,826	—%
Net operating income per the statement of income	**$31,546**	$28,544	$3,002	10.5%

LEASING ACTIVITY

The Trust places a high value on tenant retention as the cost of retention is typically lower than the cost of securing new tenants. When retention is neither possible nor desirable, the Trust strives to secure high-quality replacement tenants.

The table below provides a summary of the leasing activity for the three months ended March 31, 2023:

For the three months ended March 31, 2023	Enclosed Regional Centres	Community Strip Centres	Single-/ Dual-Tenant Buildings	Multi-Tenant Buildings	Industrial Properties	Total Portfolio
Opening vacancy (SF)	198,590	27,100	110,685	340,131	40,794	717,300
Opening occupancy	93.2%	97.7%	95.1%	66.2%	86.1%	90.6%
EXPIRING LEASES:						
Square feet	185,926	40,655	3,843	37,574	22,612	290,610
Average contract rent per SF	$26.84	$18.82	$20.78	$16.90	$8.58	$22.40
EARLY TERMINATIONS:						
Square feet	23,387	1,859	5,940	23,318	—	54,504
Average contract rent per SF	$3.37	$33.00	$9.20	$19.73	$—	$12.02
RENEWALS:						
Square feet	(131,221)	(39,488)	(3,843)	(19,960)	(22,612)	(217,124)
Average contract rent per SF	$25.33	$18.72	$20.78	$14.59	$13.43	$21.82
Retention rate	71%	97%	100%	53%	100%	75%
NEW LEASING:						
Square feet	(36,620)	(39,833)	—	(3,961)	—	(80,414)
Average contract rent per SF	$17.90	$19.43	$—	$14.25	$—	$18.47
OTHER ADJUSTMENTS:						
Square feet	—	34,308	(7,995)	—	—	26,313
Ending vacancy (SF)	240,062	24,601	108,630	377,102	40,794	791,189
Ending occupancy	91.8%	98.0%	95.2%	62.5%	86.1%	89.7%

Other adjustments in the above table include a 34,308 square feet increase in the Community Strip Centres portfolio relating to the completion of the Team Town space at the Heritage Towne Centre, and a decrease of 7,995 square feet in the single-/dual-tenant office portfolio due to the remeasurement of leasable area at Penn West Plaza and Standard Life Centre.

LEASE PROFILE

The table below provides a summary of the lease maturities for the next four years and thereafter, along with the associated contract rents at maturity. Current vacancy excludes area either held for, or under, development/sale.

	Retail		Office		Industrial		Total	
	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent
Month to month	371,645	$27.53	—	$—	—	$—	371,645	$27.53
(remainder of the year) 2023	372,043	31.09	328,746	17.63	39,488	7.48	740,277	23.00
2024	264,121	33.74	194,939	27.11	79,448	6.19	538,508	26.71
2025	423,630	30.37	760,698	32.90	20,404	7.64	1,204,732	31.49
2026	758,363	11.60	310,538	24.56	56,987	9.27	1,125,888	15.05
2027	469,202	22.00	355,298	22.05	9,524	12.25	834,024	21.91
Thereafter	1,203,398	22.23	809,109	19.94	46,189	13.13	2,058,696	21.12
Current vacancy	264,663	—	485,732	—	40,794	—	791,189	—
Total	**4,127,065**	**$22.64**	**3,245,060**	**$24.25**	**292,834**	**$8.71**	**7,664,959**	**$22.76**
Weighted average remaining lease term (years)		4.01		3.79		2.93		3.88

MONTH TO MONTH AND REMAINING 2023 EXPIRIES BY PROVINCE

	Retail		Office		Industrial		
Province	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	Total SF
Alberta	111,193	$22.68	60,290	$13.47	—	$—	171,483
British Columbia	122,290	26.49	463	37.89	—	—	122,753
Manitoba	78,203	28.67	—	—	—	—	78,203
Ontario	364,004	33.40	240,934	18.83	39,488	7.48	644,426
Quebec	—	—	27,059	14.45	—	—	27,059
Saskatchewan	67,998	27.61	—	—	—	—	67,998
	743,688	**$29.41**	**328,746**	**$17.63**	**39,488**	**$7.48**	**1,111,922**

Not included in the above tables is the expiry at Petroleum Plaza, located in Alberta, which is accounted for using the equity method. This property has 152,146 square feet of GLA (at the Trust's share) and is fully leased to the provincial government, which expired January 1, 2021, and has been in overhold since that date. The contract rent on the expired lease was $27.00. The Trust expects the tenant to renew at market rates. Due to the priority of attending to the COVID-19 pandemic and other priorities by the Alberta government, the Trust has been advised that the tenant will attend to the lease renewal when time allows. The building has remained occupied by the tenant since January 1, 2021.

Included in the above 240,934 square feet of Ontario office space expiring in 2023 is 169,910 square feet of space at Standard Life Centre leased to the Federal Government, of which 156,960 square feet has been renewed.

CHANGES IN GLA

The table below provides a summary of the changes in GLA for the three months ended March 31, 2023.

In thousands of square feet	Retail	Office	Industrial	Total Portfolio
GLA – opening balance – January 1, 2023	**4,478**	**3,253**	**293**	**8,024**
Changes due to remeasurement	**—**	**(8)**	**—**	**(8)**
GLA – closing balance – March 31, 2023	**4,478**	**3,245**	**293**	**8,016**
Area under/held for development/sale	**(352)**	**—**	**—**	**(352)**
GLA for purposes of occupancy	**4,126**	**3,245**	**293**	**7,664**
Occupied GLA	**3,861**	**2,759**	**252**	**6,872**
Occupied GLA (%)	**93.6 %**	**85.0 %**	**86.1 %**	**89.7 %**

OFFICE OCCUPANCY BY PROVINCE

The following table provides an analysis of occupancy for the office portfolio by province:

Province	March 31, 2023	March 31, 2022
Alberta	**88.0%**	86.9%
British Columbia	**93.1%**	93.4%
Ontario	**73.4%**	81.1%
Quebec	**93.1%**	93.4%
	85.0%	87.2%

CORPORATE ITEMS

INTEREST EXPENSE

Interest expense totalled $14.7 million for the three months ended March 31, 2023, compared to $13.0 million for the same period in 2022. The components of interest expense are as follows:

INTEREST EXPENSE

For the three months ended March 31,	2023	2022	%
Mortgages payable	**$11,014**	$10,004	10.1%
Amortization of deferred financing costs – mortgages	**243**	217	12.0%
Convertible debentures	**2,058**	2,058	—%
Accretion on convertible debentures, net	**332**	311	6.8%
Amortization of deferred financing costs – convertible debentures	**190**	180	5.6%
Lease liabilities	**257**	260	(1.2%)
Bank indebtedness	**894**	35	2,454.3%
Capitalized interest	**(279)**	(74)	277.0%
	$14,709	$12,991	13.2%

Interest expense has increased primarily due to higher interest rates on both variable and new fixed rate debt on a year-over-year basis, offset by a $23.0 million decline in overall debt levels on a year-over-year basis.

FAIR VALUE GAINS/(LOSSES) ON REAL ESTATE PROPERTIES

For the three months ended March 31, 2023, the Trust recorded fair value losses on real estate properties of $21.5 million, versus $25.0 million of fair value gains on real estate properties for 2022.

Fair value adjustments are determined on a quarterly basis based on the movement of various parameters, including changes in projected cash flows as a result of leasing, timing and changes in discount rates, and terminal capitalization rates.

Fair value gains/(losses) on real estate properties consist of the following:

For the three months ended March 31,	2023	2022
Retail – enclosed regional centres	**$3,570**	$3,879
Retail – community strip centres	**(1,159)**	2,602
Office	**(24,461)**	10,697
Industrial	**509**	7,787
	($21,541)	$24,965

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 (2022 – 4.3% to 8.3%), resulting in an overall weighted average capitalization rate of 7.10% (2022 – 7.10%).

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

STABILIZED CAPITALIZATION RATES

	March 31, 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%**	**7.8%**	**5.0%**	**7.4%**	97.0%	90.0%	7.8%	5.0%	7.4%
Office	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.9%**	100.0%	90.0%	8.3%	4.3%	6.9%
Industrial	**100.0%**	**95.0%**	**5.5%**	**5.3%**	**5.7%**	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:

DISCOUNT AND TERMINAL CAPITALIZATION RATES

	March 31, 2023			December 31, 2022		
	Maximum	Minimum	Weighted Average	Maximum	Minimum	Weighted Average
RETAIL						
Discount rate	**8.8 %**	**5.8 %**	**7.5 %**	8.8 %	5.8 %	7.5 %
Terminal cap rate	**7.8 %**	**5.0 %**	**6.7 %**	7.8 %	5.0 %	6.7 %
OFFICE						
Discount rate	**9.0 %**	**5.3 %**	**6.5 %**	9.0 %	5.3 %	6.5 %
Terminal cap rate	**8.0 %**	**4.3 %**	**5.7 %**	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 March 31, 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 March 31, 2023, would decrease by $71,436 or increase by $76,675, respectively.

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

SENSITIVITY ANALYSIS

For the three months ended March 31, 2023		
Change in capitalization rate	**0.25%**	**(0.25%)**
Retail	**($35,910)**	**$38,428**
Office	**(33,121)**	**35,620**
Industrial	**(2,405)**	**2,627**
	($71,436)	**$76,675**

NET INCOME FROM EQUITY-ACCOUNTED INVESTMENT

For the three months ended March 31, 2023, the Trust generated $0.6 million of income from its equity-accounted investment which remained relatively unchanged as compared to $0.5 million of income for the same three months ended March 31, 2022.

PRODUCTIVE CAPACITY MAINTENANCE EXPENDITURES

PCME are expenditures on leasing, replacement or major repair of component parts of properties that are required to preserve the existing earning capacity of the Trust's real estate portfolio. The Trust categorizes these expenditures as leasing commissions, tenant allowances and recoverable and non-recoverable capital expenditures.

Leasing Commissions and Tenant Allowances: The Trust requires ongoing capital spending on leasing commissions, tenant incentives and tenant improvements pertaining to new and renewed tenant leases. These costs depend on many factors, including, but not limited to, tenant maturity profile, vacancies, asset type, prevailing market conditions and unforeseen tenant bankruptcies.

Recoverable and Non-Recoverable Capital Expenditures: The Trust continually invests in major repair and replacement of component parts of the properties, such as roof, parking lot, elevators and HVAC. These costs depend on many factors including, but not limited to, age and location of the property. Most of these capital expenditure items are recovered from tenants, over time, as property operating costs.

The Trust uses normalized PCME to calculate AFFO. Normalized PCME are an estimate made by management of the amount of ongoing capital investment required to maintain the condition of the physical property and current rental revenues. Management considers a number of factors in estimating normalized PCME relative to the growth in age and size of the Trust's property portfolio. Such factors include, but are not limited to, review and analysis of three years of historical capital spending, comparison of each quarter's annualized actual spending activity to annual budgeted capital expenditures as approved by the Trustees and management's expectations and/or plans for the properties. Normalized PCME has been set at $6,250 per quarter in 2023, or $25,000 on an annualized basis.

Since actual capital expenditures can vary widely from one period to another, depending on a number of factors, management believes that normalized PCME are a more relevant input than actual PCME in assessing the Trust's distribution payout ratio and for determining an appropriate level of sustainable distributions over time. The factors affecting variations in actual PCME include, but are not limited to, lease expiry profile, tenant vacancies, age and location of the properties, general economic and market conditions, which impact the level of tenant bankruptcies and acquisitions and dispositions.

The following table provides a breakdown of actual PCME for the three months ended March 31, 2023, and 2022.

ACTUAL PRODUCTIVE CAPACITY MAINTENANCE EXPENDITURES

For the three months ended March 31,	2023	2022
Leasing commissions	**$663**	$720
Tenant allowances	**775**	1,118
Total leasing costs	**1,438**	1,838
Capital expenditures recoverable from tenants	**2,199**	751
Capital expenditures non-recoverable from tenants	**(11)**	—
Total capital expenditures	**2,188**	751
Total PCME	**3,626**	2,589
Normalized PCME	**6,250**	6,250
Shortfall between total PCME and normalized PCME	**$2,624**	$3,661

Discretionary Capital Expenditures

In addition to PCME, the Trust invests in discretionary capital projects on the development of new space, redevelopment or retrofit of existing properties, and other capital expenditures to create additional long-term value for the Trust's real estate portfolio. These discretionary capital expenditures are not expected to occur on a consistent basis. These expenditures are included in the above table, along with the recoverable and non-recoverable capital expenditures.

CASH FLOWS

Cash flow generated from real estate operations represents the primary source of liquidity to service debt and to fund planned maintenance expenditures, tenant improvements and distributions to unitholders. Cash flow from operations is dependent upon occupancy levels, rental rates achieved, collection of rents, efficiencies in operations and the cost to lease, as well as other factors.

The following table details the changes in cash for the following periods:

For the three months ended March 31,	2023	2022	%
Cash provided by operating activities	**$16,570**	$14,307	15.8%
Cash used in financing activities	**(7,127)**	(10,355)	(31.2%)
Cash used in investing activities	**(9,683)**	(3,772)	156.7%
Net change in cash	**(240)**	180	(233.3%)
Cash, beginning of period	**9,712**	11,270	(13.8%)
Cash, end of period	**$9,472**	$11,450	(17.3%)

Cash provided by operating activities for the three months ended March 31, 2023, increased to $16.6 million in 2023 from $14.3 million in 2022 mainly due to the collection of prior year tax refunds 2023.

Cash used in financing activities decreased to $7.1 million in 2023 from $10.4 million in 2022 mainly due to higher mortgage proceeds received in 2023.

Cash used in investing activities for the three months ended March 31, 2023, increased to $9.7 million in 2023 from cash provided by investing activities of $3.8 million in 2022 mainly due to increased development activity and capital expenditures in 2023.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

The Trust presents FFO and AFFO in accordance with the current definition of the REALpac.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

	Three Months Ended March 31,		
In thousands of dollars, except per unit amounts	2023	2022	%
Net (loss)/income	**($5,157)**	$39,909	(112.9%)
Adjustments:			
Fair value losses/(gains) on real estate properties [1]	**21,458**	(24,929)	(186.1%)
Amortization of right-of-use assets	**21**	21	—%
Payment of lease liabilities, net	**(44)**	(40)	10.0%
Funds from operations – basic	**16,278**	14,961	8.8%
Interest expense on convertible debentures	**2,058**	2,058	—%
Funds from operations – diluted	**$18,336**	$17,019	7.7%
Funds from operations – basic	**$16,278**	$14,961	8.8%
Adjustments:			
Amortized stepped rents [1]	**272**	394	(31.0%)
Normalized PCME	**(6,250)**	(6,250)	—%
Adjusted funds from operations – basic	**10,300**	9,105	13.1%
Interest expense on convertible debentures	**2,058**	2,058	—%
Adjusted funds from operations – diluted	**$12,358**	$11,163	10.7%

FUNDS FROM OPERATIONS PER UNIT			
Basic	**$0.25**	$0.23	8.7%
Diluted [2]	**$0.22**	$0.20	10.0%
ADJUSTED FUNDS FROM OPERATIONS PER UNIT			
Basic	**$0.16**	$0.14	14.3%
Diluted [2]	**$0.15**	$0.13	15.4%
WEIGHTED AVERAGE UNITS OUTSTANDING (IN THOUSANDS)			
Basic	**64,231**	64,163	0.1%
Diluted [2]	**84,615**	84,548	0.1%

1. Includes respective adjustments included in net income from equity-accounted investment.
2. Includes the dilutive impact of convertible debentures and presented on a cash settlement basis for consistency with industry practice for calculating FFO and AFFO.

ADJUSTED CASH FLOW FROM OPERATIONS

The Trust presents ACFO in accordance with the current definition of the REALpac.

ADJUSTED CASH FLOW FROM OPERATIONS

For the three months ended March 31,	2023	2022	%
Cash provided by operating activities	**$16,570**	$14,307	15.8%
Adjustments:			
Adjustment to working capital changes for ACFO [1]	**204**	4,504	(95.5%)
Normalized PCME	**(6,250)**	(6,250)	—%
Actual additions to tenant incentives and leasing commissions	**671**	772	(13.1%)
Amortization of deferred financing costs	**(433)**	(397)	9.1%
Payment of lease liabilities, net	**(44)**	(40)	10.0%
ACFO from equity-accounted investment	**(41)**	(110)	(62.7%)
Adjusted cash flow from operations – basic	**10,677**	12,786	(16.5%)
Interest expense on convertible debentures	**2,058**	2,058	—%
Adjusted cash flow from operations – diluted	**$12,735**	$14,844	(14.2%)
Adjusted cash flow from operations – basic	**$10,677**	$12,786	(16.5%)
Distributions declared	**3,849**	3,846	0.1%
Excess ACFO over distributions declared	**$6,828**	$8,940	(23.6%)

1. See Adjustment to Working Capital Changes for ACFO below.

The following table provides a breakdown of the working capital changes, not indicative of sustainable cash flows available for distribution, which have been excluded in the calculation of ACFO:

ADJUSTMENT TO WORKING CAPITAL CHANGES FOR ACFO

For the three months ended March 31,	2023	2022	%
Development accruals	**($2,070)**	($285)	626.3%
Prepaid realty taxes and insurance	**5,122**	6,799	(24.7%)
Interest payable and receivable	**(3,155)**	(2,116)	49.1%
Insurance claims	**307**	106	189.6%
Adjustment to working capital changes for ACFO	**204**	4,504	(95.5%)
Net change in non-cash operating assets and liabilities as per the financial statements	**(73)**	(995)	(92.7%)
Net working capital changes included in ACFO	**$131**	$3,509	(96.3%)

In the calculation of ACFO, the Trust makes an adjustment for certain working capital items that are not considered indicative of sustainable economic cash flow available for distribution. Examples include working capital changes related to development, prepaid realty taxes and insurance, interest payable and receivable, payments and proceeds from insurance claims, rent received in advance, and transaction cost accruals relating to acquisitions and dispositions of investment properties.

ACFO continues to include the impact of fluctuations from normal operating working capital, such as changes to net rent receivable from tenants, trade accounts payable and accrued liabilities.

Management analyzes working capital quarterly through a detailed review of all the working capital balances at the transactional level contained within each general ledger account. Significant individual transactions are reviewed based on management's experience and knowledge of the business, to identify those having seasonal fluctuations if related to sustainable operating cash flows or those transactions that are not related to sustaining operating cash flows.

DISTRIBUTIONS TO UNITHOLDERS

The Trust's primary business goal is to accumulate a Canadian portfolio of high-quality real estate assets and then deliver the benefits of such real estate ownership to unitholders.

The Trust expects to distribute to its unitholders in each year an amount not less than the Trust's taxable income for the year, as calculated in accordance with the *Income Tax Act* (Canada) ("the Act"). The Trust's monthly distribution to unitholders in 2023 was $0.02 representing $0.24 per unit on an annualized basis.

In determining the annual level of distributions to unitholders, the Trust looks at forward-looking cash flow information, including forecasts and budgets, and the future prospects of the Trust. The Trust does not consider periodic cash flow fluctuations resulting from items such as the timing of property operating costs, property tax instalments or semi-annual debenture interest payments in determining the level of distributions to unitholders in any particular quarter. Additionally, in establishing the level of cash distributions to the unitholders, the Trust considers the impact of, among other items, the future growth in IPP, the impact of future acquisitions and capital expenditures, and leasing costs. As a result, the Trust compares distributions to AFFO to ensure sufficient funds are retained for reinvestment.

The following is an analysis of 2023 monthly distributions:

Payment Date	Distribution Per Unit	Cash Distribution	Unit Distribution	Total Distribution
February 15, 2023	$0.02	$1,253	$30	$1,283
March 15, 2023	0.02	1,253	30	1,283
April 14, 2023	0.02	1,253	30	1,283
2023 total		**$3,759**	**$90**	**$3,849**
2022 total for same period		$3,782	$64	$3,846

PAYOUT RATIOS

For the three months ended March 31,	2023	2022
FFO payout ratio	**24.0%**	26.1%
AFFO payout ratio	**37.5%**	42.9%
ACFO payout ratio	**35.3%**	30.0%

PART IV

BALANCE SHEET AND REAL ESTATE OVERVIEW

The carrying value of the Trust's real estate properties remained unchanged at $2.3 billion at March 31, 2023 (December 31, 2022 – $2.3 billion). Income producing properties were affected by additions from the Trust's capital investment programs (including PCME and completed development), which were offset by property dispositions and fair value changes.

The following table presents the Trust's summarized balance sheets as at March 31, 2023, December 31, 2022, and March 31, 2022.

As at	March 31, 2023	December 31, 2022	March 31, 2022
ASSETS			
Real estate properties	**$2,326,143**	$2,337,805	$2,480,363
Other assets	**12,044**	11,734	18,762
Working capital	**24,362**	16,936	19,742
Cash	**9,472**	9,712	11,450
Total assets	**2,372,021**	2,376,187	2,530,317
LIABILITIES AND UNITHOLDERS' EQUITY			
Mortgages payable	**1,045,362**	1,051,502	1,116,924
Convertible debentures	**150,357**	149,835	148,399
Bank indebtedness and Morguard loan payable	**57,431**	55,622	9,656
Lease liabilities	**16,507**	16,551	16,678
Total Debt	**1,269,657**	1,273,510	1,291,657
Working capital and other liabilities	**60,482**	51,849	50,576
Unitholders' equity	**1,041,882**	1,050,828	1,188,084
Total liabilities and unitholders' equity	**$2,372,021**	$2,376,187	$2,530,317

PROPERTIES UNDER DEVELOPMENT

The Trust's development program consists of projects identified by management to create additional long-term value for the Trust's real estate portfolio and align with the long-term strategic objectives. These may include development projects to expand leasable area, redevelopment of an existing area and retrofit opportunities. The following is a list of development projects:

DEVELOPMENT PROJECTS

	Portfolio	Estimated GLA	Est. Project Cost	Spend to Date	Estimated Completion Date	Comments
RETAIL						
Pine Centre Mall	Enclosed regional centres	15,193	$2,730	$109	Q2 2023	Anchor tenant remerchandising of former Sears space phase 5
Pine Centre Mall	Enclosed regional centres	38,850	$19,740	$16,100	Q2 2023	Anchor tenant remerchandising of former Lowe's space for Save-On-Foods
St. Laurent Centre	Enclosed regional centres	76,000	TBD	1,496	TBD	Anchor tenant remerchandising of portion of former Sears space
Cambridge Centre	Enclosed regional centres	69,000	TBD	—	TBD	Anchor tenant remerchandising of former Sears space
OFFICE						
Rice Howard Place	Multi-tenant buildings	—	5,532	118	Q4 2024	Exterior podium enhancement and interior common area/food hall improvements.
Development projects		**199,043**	**$28,002**	**$17,823**		

The Trust has commenced a development project at its 20% interest in Rice Howard Place in Edmonton, Alberta to replace the existing podium level granite facade, signage bands and storefronts with more modern finishes, refresh the interior common areas, relocate the existing concourse food court to the main floor retail areas, and construct a new tenant fitness centre, staff lounge and conference centre.

The Trust reached an agreement with Save-On-Foods to convert the empty former Lowe's space at Pine Centre into a 38,850 square foot grocery store. The Trust will be providing a turnkey building which will cost approximately $19.7 million and is expected to be completed in 2023.

The Trust has submitted a development application to redevelop Burquitlam Plaza in Coquitlam, BC. The proposal calls for six residential towers and as many as 2,175 units, along with approximately 85,000 square feet of commercial space.

DEVELOPMENT PROJECTS – COMPLETED IN 2023 AND 2022

		GLA						
	Portfolio	Re-developed	Adjustment [1]	Income Producing	Completion Date	Total Project Cost	Occupancy % [2]	Comments
RETAIL								
Pine Centre Mall	Enclosed regional centres	5,787	(21)	5,766	Q1 2022	$1,557	100.0%	Anchor tenant remerchandising of former Sears space phase 2
Pine Centre Mall	Enclosed regional centres	4,665	—	4,665	Q2 2022	1,598	100.0%	Anchor tenant remerchandising of former Sears space phase 3
Pine Centre Mall	Enclosed regional centres	1,760	(2)	1,758	Q4 2022	438	100.0%	Anchor tenant remerchandising of former Sears space phase 4
Heritage Towne Centre	Community strip centres	34,284	24	34,308	Q1 2023	2,728	100.0%	Anchor tenant remerchandising of former Home Outfitters space for Team Town
		46,496	**1**	**46,497**		**$6,321**		

1. GLA adjustment due to reconfiguration caused by change in use.

2. Represents occupied GLA for development projects as a percentage of total GLA for development projects.

PART V

LIQUIDITY AND CAPITAL RESOURCES

DEBT AND LEVERAGE METRICS

	For the three months ended March 31, 2023	For the twelve months ended December 31, 2022	For the three months ended March 31, 2022
Interest coverage ratio [1]	**2.16**	2.32	2.20
Debt service coverage ratio [1]	**1.33**	1.36	1.28
Debt to assets ratio [1]	**53.5%**	53.6%	51.0 %
Weighted average rate on fixed rate mortgages	**3.7%**	3.6%	3.7 %
Weighted average rate on all mortgages	**4.3%**	4.2%	3.6 %
Average term to maturity on mortgages (years)	**3.0**	3.2	3.5
Unencumbered assets to unsecured debt	**198.9%**	217.1%	202.6 %
Unencumbered assets	**$316,250**	$345,130	$322,203
Unsecured debt	**$159,000**	$159,000	$159,000
Line of credit availability	**$110,179**	$111,988	$163,234

1. See calculations below and on following page.

COVERAGE RATIOS [1]

	For the three months ended March 31, 2023	For the twelve months ended December 31, 2022	For the three months ended March 31, 2022
Net operating income	**$32,296**	$125,187	$29,307
General and administrative expenses	**(1,056)**	(3,761)	(1,094)
Other income	**—**	1,050	—
Net operating income adjusted for items noted above (A)	**31,240**	122,476	28,213
Interest expense	**14,918**	54,386	13,212
Less amortization of deferred financing costs – mortgages	**(243)**	(857)	(217)
Less amortization of deferred financing costs – convertible debentures	**(190)**	(699)	(180)
Interest expense net of deferred financing costs (B)	**$14,485**	$52,830	$12,815
Interest coverage ratio (A)/(B)	**2.16**	2.32	2.20
Principal instalment repayments	**$8,980**	$36,908	$9,236
Interest expense net of deferred financing costs	**14,485**	52,830	12,815
Debt service (C)	**$23,465**	$89,738	$22,051
Debt service coverage ratio (A)/(C)	**1.33**	1.36	1.28

1. Calculated on a proportionate share basis.

DEBT TO ASSETS RATIO

	For the three months ended March 31, 2023	For the twelve months ended December 31, 2022	For the three months ended March 31, 2022
Total assets as per financial statements	**$2,372,021**	$2,376,187	$2,530,317
Plus accumulated amortization of furniture, fixtures and equipment	**1,256**	1,256	1,256
Plus accumulated amortization of right of use asset	**352**	331	269
Gross book value of total assets (A)	**2,373,629**	2,377,774	2,531,842
Mortgages payable	**1,045,362**	1,051,502	1,116,924
Convertible debentures	**150,357**	149,835	148,399
Lease liabilities	**16,507**	16,551	16,678
Bank indebtedness	**57,431**	55,622	9,656
Total net debt (B)	**1,269,657**	1,273,510	1,291,657
Debt to assets ratio (B)/(A)	**53.5%**	53.6%	51.0%

DEBT STRATEGY

The Trust's long-term debt strategy involves the use of three forms of debt: conventional property-specific secured mortgages or bonds, unsecured convertible debentures and secured floating-rate bank financing. The Trust's objective is to ensure that capital resources are readily available to meet obligations as they become due, to complete its approved capital expenditure program and to take advantage of attractive acquisitions as they arise.

The Trust is limited by its Declaration of Trust to an overall indebtedness ratio of 65% of the gross book value of the Trust's total assets determined in accordance with IFRS. The debt limitations are in relation to the assets of the Trust in aggregate. There are no individual property debt limitations or constraints imposed by the Declaration of Trust.

The Trust's current operating strategy involves maintaining debt levels in the range of 50-55% of the gross book value of total assets. Accordingly, the Trust does not generally repay maturing debt from cash flow, but rather with proceeds from refinancing such debt or financing unencumbered properties, and raising new equity or recycling equity through property dispositions to finance investment activities.

The Trust has a revolving loan agreement with Morguard that provides for borrowings or advances of up to $75.0 million, which is interest-bearing at the lender's borrowing rate and due on demand subject to available funds. This loan agreement is meant to provide short-term financing and investing options.

DEBT STRUCTURE

As at	March 31, 2023	%	December 31, 2022	%	March 31, 2022	%
Conventional secured mortgages payable	**$869,856**	**68.3 %**	$874,540	68.4 %	$1,054,306	81.3 %
Unsecured convertible debentures	**153,494**	**12.0 %**	153,162	12.0 %	152,245	11.7 %
Lease liabilities	**16,507**	**1.3 %**	16,551	1.3 %	16,678	1.3 %
Gross fixed rate debt	**1,039,857**	**81.6 %**	1,044,253	81.7 %	1,223,229	94.3 %
Conventional secured mortgages payable	**177,661**	**13.9 %**	179,161	14.0 %	65,089	5.0 %
Secured floating rate bank financing	**57,431**	**4.5 %**	55,622	4.3 %	9,656	0.7 %
Gross variable rate debt	**235,092**	**18.4 %**	234,783	18.3 %	74,745	5.7 %
Gross debt	**1,274,949**	**100.0 %**	1,279,036	100.0 %	1,297,974	100.0 %
Less deferred financing costs:						
Mortgages	**(2,155)**		(2,199)		(2,471)	
Convertible debentures	**(3,137)**		(3,327)		(3,846)	
Net debt	**$1,269,657**		$1,273,510		$1,291,657	

MORTGAGES PAYABLE

The following table details the refinancing activities completed during the year-to-date period ended April 26, 2023:

Maturity Date	Asset Type	Location	New Interest Rate	Maturing Interest Rate	Term (Years)	Expiring Mortgage	Mortgage Proceeds	Notes
January 23, 2023	Retail	Red Deer, AB	5.20%	3.99%	3.0	$39,186	$31,686	(a)
February 1, 2023	Office	Edmonton, AB	5.63%	—%	3.0	—	10,000	(b)
March 1, 2023	Office	Edmonton, AB	6.82%	3.86%	1.0	21,690	21,690	
April 1, 2023	Retail	Vaughan, ON	4.86%	3.93%	3.0	12,398	15,500	
Weighted averages and total			**5.63%**	**3.94%**	**2.5**	**$73,274**	**$78,876**	

(a) A further payment of $2.4 million is due on January 23, 2024 as a part of this mortgage renewal.

(b) A new mortgage was placed on this property which was unencumbered as at December 31, 2022.

DEBT MATURITY PROFILE

Management attempts to stagger the maturities of the Trust's fixed-rate debt with the general objective of achieving even annual maturities over a long-term horizon. The intention of this strategy is to reduce the Trust's exposure to interest rate fluctuations in any one period.

The Trust maintains mortgages with banks (44.9%), insurance companies (28.2%) and pension funds (26.9%) to reduce its exposure to any one lending group.

The following tables outline the debt payments as at March 31, 2023, together with the weighted average contractual rate on debt maturing in the years indicated. Also highlighted is the Trust's up-financing opportunity in relation to the fair value of encumbered properties relative to their respective maturing debt.

AGGREGATE MATURITIES

Year	Mortgage Maturity Payments	Scheduled Principal Repayments	Total Mortgages Payable	Debentures Payable	Bank Indebtedness	Lease Liabilities	Total Debt
2023	$234,107	$32,269	$266,376	$—	$57,431	$123	$323,930
2024	281,502	23,794	305,296	—	—	88	305,384
2025	115,653	17,094	132,747	—	—	94	132,841
2026	89,117	10,784	99,901	159,000	—	100	259,001
2027	42,485	8,849	51,334	—	—	107	51,441
Thereafter	158,130	33,733	191,863	—	—	15,995	207,858
	$920,994	**$126,523**	**$1,047,517**	**$159,000**	**$57,431**	**$16,507**	**$1,280,455**

INTEREST RATES

Year	Mortgages Payable	Debentures Payable	Bank Indebtedness	Lease Liabilities	Total Debt
2023	4.61 %	— %	7.11 %	7.25 %	5.10 %
2024	5.17 %	— %	— %	— %	5.17 %
2025	3.21 %	— %	— %	— %	3.21 %
2026	3.86 %	5.25 %	— %	— %	4.71 %
2027	4.10 %	— %	— %	— %	4.10 %
Thereafter	3.50 %	— %	— %	6.22 %	3.69 %
	4.27 %	**5.25 %**	**7.11 %**	**6.22 %**	**4.54 %**

FAIR VALUE OF ENCUMBERED PROPERTIES RELATIVE TO MATURING DEBT

Year	Mortgage Maturity Payments	Scheduled Principal Repayments	Total	Fair Value of Encumbered Assets	Leverage
2023	$234,107	$2,377	$236,484	$410,410	57.6%
2024	281,502	26,298	307,800	457,420	67.3%
2025	115,653	12,306	127,959	304,150	42.1%
2026	89,117	13,162	102,279	246,720	41.5%
2027	42,485	7,458	49,943	127,800	39.1%
Thereafter	158,130	64,922	223,052	369,050	60.4%
	$920,994	**$126,523**	**$1,047,517**	**$1,915,550**	**54.7%**

The scheduled principal repayments above represent the payments assigned to each particular year which are tied to the maturities for that year. Given current real estate values, the Trust has an opportunity to increase financing as certain debt matures and still maintain the targeted loan-to-value ratio in the range of 50-55%.

CREDIT FACILITIES

As at March 31, 2023, the Trust has secured floating rate bank financing availability totalling $108.0 million, which renews annually and is secured by fixed charges on specific properties owned by the Trust. The bank credit agreements include certain restrictive covenants and undertakings by the Trust. As at March 31, 2023, the Trust was in compliance with all covenants and undertakings.

The Trust's liquidity is defined and presented as follows:

LIQUIDITY

As at	March 31, 2023	December 31, 2022
Availability of bank lines of credit	**$108,000**	$108,000
Availability of Morguard loan payable	**75,000**	75,000
Availability	**183,000**	183,000
Other deductions and adjustments	**(15,390)**	(15,390)
Bank indebtedness outstanding	**(57,431)**	(55,622)
Subtotal	**110,179**	**111,988**
Cash	**9,472**	9,712
Liquidity	**$119,651**	**$121,700**

COVENANTS

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 March 31, 2023, and December 31, 2022, the Trust was in compliance with those covenants.

CONVERTIBLE DEBENTURES

On December 7, 2021, the Trust issued $159.0 million principal amount of 5.25% convertible unsecured subordinated debentures ("Convertible Debentures"), maturing on December 31, 2026 ("the Maturity Date"). 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 consolidated balance sheets.

Conversion Rights: 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 128.2051 units per thousand principal amount of Convertible Debentures, subject to adjustment.

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.

Repayment Options Payment on Redemption or Maturity: The Trust may satisfy the obligation to repay the principal amount 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.

PART VI

ACCOUNTING POLICIES AND OTHER ITEMS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Trust's condensed consolidated financial statements for the three months ended March 31, 2023, and 2022, have been prepared in accordance with IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual consolidated financial statements, except for the adoption of current accounting policies as described below, and should be read in conjunction with the most recent annual audited consolidated financial statements.

The MD&A for the year ended December 31, 2022, contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being primarily the accounting policies relating to estimates of fair value of real estate properties. Management determined that as at March 31, 2023, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the MD&A for the year ended December 31, 2022.

RISKS AND UNCERTAINTIES

The Trust is exposed to risks as further analyzed and described in the annual MD&A for December 31, 2022.

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 a 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,	2023	2022
Property management fees [1]	**$2,263**	$2,097
Appraisal/valuation fees	**85**	81
Information services	**55**	55
Leasing fees	**435**	484
Project administration fees	**139**	34
Project management fees	**2**	—
Risk management fees	**81**	78
Internal audit fees	**30**	31
Off-site administrative charges	**506**	476
Rental revenue	**(48)**	(50)
	$3,548	$3,286

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, 2023	December 31, 2022
Amounts payable to MIL, net	**$786**	$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. The promissory notes are interest-bearing at the lender's borrowing rate and are due on demand subject to available funds. These facilities were not used during the three months ended March 31, 2023 and 2022.

(c) Sublease with Morguard (Excluding MIL)

The Trust subleases office space from Morguard. For the three months ended March 31, 2023, the Trust incurred rent expense in the amount of $56 (2022 – $48).

(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, 2023	December 31, 2022
Amounts receivable	**$63**	$125
Accounts payable and accrued liabilities	**$42**	$—

(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, 2023, the Trust earned rental revenue in the amount of $29 (2022 – $29).

FINANCIAL INSTRUMENTS

The following describes the Trust's financial instruments. The Trust's financial assets and financial liabilities comprise cash, amounts receivable, loan receivable, accounts payable and accrued liabilities, bank indebtedness, mortgages payable, Morguard loan payable, and convertible debentures (excluding any conversion option).

Financial assets must be classified and measured based on three categories: Amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL. Fair values of financial assets and financial liabilities are presented as follows:

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, 2023.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using March 31, 2023, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2023, of the mortgages payable has been estimated at $1,010,369 (2022 – $1,007,073) compared with the carrying value before deferred financing costs of $1,047,517 (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 March 31, 2023, of the Convertible Debentures has been estimated at $154,230 (2022 – $147,870) compared with the carrying value before deferred financing costs of $153,494 (2022 – $153,162).

PART VII

CONTROLS AND PROCEDURES CONCERNING FINANCIAL INFORMATION

The financial certification process project team has documented the design of the internal controls in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. This undertaking has enabled the Chief Executive Officer and Chief Financial Officer to attest that the design of the internal controls with regard to financial information are effective using the Committee of Sponsoring Organizations of the Treadway Commission Internal Control – Integrated Framework (2013). In order to ensure that the condensed consolidated financial statements and MD&A present fairly, in all material aspects, the financial position of the Trust and the results of its operations, management is responsible for establishing and maintaining disclosure controls and procedures, as well as internal control over financial reporting.

The Trust's management has evaluated the effectiveness of the Trust's disclosure controls and procedures and, based on such evaluation, has concluded that their design is adequate and effective for the three months ended March 31, 2023. The Trust's management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that the design is effective for the three months ended March 31, 2023.

An information disclosure policy constitutes the framework for the information disclosure process with regard to the annual and interim filings, as well as to the other reports filed or submitted under securities legislation. This policy aims, in particular, at identifying material information and validating the related reporting. Morguard's Disclosure Committee is responsible for ensuring compliance with this policy for both Morguard and the Trust. Morguard's and the Trust's senior management act as the Disclosure Committee, ensuring compliance with this policy and reviewing main documents to be filed with regulatory authorities to ensure that all significant information regarding operations is communicated in a timely manner.

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

PART VIII

OUTLOOK

INTEREST DEDUCTION LIMITS

On February 5, 2022, the Department of Finance Canada released draft legislation to implement, among other things, some of the tax measures included in the 2021 Federal Budget (the "Proposals"). Included in the Proposals are rules that will limit the amount of interest that certain taxpayers may be able to deduct for tax purposes (the "Interest Rules"), which are expected to be effective for the 2024 fiscal year. The Interest Rules are proposed to address base erosion and profit shifting issues arising from taxpayers deducting interest, principally in the context of multi-national enterprises and cross-border investments. Management is reviewing the Interest Rules to assess the impact on the Trust, in particular the impact of having foreign affiliates within the Morguard group of companies.

CAPITAL

The Trust is expected to have elevated levels of operating capital (PCME) in 2023 and 2024 above the $25 million normalized amount. This is due to deferred capital from the last two to three years under COVID-19, increased project and construction costs and an elevated amount of expected leasing inducements, particularly in the office class related to higher-than-normal lease expiries.

PART IX

FINANCIAL STATEMENTS AT THE TRUST'S OWNERSHIP SHARE

Part IX provides the reader with analysis of the Trust's financial statements and additional detail of the Trusts' equity-accounted investment to arrive at a presentation of the Trust's ownership share.

BALANCE SHEETS – AT THE TRUST'S OWNERSHIP SHARE

As at March 31, 2023	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
ASSETS			
Non-current assets			
Real estate properties	$2,326,143	$36,500	$2,362,643
Right-of-use asset	55	—	55
Equity-accounted investment	11,989	(11,989)	—
	2,338,187	24,511	2,362,698
Current assets			
Amounts receivable	14,725	251	14,976
Prepaid expenses and other	9,637	68	9,705
Cash	9,472	473	9,945
	33,834	792	34,626
Total assets	$2,372,021	$25,303	$2,397,324
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	$697,846	$—	$697,846
Convertible debentures	150,357	—	150,357
Lease liabilities	16,362	—	16,362
Accounts payable and accrued liabilities	5,477	4	5,481
	870,042	4	870,046
Current liabilities			
Mortgages payable	347,516	21,681	369,197
Lease liabilities	145	—	145
Accounts payable and accrued liabilities	55,005	3,618	58,623
Bank indebtedness	57,431	—	57,431
	460,097	25,299	485,396
Total liabilities	1,330,139	25,303	1,355,442
Unitholders' equity	1,041,882	—	1,041,882
	$2,372,021	$25,303	$2,397,324

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME – AT THE TRUST'S OWNERSHIP SHARE

For the three months ended March 31, 2023	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
Revenue from real estate properties	**$64,816**	**$1,383**	**$66,199**
Property operating costs			
Property operating expenses	**(18,611)**	**(444)**	**(19,055)**
Property taxes	**(12,420)**	**(141)**	**(12,561)**
Property management fees	**(2,239)**	**(48)**	**(2,287)**
Net operating income	**31,546**	**750**	**32,296**
Interest expense	**(14,709)**	**(209)**	**(14,918)**
General and administrative	**(1,056)**	**—**	**(1,056)**
Amortization expense	**(21)**	**—**	**(21)**
Fair value (losses)/gains on real estate properties	**(21,541)**	**83**	**(21,458)**
Net income from equity-accounted investment	**624**	**(624)**	**—**
Net loss and comprehensive loss	**($5,157)**	**$—**	**($5,157)**

For the three months ended March 31, 2022	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
Revenue from real estate properties	$61,326	$1,346	$62,672
Property operating costs			
Property operating expenses	(18,096)	(400)	(18,496)
Property taxes	(12,614)	(136)	(12,750)
Property management fees	(2,072)	(47)	(2,119)
Net operating income	**28,544**	**763**	**29,307**
Interest expense	(12,991)	(221)	(13,212)
General and administrative	(1,094)	—	(1,094)
Amortization expense	(21)	—	(21)
Fair value gains/(losses) on real estate properties	24,965	(36)	24,929
Net loss from equity-accounted investment	506	(506)	—
Net income and comprehensive income	**$39,909**	**$—**	**$39,909**

STATEMENTS OF CASH FLOWS – AT THE TRUST'S OWNERSHIP SHARE

For the three months ended March 31, 2023	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
OPERATING ACTIVITIES			
Net loss	**($5,157)**	**$—**	**($5,157)**
Add items not affecting cash	**22,178**	**541**	**22,719**
Distributions from equity-accounted investment, net	**293**	**(293)**	**—**
Additions to tenant incentives and leasing commissions	**(671)**	**—**	**(671)**
Net change in non-cash operating assets and liabilities	**(73)**	**(327)**	**(400)**
Cash provided by/(used in) operating activities	**16,570**	**(79)**	**16,491**
FINANCING ACTIVITIES			
Proceeds from new mortgages	**41,686**	**—**	**41,686**
Financing costs on new mortgages	**(199)**	**(9)**	**(208)**
Repayment of mortgages			
Repayments on maturity	**(39,186)**	**—**	**(39,186)**
Principal instalment repayments	**(8,684)**	**(296)**	**(8,980)**
Payment of lease liabilities, net	**(44)**	**—**	**(44)**
Proceeds from bank indebtedness, net	**1,809**	**—**	**1,809**
Distributions to unitholders	**(2,509)**	**—**	**(2,509)**
Cash used in financing activities	**(7,127)**	**(305)**	**(7,432)**
INVESTING ACTIVITIES			
Capital expenditures on real estate properties	**(3,038)**	**83**	**(2,955)**
Expenditures on properties under development	**(6,645)**	**—**	**(6,645)**
Cash used in investing activities	**(9,683)**	**83**	**(9,600)**
Net change in cash	**(240)**	**(301)**	**(541)**
Cash, beginning of period	**9,712**	**774**	**10,486**
Cash, end of period	**$9,472**	**$473**	**$9,945**

STATEMENTS OF CASH FLOWS – AT THE TRUST'S OWNERSHIP SHARE (CONTINUED)

For the three months ended March 31, 2022	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
OPERATING ACTIVITIES			
Net income	$39,909	$—	$39,909
(Subtract)/add items not affecting cash	(24,295)	542	(23,753)
Distributions from equity-accounted investment, net	460	(460)	—
Additions to tenant incentives and leasing commissions	(772)	(1)	(773)
Net change in non-cash operating assets and liabilities	(995)	(243)	(1,238)
Cash provided by operating activities	**14,307**	**(162)**	**14,145**
FINANCING ACTIVITIES			
Repayment of mortgages			
Principal instalment repayments	(8,950)	(286)	(9,236)
Payment of lease liabilities, net	(40)	—	(40)
Proceeds from bank indebtedness, net	2,130	—	2,130
Distributions to unitholders	(3,495)	—	(3,495)
Cash used in financing activities	**(10,355)**	**(286)**	**(10,641)**
INVESTING ACTIVITIES			
Capital expenditures on real estate properties	(1,781)	(35)	(1,816)
Expenditures on properties under development	(1,991)	—	(1,991)
Cash used in investing activities	**(3,772)**	**(35)**	**(3,807)**
Net change in cash	**180**	**(483)**	**(303)**
Cash, beginning of period	11,270	2,369	13,639
Cash, end of period	**$11,450**	**$1,886**	**$13,336**

PART X

SUMMARY OF QUARTERLY RESULTS

The selected quarterly information highlights certain key metrics for the Trust over the most recently completed eight quarters. These measures from time to time may reflect fluctuations caused by the underlying impact of seasonal or non-recurring items, including acquisitions, divestitures, developments, leasing and maintenance expenditures, along with any associated financing requirements.

SUMMARY OF SELECTED QUARTERLY INFORMATION

In thousands of dollars, except per unit amounts	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue from real estate properties	**$64,816**	$59,664	$61,127	$60,512	$61,326	$63,235	$58,760	$58,475
Net operating income	**31,546**	33,539	30,433	29,683	28,544	31,689	30,407	28,975
Fair value (losses)/gains on real estate properties	**(21,541)**	(113,004)	(73,263)	12,325	24,965	(18,306)	(7,382)	(20,837)
Net (loss)/income	**(5,157)**	(95,376)	(58,279)	27,649	39,909	(796)	6,676	(5,845)
Funds from operations [1]	**16,278**	19,002	16,633	16,227	14,961	18,001	16,567	15,043
Adjusted funds from operations [1,4]	**10,300**	12,745	10,385	10,486	9,105	13,912	12,162	10,664
Net (loss)/income – basic	**($0.08)**	($1.48)	($0.91)	$0.43	$0.62	($0.01)	$0.10	($0.09)
Net (loss)/income – diluted	**($0.08)**	($1.48)	($0.91)	$0.31	$0.44	($0.01)	$0.10	($0.09)
Funds from operations – basic [1]	**$0.25**	$0.30	$0.26	$0.25	$0.23	$0.28	$0.26	$0.23
Funds from operations – diluted [1]	**$0.22**	$0.25	$0.22	$0.22	$0.20	$0.26	$0.26	$0.23
Adjusted funds from operations – basic [1,4]	**$0.16**	$0.20	$0.16	$0.16	$0.14	$0.22	$0.19	$0.17
Adjusted funds from operations – diluted [1,4]	**$0.15**	$0.18	$0.15	$0.15	$0.13	$0.21	$0.19	$0.17
Distributions per unit	**$0.06**	$0.06	$0.06	$0.06	$0.06	$0.18	$0.06	$0.06
Payout ratio – Adjusted funds from operations [1]	**37.5%**	30.0%	37.5%	37.5%	42.9%	81.8%	31.6%	35.3%
Payout ratio – Adjusted funds from operations (excluding special distribution) [1]	**37.5%**	30.0%	37.5%	37.5%	42.9%	29.5%	31.6%	35.3%
Weighted average number of units as at quarter-end (in thousands)								
Basic	**64,231**	64,213	64,194	64,176	64,163	64,153	64,145	64,137
Balance sheets								
Total assets	**$2,372,021**	$2,376,187	$2,480,348	$2,547,892	$2,530,317	$2,493,942	$2,510,762	$2,528,633
Total gross debt	**$1,274,949**	$1,279,036	$1,282,961	$1,291,396	$1,297,974	$1,304,522	$1,313,334	$1,334,515
Total equity	**$1,041,882**	$1,050,828	$1,149,940	$1,211,977	$1,188,084	$1,151,988	$1,150,646	$1,147,767
Gross leasable area as at quarter-end (in thousands of square feet) [2]								
Retail	**4,478**	4,478	4,478	4,475	4,567	4,567	4,598	4,645
Office	**3,245**	3,253	3,253	3,252	3,252	3,252	3,250	3,237
Industrial	**293**	293	293	293	293	293	293	293
Total	**8,016**	8,024	8,024	8,020	8,112	8,112	8,141	8,175
Occupancy as at quarter-end (%) [3]								
Retail	**93.6%**	94.5%	94.3%	94.0%	94.0%	94.2%	93.6%	93.8%
Office	**85.0%**	86.1%	87.2%	86.6%	87.2%	86.7%	86.5%	87.7%
Industrial	**86.1%**	86.1%	94.7%	94.7%	95.1%	95.1%	93.6%	89.9%
Total	**89.7%**	90.6%	91.3%	90.9%	91.2%	91.0%	90.6%	91.1%

1. The following represents a non-GAAP financial measure/ratio that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure/ratio can be found under the MD&A section Part I, "Specified Financial Measures".
2. Excludes equity-accounted investment.
3. Excludes properties held for sale, area either held for, or under, development and equity-accounted investment.
4. The Trust uses normalized productive capacity maintenance expenditures to calculate adjusted funds from operations.

PART XI

PROPERTY LISTING

RETAIL PROPERTIES

Property	City	Province	Ownership Interest (%)	Gross Area (SF)	Ownership Area (SF)
Burquitlam Plaza	Coquitlam	BC	100	68,500	68,500
Pine Centre Mall	Prince George	BC	100	358,500	358,500
Shelbourne Plaza	Victoria	BC	100	57,000	57,000
Airdrie Co-op Centre	Airdrie	AB	100	70,000	70,000
2649 Main Street South	Airdrie	AB	100	44,000	44,000
Heritage Towne Centre	Calgary	AB	100	131,000	131,000
Prairie Mall	Grande Prairie	AB	50	263,000	131,500
Parkland Mall	Red Deer	AB	100	444,500	444,500
The Centre	Saskatoon	SK	100	499,000	499,000
Shoppers Mall	Brandon	MB	100	361,000	361,000
Charleswood Centre	Winnipeg	MB	100	123,000	123,000
Southdale Centre	Winnipeg	MB	100	175,500	175,500
Aurora Centre	Aurora	ON	100	304,000	304,000
Cambridge Centre	Cambridge	ON	100	620,000	620,000
Market Square	Kanata	ON	100	68,000	68,000
Kingsbury Centre	Mississauga	ON	100	70,000	70,000
Hampton Park Plaza	Ottawa	ON	100	102,000	102,000
St. Laurent	Ottawa	ON	100	797,000	797,000
Woodbridge Square	Vaughan	ON	50	112,000	56,000
Total Retail (19)				**4,668,000**	**4,480,500**

OFFICE PROPERTIES

Property	City	Province	Ownership Interest (%)	Gross Area (SF)	Ownership Area (SF)
111 Dunsmuir	Vancouver	BC	100	222,000	222,000
Chancery Place	Vancouver	BC	100	142,500	142,500
Seymour Place	Victoria	BC	100	235,500	235,500
505 3rd Street SW	Calgary	AB	50	142,000	71,000
7315 8th Street NE	Calgary	AB	100	19,500	19,500
Centre 810	Calgary	AB	100	77,500	77,500
Citadel West	Calgary	AB	100	78,500	78,500
Deerport Centre	Calgary	AB	100	49,000	49,000
Duncan Building	Calgary	AB	100	81,000	81,000
National Bank Building	Calgary	AB	100	43,500	43,500
207 and 215 9th Avenue SW	Calgary	AB	100	632,500	632,500
Petroleum Plaza	Edmonton	AB	50	304,000	152,000
Rice Howard Place	Edmonton	AB	20	610,000	122,000
301 Laurier Avenue	Ottawa	ON	50	26,000	13,000
525 Coventry	Ottawa	ON	100	42,500	42,500
Green Valley Office Park	Ottawa	ON	100	123,000	123,000
Heritage Place	Ottawa	ON	50	217,000	108,500
St. Laurent Business Centre	Ottawa	ON	100	89,000	89,000
Standard Life	Ottawa	ON	50	371,000	185,500
Time Square	Ottawa	ON	100	112,000	112,000
200 Yorkland	Toronto	ON	100	150,500	150,500
77 Bloor Street West	Toronto	ON	50	396,000	198,000
Place Innovation	Saint-Laurent	QC	50	896,000	448,000
Total Office (23)				**5,060,500**	**3,396,500**

INDUSTRIAL PROPERTIES

Property	City	Province	Ownership Interest (%)	Gross Area (SF)	Ownership Area (SF)
1875 Leslie	Toronto	ON	100	52,000	52,000
2041-2151 McCowan	Toronto	ON	100	197,500	197,500
279 Yorkland	Toronto	ON	100	18,000	18,000
285 Yorkland	Toronto	ON	100	25,000	25,000
Total Industrial (4)				**292,500**	**292,500**

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BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	March 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Real estate properties	3	**$2,326,143**	$2,337,805
Right-of-use asset	4	**55**	76
Equity-accounted investment	5	**11,989**	11,658
		2,338,187	2,349,539
Current assets			
Amounts receivable	6	**14,725**	15,736
Prepaid expenses and other		**9,637**	1,200
Cash		**9,472**	9,712
		33,834	26,648
Total assets		**$2,372,021**	$2,376,187
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	8	**$697,846**	$739,503
Convertible debentures	9	**150,357**	149,835
Lease liabilities	10	**16,362**	16,384
Accounts payable and accrued liabilities		**5,477**	5,392
		870,042	911,114
Current liabilities			
Mortgages payable	8	**347,516**	311,999
Lease liabilities	10	**145**	167
Accounts payable and accrued liabilities		**55,005**	46,457
Bank indebtedness	11	**57,431**	55,622
		460,097	414,245
Total liabilities		**1,330,139**	1,325,359
Unitholders' equity		**1,041,882**	1,050,828
		$2,372,021	$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

For the three months ended March 31,	Note	2023	2022
Revenue from real estate properties	12	**$64,816**	$61,326
Property operating costs			
Property operating expenses	13(a)	**(18,611)**	(18,096)
Property taxes		**(12,420)**	(12,614)
Property management fees		**(2,239)**	(2,072)
Net operating income		**31,546**	28,544
Interest expense	14	**(14,709)**	(12,991)
General and administrative	13(b)	**(1,056)**	(1,094)
Amortization expense		**(21)**	(21)
Fair value (losses)/gains on real estate properties	3	**(21,541)**	24,965
Net income from equity-accounted investment	5	**624**	506
Net (loss)/income and comprehensive (loss)/income		**($5,157)**	$39,909
NET (LOSS)/INCOME PER UNIT	16(d)		
Basic		**($0.08)**	$0.62
Diluted		**($0.08)**	$0.44

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		—	—	39,909	—	—	39,909
Distributions to unitholders	16(a)	—	—	(3,813)	—	—	(3,813)
Issue of units – DRIP [1]	16(c)	6,145	33	(33)	—	—	—
Unitholders' equity, March 31, 2022		64,167,242	635,564	539,183	6,879	6,458	1,188,084
Net loss		—	—	(126,006)	—	—	(126,006)
Distributions to unitholders	16(a)	—	—	(11,250)	—	—	(11,250)
Issue of units – DRIP [1]	16(c)	59,612	310	(310)	—	—	—
Unitholders' equity, December 31, 2022		64,226,854	635,874	401,617	6,879	6,458	1,050,828
Net loss		**—**	**—**	**(5,157)**	**—**	**—**	**(5,157)**
Distributions to unitholders	16(a)	**—**	**—**	**(3,789)**	**—**	**—**	**(3,789)**
Issue of units – DRIP [1]	16(c)	**11,064**	**60**	**(60)**	**—**	**—**	**—**
Unitholders' equity, March 31, 2023		**64,237,918**	**$635,934**	**$392,611**	**$6,879**	**$6,458**	**$1,041,882**

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	2023	2022
OPERATING ACTIVITIES			
Net (loss)/income		**($5,157)**	$39,909
Add/(deduct) items not affecting cash	17(a)	**22,178**	(24,295)
Distributions from equity-accounted investment, net	5	**293**	460
Additions to tenant incentives and leasing commissions		**(671)**	(772)
Net change in non-cash operating assets and liabilities	17(b)	**(73)**	(995)
Cash provided by operating activities		**16,570**	14,307
FINANCING ACTIVITIES			
Proceeds from new mortgages		**41,686**	—
Financing costs on new mortgages		**(199)**	—
Repayment of mortgages			
Repayments on maturity		**(39,186)**	—
Principal instalment repayments		**(8,684)**	(8,950)
Payment of lease liabilities, net		**(44)**	(40)
Proceeds from bank indebtedness, net	11	**1,809**	2,130
Distributions to unitholders		**(2,509)**	(3,495)
Cash used in financing activities		**(7,127)**	(10,355)
INVESTING ACTIVITIES			
Capital expenditures on real estate properties		**(3,038)**	(1,781)
Expenditures on properties under development		**(6,645)**	(1,991)
Cash used in investing activities		**(9,683)**	(3,772)
Net change in cash		**(240)**	180
Cash, beginning of period		**9,712**	11,270
Cash, end of period		**$9,472**	$11,450

See accompanying notes to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 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 63.8% of the outstanding units as at March 31, 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 April 26, 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	March 31, 2023	December 31, 2022
Income producing properties	**$2,244,079**	$2,260,657
Properties under development	**29,864**	25,948
Held for development	**52,200**	51,200
	$2,326,143	$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	2,271	6,645	—	8,916
Tenant improvements, tenant incentives and commissions	1,438	—	—	1,438
Transfers	2,729	(2,729)	—	—
Fair value (losses)/gains	(22,541)	—	1,000	(21,541)
Other changes	(475)	—	—	(475)
Balance as at March 31, 2023	**$2,244,079**	**$29,864**	**$52,200**	**$2,326,143**

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, 2022 – 4.3% to 8.3%), resulting in an overall weighted average capitalization rate of 7.10% (December 31, 2022 – 7.10%).

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

	March 31, 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%**	**7.8%**	**5.0%**	**7.4%**	97.0%	90.0%	7.8%	5.0%	7.4%
Office	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.9%**	100.0%	90.0%	8.3%	4.3%	6.9%
Industrial	**100.0%**	**95.0%**	**5.5%**	**5.3%**	**5.7%**	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:

	March 31, 2023			December 31, 2022		
	Maximum	Minimum	Weighted Average	Maximum	Minimum	Weighted Average
RETAIL						
Discount rate	**8.8 %**	**5.8 %**	**7.5 %**	8.8 %	5.8 %	7.5 %
Terminal cap rate	**7.8 %**	**5.0 %**	**6.7 %**	7.8 %	5.0 %	6.7 %
OFFICE						
Discount rate	**9.0 %**	**5.3 %**	**6.5 %**	9.0 %	5.3 %	6.5 %
Terminal cap rate	**8.0 %**	**4.3 %**	**5.7 %**	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 March 31, 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 March 31, 2023, would decrease by $71,436 or increase by $76,675, 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, 2023		
Change in capitalization rate	**0.25%**	**(0.25%)**
Retail	**($35,910)**	**$38,428**
Office	**(33,121)**	**35,620**
Industrial	**(2,405)**	**2,627**
	($71,436)	**$76,675**

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, 2023	December 31, 2022
Balance, beginning of period	**$76**	$159
Amortization expense	**(21)**	(83)
Balance, end of period	**$55**	$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.

As at	March 31, 2023	December 31, 2022
Balance, beginning of period	**$11,658**	$18,578
Equity income/(loss)	**624**	(3,022)
Distributions to partners, net	**(293)**	(3,898)
Balance, end of period	**$11,989**	$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:

As at	March 31, 2023	December 31, 2022
Real estate property	**$36,500**	$36,500
Current assets	**792**	998
Total assets	**37,292**	37,498
Non-current liabilities	**(4)**	(4)
Current liabilities	**(25,299)**	(25,836)
Net equity	**$11,989**	$11,658

For the three months ended March 31,	2023	2022
Revenue from real estate property	**$1,383**	$1,346
Property operating expenses	**(633)**	(583)
Net operating income	**750**	763
Interest and other	**(209)**	(221)
Fair value gains/(losses) on real estate property	**83**	(36)
Net income	**$624**	$506

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, 2023, the property was valued using a discount rate of 8.3% (December 31, 2022 – 8.3%), a terminal cap rate of 7.5% (December 31, 2022 – 7.5%) and a stabilized cap rate of 7.3% (December 31, 2022 – 7.3%). The stabilized annual net operating income as at March 31, 2023, was $3,172 (December 31, 2022 – $2,954).

NOTE 6
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at	March 31, 2023	December 31, 2022
Tenant receivables	**$7,759**	$5,428
Unbilled other tenant receivables	**3,511**	3,445
Receivables from related parties	**578**	495
Other	**5,325**	8,975
Allowance for expected credit loss	**(2,448)**	(2,607)
	$14,725	$15,736

Allowance for Expected Credit Loss ("ECL")

The Trust records the ECL to comply with the simplified approach for amounts receivable under IFRS 9, "Financial Instruments", where its ECL allowance is measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL.

The Trust's ECL includes estimates of the uncertainty of the recoverability of rents related to tenants, of the uncertainty of the recoverability on short-term rent deferrals, of rent reductions provided to tenants related to rents already recognized as a receivable when the tenant made a request for financial assistance and of the uncertainty of the recoverability of all other receivables.

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.

			Trust's Ownership Share	
Jointly Controlled Operations	**Location**	**Property Type**	**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 March 31, 2023, and December 31, 2022, and the results of operations for the three months ended March 31, 2023, and 2022:

As at	**March 31, 2023**	December 31, 2022
Assets	**$417,713**	$422,749
Liabilities	**$223,146**	$211,805

For the three months ended March 31,	**2023**	2022
Revenue	**$11,739**	$12,351
Expenses	**(8,250)**	(8,189)
Income before fair value adjustments	**3,489**	4,162
Fair value (losses)/gains on real estate properties	**(9,175)**	2,253
Net (loss)/income	**($5,686)**	$6,415

NOTE 8
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	March 31, 2023	December 31, 2022
Mortgages payable before deferred financing costs	**$1,047,517**	$1,053,701
Deferred financing costs	**(2,155)**	(2,199)
Mortgages payable	**$1,045,362**	$1,051,502
Mortgages payable – non-current	**$697,846**	$739,503
Mortgages payable – current	**347,516**	311,999
Mortgages payable	**$1,045,362**	$1,051,502
Range of interest rates	**2.7% to 7.1%**	2.7% to 6.9%
Weighted average fixed interest rate	**3.7%**	3.6%
Weighted average interest rate on all mortgages	**4.3%**	4.2%
Weighted average term to maturity (years)	**3.0**	3.2

The mortgages payable above include floating-rate mortgages. As at March 31, 2023, these mortgages totalled $177,661 (December 31, 2022 – $179,161).

The aggregate principal repayments and balances maturing on the mortgages payable as at March 31, 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)	$32,269	$234,107	$266,376	4.6 %
2024	23,794	281,502	305,296	5.2 %
2025	17,094	115,653	132,747	3.2 %
2026	10,784	89,117	99,901	3.9 %
2027	8,849	42,485	51,334	4.1 %
Thereafter	33,733	158,130	191,863	3.5 %
	$126,523	**$920,994**	**$1,047,517**	**4.3 %**

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 March 31, 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 March 31, 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	March 31, 2023	December 31, 2022
Convertible debentures – liability	**$151,934**	$151,934
Convertible debentures – accretion	**1,560**	1,228
Convertible debentures before issue costs	**153,494**	153,162
Issue costs	**(3,137)**	(3,327)
Convertible debentures	**$150,357**	$149,835

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

	Interest	Principal	Total
2023	$8,348	$—	$8,348
2024	8,348	—	8,348
2025	8,348	—	8,348
2026	8,348	159,000	167,348
	$33,392	**$159,000**	**$192,392**

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	March 31, 2023	December 31, 2022
Balance, beginning of period	**$16,551**	$16,718
Lease payments	**(301)**	(1,203)
Interest	**257**	1,036
Balance, end of period	**$16,507**	$16,551
Current	**$145**	$167
Non-current	**16,362**	16,384
	$16,507	$16,551
Weighted average borrowing rate	**6.2 %**	6.2 %

NOTE 11
BANK INDEBTEDNESS
The Trust has operating lines of credit totalling $108,000 (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 March 31, 2023, there is a maximum of $93,700 available (December 31, 2022 – $93,700).

As at March 31, 2023, the Trust had borrowed $57,431 (December 31, 2022 – $55,622) on its credit facilities and issued letters of credit in the amount of $1,090 (December 31, 2022 – $1,090) related to these facilities. The net availability remaining on the Trust's credit facilities is $35,179 (December 31, 2022 – $36,988).

The bank credit agreements include certain restrictive covenants and undertakings by the Trust. As at March 31, 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 March 31, 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 March 31, 2023	Retail	Office	Industrial	Total
Rental revenue	**$21,981**	**$15,636**	**$492**	**$38,109**
CAM recoveries	**5,379**	**7,246**	**215**	**12,840**
Property tax and insurance recoveries	**8,308**	**3,683**	**139**	**12,130**
Other revenue and lease cancellation fees	**548**	**366**	**—**	**914**
Parking revenue	**—**	**1,298**	**—**	**1,298**
Amortized rents	**(156)**	**(346)**	**27**	**(475)**
	$36,060	**$27,883**	**$873**	**$64,816**

For the three months ended March 31, 2022	Retail	Office	Industrial	Total
Rental revenue	$21,474	$15,555	$545	$37,574
CAM recoveries	4,981	6,857	272	12,110
Property tax and insurance recoveries	5,604	4,036	158	9,798
Other revenue and lease cancellation fees	642	582	59	1,283
Parking revenue	1	1,007	—	1,008
Amortized rents	14	(463)	2	(447)
	$32,716	$27,574	$1,036	$61,326

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:

For the three months ended March 31,	2023	2022
Repairs and maintenance	**$7,969**	$7,759
Utilities	**5,305**	4,657
Bad debt expense	**117**	638
Other operating expenses	**5,220**	5,042
	$18,611	$18,096

(b) General and Administrative

General and administrative expenses consist of the following:

For the three months ended March 31,	2023	2022
Trustees' fees and expenses	**$66**	$60
Professional and compliance fees	**331**	376
Payroll and other administrative expenses	**659**	658
	$1,056	$1,094

NOTE 14
INTEREST EXPENSE

The components of interest expense are as follows:

For the three months ended March 31,	2023	2022
Mortgages payable	**$11,014**	$10,004
Amortization of deferred financing costs – mortgages	**243**	217
Convertible debentures	**2,058**	2,058
Accretion on convertible debentures, net	**332**	311
Amortization of deferred financing costs – convertible debentures	**190**	180
Lease liabilities	**257**	260
Bank indebtedness	**894**	35
Capitalized interest	**(279)**	(74)
	$14,709	$12,991

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:

For the three months ended March 31,	2023	2022
Property management fees [1]	**$2,263**	$2,097
Appraisal/valuation fees	**85**	81
Information services	**55**	55
Leasing fees	**435**	484
Project administration fees	**139**	34
Project management fees	**2**	—
Risk management fees	**81**	78
Internal audit fees	**30**	31
Off-site administrative charges	**506**	476
Rental revenue	**(48)**	(50)
	$3,548	$3,286

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, 2023	December 31, 2022
Amounts payable to MIL, net	**$786**	$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 three months ended March 31, 2023, there were no advances or repayments. As at March 31, 2023, and December 31, 2022, there was no loan payable to Morguard. For the three months ended March 31, 2023, and 2022, the Trust incurred no interest expense.

Morguard Loan Receivable

During the three months ended March 31, 2023, there were no advances or repayments. As at March 31, 2023 and December 31, 2022, there was no loan receivable from Morguard. For the three months ended March 31, 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 March 31, 2023, the Trust incurred rent expense in the amount of $56 (2022 – $48).

(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, 2023	December 31, 2022
Amounts receivable	**$63**	$125
Accounts payable and accrued liabilities	**$42**	$—

(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, 2023, the Trust earned rental revenue in the amount of $29 (2022 – $29).

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 March 31, 2023:

	Three months ended March 31, 2023	Year ended December 31, 2022
Balance, beginning of period	**64,226,854**	64,161,097
Distribution Reinvestment Plan	**11,064**	65,757
Balance, end of period	**64,237,918**	64,226,854

Total distributions recorded during the three months ended March 31, 2023, amounted to $3,849 or $0.06 per unit (2022 – $3,846 or $0.06 per unit). On March 15, 2023, the Trust declared a distribution in the amount of $0.02 per unit for the month of March 2023, payable on April 14, 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 three months ended March 31, 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 three months ended March 31, 2023, the Trust issued 11,064 units under the DRIP (2022 – 6,145 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,	2023	2022
Net (loss)/income – basic	**($5,157)**	$39,909
Net (loss)/income – diluted	**($5,157)**	$42,458
Weighted average number of units outstanding – basic	**64,231**	64,163
Weighted average number of units outstanding – diluted	**64,231**	96,496
Net (loss)/income per unit – basic	**($0.08)**	$0.62
Net (loss)/income per unit – diluted	**($0.08)**	$0.44

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 March 31, 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 months ended March 31, 2023 as their inclusion would be anti-dilutive.

NOTE 17
STATEMENTS OF CASH FLOWS
(a) Items Not Affecting Cash

For the three months ended March 31,	2023	2022
Fair value losses/(gains) on real estate properties	**$21,541**	($24,965)
Net income from equity-accounted investment	**(624)**	(506)
Amortized stepped rent	**272**	394
Amortized free rent	**143**	(62)
Amortization of deferred financing costs – mortgages	**243**	217
Amortization of tenant incentives	**60**	115
Amortization of right-of-use asset	**21**	21
Amortization of deferred financing costs – convertible debentures	**190**	180
Accretion on convertible debentures	**332**	311
	$22,178	($24,295)

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

For the three months ended March 31,	2023	2022
Amounts receivable	**$1,011**	$2,142
Prepaid expenses and other	**(8,437)**	(9,250)
Accounts payable and accrued liabilities	**7,353**	6,113
	($73)	($995)

Other supplemental cash flow information consists of the following:		
Interest paid	**$11,069**	$10,242
Issue of units – DRIP	**$60**	$33

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 March 31, 2023, committed capital expenditures in the next 12 months are estimated at $3,641.

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	March 31, 2023	December 31, 2022
Mortgages payable	8	**$1,045,362**	$1,051,502
Convertible debentures	9	**150,357**	149,835
Bank indebtedness	11	**57,431**	55,622
Lease liabilities	10	**16,507**	16,551
Cash		**(9,472)**	(9,712)
Unitholders' equity		**1,041,882**	1,050,828
		$2,302,067	$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	March 31, 2023	December 31, 2022
Fixed-rate debt to gross book value of total assets	N/A	**43.6 %**	43.7 %
Floating-rate debt to gross book value of total assets	15 %	**9.9 %**	9.9 %
	65 %	**53.5 %**	53.6 %

As at March 31, 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 March 31, 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 March 31, 2023.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using March 31, 2023, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2023, of the mortgages payable has been estimated at $1,010,369 (December 31, 2022 – $1,007,073) compared with the carrying value before deferred financing costs of $1,047,517 (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 March 31, 2023, of the Convertible Debentures has been estimated at $154,230 (December 31, 2022 – $147,870) compared with the carrying value before deferred financing costs of $153,494 (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:

	March 31, 2023			December 31, 2022		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
ASSETS						
Income producing properties	**$—**	**$—**	**$2,244,079**	$—	$—	$2,260,657
Properties under development	**$—**	**$—**	**$29,864**	$—	$—	$25,948
Held for development	**$—**	**$—**	**$52,200**	$—	$—	$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 March 31, 2023, the Trust has the following three reportable segments: retail, office and industrial.

Business Segments

For the three months ended March 31, 2023	**Retail**	**Office**	**Industrial**	**Total**
Revenue from real estate properties	**$36,060**	**$27,883**	**$873**	**$64,816**
Property operating expenses	**(9,604)**	**(8,761)**	**(246)**	**(18,611)**
Property taxes	**(7,926)**	**(4,332)**	**(162)**	**(12,420)**
Property management fees	**(1,310)**	**(899)**	**(30)**	**(2,239)**
Net operating income	**$17,220**	**$13,891**	**$435**	**$31,546**

For the three months ended March 31, 2022	Retail	Office	Industrial	Total
Revenue from real estate properties	$32,716	$27,574	$1,036	$61,326
Property operating expenses	(9,911)	(7,943)	(242)	(18,096)
Property taxes	(7,937)	(4,526)	(151)	(12,614)
Property management fees	(1,151)	(887)	(34)	(2,072)
Net operating income	$13,717	$14,218	$609	$28,544

	Retail	**Office**	**Industrial**	**Total**
As at March 31, 2023				
Real estate properties	**$1,291,923**	**$969,220**	**$65,000**	**$2,326,143**
Mortgages payable (based on collateral)	**$566,547**	**$478,815**	**$—**	**$1,045,362**
For the three months ended March 31, 2023				
Additions to real estate properties	**$7,992**	**$1,448**	**$914**	**$10,354**
Fair value gains/(losses) on real estate properties	**$2,411**	**($24,461)**	**$509**	**($21,541)**

	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 three months ended March 31, 2022				
Additions to real estate properties	$2,601	$1,932	$11	$4,544
Fair value gains on real estate properties	$6,481	$10,697	$7,787	$24,965