Morguard

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MORGUARD REIT

2021 SECOND QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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SUMMARY OF OPERATIONS

In thousands of dollars, except per-unit amounts	Three Months Ended June 30, 2021	2020	Six Months Ended June 30, 2021	2020
Revenue from real estate properties	**$58,475**	$59,300	**$119,445**	$125,673
Net operating income	**28,975**	27,200	**60,033**	62,028
Fair value losses on real estate properties	**(20,837)**	(111,430)	**(35,286)**	(232,547)
Net loss	**(5,845)**	(98,814)	**(995)**	(201,369)
Funds from operations	**15,043**	13,152	**34,376**	33,110
Adjusted funds from operations [1]	**10,664**	10,032	**25,414**	23,763
Amounts presented on a per unit basis				
Net loss – basic	**($0.09)**	($1.60)	**($0.02)**	($3.29)
Net loss – diluted	**($0.09)**	($1.60)	**($0.02)**	($3.29)
Funds from operations – basic	**$0.23**	$0.21	**$0.54**	$0.54
Funds from operations – diluted	**$0.23**	$0.21	**$0.53**	$0.53
Adjusted funds from operations – basic [1]	**$0.17**	$0.16	**$0.40**	$0.39
Adjusted funds from operations – diluted [1]	**$0.17**	$0.16	**$0.40**	$0.39
Distributions per unit	**$0.06**	$0.16	**$0.14**	$0.40
Payout ratio – Adjusted funds from operations	**35.3%**	100.0%	**35.0%**	102.6%
Weighted average number of units (in thousands)				
Basic	**64,137**	61,567	**64,133**	61,152
Diluted	**72,716**	70,145	**72,711**	69,731

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

SUMMARY OF FINANCIAL POSITION

As at	June 30, 2021	December 31, 2020	June 30, 2020
Total assets (thousands of dollars)	**$2,528,633**	$2,557,733	$2,750,019
Total gross debt (thousands of dollars)	**1,334,515**	1,357,679	1,372,814
Total equity (thousands of dollars)	**1,147,767**	1,157,658	1,319,042
Gross leasable area as at quarter-end (in thousands of square feet) [1]			
Retail	**4,645**	4,642	4,652
Office	**3,237**	3,240	3,240
Industrial	**293**	292	292
Total	**8,175**	**8,174**	**8,184**
Occupancy as at quarter-end (%) [2]			
Retail	**93.8%**	94.6%	94.5%
Office	**87.7%**	88.7%	90.6%
Industrial	**89.9%**	93.3%	94.9%
Total	**91.1%**	92.1%	92.9%

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 and six months ended June 30, 2021, and 2020.

The Trust's condensed consolidated financial statements and the accompanying notes for the three months and six months ended June 30, 2021, 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 July 28, 2021.

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.

Given the impact of the changing circumstances surrounding the COVID-19 pandemic and the related response from the Trust, governments (federal, provincial and municipal), regulatory authorities, businesses and customers, there is inherently more uncertainty associated with the Trust's assumptions as compared to prior periods. These assumptions and related risks, include but are not limited to management expectations with respect to the factors above as well as general economic conditions, which includes the impact on the economy and financial markets of the COVID-19 pandemic and other health risks.

NON-IFRS AND FINANCIAL MEASURES

The Trust reports its financial results in accordance with IFRS. However, this MD&A also uses certain financial measures that are not defined by IFRS. These measures do not have any standard 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 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-IFRS 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.

NET OPERATING INCOME ("NOI")

NOI is defined by the Trust as revenue from real estate properties less property operating expenses, property taxes and property management fees, as presented in the consolidated statements of (loss)/income and comprehensive (loss)/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.

NET OPERATING INCOME – SAME ASSETS

NOI – same assets is a non-IFRS 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.

FUNDS FROM OPERATIONS ("FFO")

FFO is a non-IFRS measure that is widely accepted as a supplemental measure of financial performance for real estate entities. The Trust presents FFO in accordance with the current definition of the Real Property Association of Canada ("REALpac"). The Trust defines FFO as net income adjusted for fair value changes on real estate properties and gains/(losses) on the sale of real estate properties. It does not represent amounts available for capital programs, debt service obligations, commitments or uncertainties. FFO should not be interpreted as an indicator of cash generated from operating activities and is not indicative of cash available to fund operating expenditures or for the payment of cash distributions. FFO is simply one measure of operating performance.

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

AFFO is a non-IFRS 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.

AFFO PAYOUT RATIO

The Trust calculates its AFFO payout ratio by dividing the distributions per common unit by AFFO per unit over the same period. Management uses this AFFO payout ratio to measure the Trust's ability to pay distributions.

ADJUSTED CASH FLOW FROM OPERATIONS ("ACFO")

ACFO is a non-IFRS 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.

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-IFRS 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 VIII). The presentation of *pro rata* assets, liabilities, revenue and expenses represents a non-IFRS measure and may not accurately depict the legal and economic implications of the Trust's interest in the joint venture.

INTEREST COVERAGE RATIO

Interest coverage ratio is a non-IFRS 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-IFRS 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-IFRS 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.

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.

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 July 28, 2021.

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 60.87% of the outstanding units as at June 30, 2021. 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 will 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 June 30, 2021, the Trust owned a diversified real estate portfolio of 47 retail, office and industrial properties consisting of approximately 8.3 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 are two properties 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	503	3	600	—	—	5	1,103	14%
Alberta	5	821	9	1,165	—	—	14	1,986	25%
Saskatchewan	1	499	—	—	—	—	1	499	6%
Manitoba	3	660	—	—	—	—	3	660	8%
Ontario	8	2,095	8	981	4	293	20	3,369	41%
Quebec	—	—	1	448	—	—	1	448	6%
	19	**4,578**	**21**	**3,194**	**4**	**293**	**44**	**8,065**	**100%**
IPP held for development	1	67	1	43	—	—	2	110	
Income producing properties	**20**	**4,645**	**22**	**3,237**	**4**	**293**	**46**	**8,175**	
Equity-accounted investment (Alberta)	—	—	1	152	—	—	1	152	
Grand Total	**20**	**4,645**	**23**	**3,389**	**4**	**293**	**47**	**8,327**	
% [1]		**56%**		**40%**		**4%**		**100%**	

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

ENCLOSED REGIONAL CENTRES OVERVIEW

At June 30, 2021, the Trust's enclosed regional centres portfolio totalled 3.3 million square feet of GLA, which comprises a 100% interest in six regional centres totalling 3.2 million square feet and a 50% interest in one additional centre totalling 0.1 million square feet. Included in the above 3.3 million square feet of GLA is 0.4 million square feet of area either held for, or under, development.

COMMUNITY STRIP CENTRES OVERVIEW

At June 30, 2021, the Trust's community strip centres portfolio totalled 1.3 million square feet of GLA, comprising a 100% interest in 12 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 June 30, 2021, 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 June 30, 2021, 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 June 30, 2021, 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

SIGNIFICANT EVENT – COVID-19

As a diversified REIT, the Trust's portfolio consists of retail, office and industrial assets. COVID-19 has had a profound impact on the Trust's retail assets and specifically its enclosed regional centres due to government imposed temporary store closures, lockdowns and concerns over physical distancing.

The impact of COVID-19 has and could continue to materially impact the financial results and operations of the Trust in addition to affecting tenants ability or willingness to pay rent in full or at all, the Trust's ability to collect rent due by its tenants, and consumer demand for tenants products or services.

Due to non-essential business closure orders issued by the provincial Ontario government, the vast majority of the Trust's retail tenants in Ontario have been closed for most of the six month period ending June 30, 2021.

Canada Emergency Rent Subsidy

On October 9, 2020, the federal government announced the launch of a new program (CERS) to provide rent support until September 2021 for qualifying organizations affected by COVID-19. This program is the successor to CECRA which ended September 30, 2020. CERS has been offered directly to qualifying organizations without having to go through the landlord.

Under this program, organizations that have seen a decline of 70 percent or more in revenue because of the pandemic are eligible for a 65 percent rent subsidy. The subsidy rate declines gradually for organizations that have seen declines of less than 70 percent.

An additional 25 percent subsidy called the "lockdown support" will be available for organizations that are forced to temporarily close or restrict their business because of a public health directive.

Each organization can claim up to $75,000 of eligible expenses per location, with an overall cap of $300,000 for each qualifying month.

Collections Update

As a result of the COVID-19 pandemic, certain medium and larger size tenants were unable to fulfil their rent obligations. MIL has been and will continue to work with all tenants that have arrears to review their situation and to consider rent payment solutions as necessary. Deferrals and abatements are being considered and granted on a case-by-case basis, depending on the financial condition of the tenant, and their fact situation in relation to how the pandemic impacted their operations. The rent payment solutions that have been negotiated may have also involved an exchange of rights or additional lease term for the deferral or abatement. Any rent forgiveness or abatements processed on unpaid rent have been derecognized and charged to the allowance for doubtful accounts. Any unprocessed expected abatement to be negotiated in the future was considered as part of establishing the allowance for doubtful accounts.

Collections for community strip centres as well as office and industrial tenants are close to normal. Collections for enclosed regional centres have been in the average range of 82%-90% per month for the second quarter of 2021. Collections for Pine Centre in British Columbia are at 99% where as collections for the two Ontario enclosed regional centres have averaged in the range of 65%-70%.

The following is a breakdown of outstanding billed tenant receivables (these amounts include sales taxes):

	Tenant Receivables	Allowance for Doubtful Accounts	June 30, 2021 Net Tenant Receivable	December 31, 2020 Net Tenant Receivable	Net Change
Office and industrial	$1,724	($619)	$1,105	$2,388	($1,283)
Retail – enclosed mall Ontario	8,708	(4,272)	4,436	4,786	(350)
All other retail	5,613	(2,847)	2,766	6,154	(3,388)
	$16,045	**($7,738)**	**$8,307**	**$13,328**	**($5,021)**

Due to the series of lockdowns imposed by the Ontario government, there is a higher proportion of past due receivables for the two enclosed malls in this province (St. Laurent/Cambridge Centre).

The St. Laurent centre in Ottawa and the Cambridge Centre in Cambridge have had non-essential retailers closed for 130 of the 181 days of the six month period ended June 30, 2021, due to Ontario lockdowns.

Operational Update
In response to the decline in collections and net operating income, there has been a deferral of discretionary capital spending. The amount of operating capital spending for 2020 was less than typical levels and was $13.3 million (or approximately one-half of the typical $25.0 million threshold). It is anticipated that operating capital spending for 2021 will be approximately $18,500.

The extent of the impact of COVID-19 will vary depending on the duration of the closures and the related general economic activity. The duration of the COVID-19 pandemic and the pace of recovery following the pandemic cannot be accurately predicted at this time. All of the foregoing could negatively impact the Trust's future financial performance.

Liquidity Update
The Trust has available liquidity of $137.0 million as of June 30, 2021, and also has an unencumbered asset pool of $333.0 million in order to raise necessary capital, if required. This compares to the liquidity as of December 31, 2020, which was $141.9 million.

The Trust's weighted average interest rate on mortgages declined to 3.7% at at June 30, 2021, from 3.8% at December 31, 2020, and 4.1% at December 31, 2019.

SELECTED FINANCIAL INFORMATION

The table below sets forth selected financial data relating to the Trust's fiscal three and six months ended June 30, 2021, and 2020. This financial data is derived from the Trust's condensed consolidated statements which are prepared in accordance with IFRS.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	**% Change**	**2021**	2020	**% Change**
Revenue from real estate properties	**$58,475**	$59,300	(1.4%)	**$119,445**	$125,673	(5.0%)
Bad debt recovery/(expense)	**204**	(5,535)	(103.7%)	**(105)**	(5,821)	(98.2%)
Property operating expenses	**(15,212)**	(13,091)	16.2%	**(30,010)**	(29,556)	1.5%
Property taxes	**(12,357)**	(11,613)	6.4%	**(25,106)**	(24,164)	3.9%
Property management fees	**(2,135)**	(1,861)	14.7%	**(4,191)**	(4,104)	2.1%
Net operating income	**28,975**	27,200	6.5%	**60,033**	**62,028**	**(3.2%)**
Interest expense	**(13,379)**	(14,015)	(4.5%)	**(26,651)**	(28,587)	(6.8%)
General and administrative	**(1,052)**	(850)	23.8%	**(1,967)**	(1,930)	1.9%
Other items	**(21)**	(21)	—%	**1,941**	(41)	(4,834.1%)
Fair value losses on real estate properties	**(20,837)**	(111,430)	(81.3%)	**(35,286)**	(232,547)	(84.8%)
Net income/(loss) from equity-accounted investment	**469**	302	55.3%	**935**	(292)	(420.2%)
Net loss	**($5,845)**	($98,814)	(94.1%)	**($995)**	**($201,369)**	**(99.5%)**
Net loss per unit – basic	**($0.09)**	($1.60)	(94.4%)	**($0.02)**	($3.29)	(99.4%)
Funds from operations per unit – basic	**$0.23**	$0.21	9.5%	**$0.54**	$0.54	—%
Adjusted funds from operations per unit – basic	**$0.17**	$0.16	6.3%	**$0.40**	$0.39	2.6%

CONSOLIDATED OPERATING HIGHLIGHTS FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2021

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:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	**%**	**2021**	2020	**%**
Industrial	**$880**	$897	(1.9%)	**$1,771**	$1,711	3.5%
Office – Single-/dual-tenant buildings	**19,748**	19,295	2.3%	**39,355**	40,422	(2.6%)
Office – Multi-tenant buildings	**6,983**	6,946	0.5%	**13,902**	15,017	(7.4%)
Retail – Community strip centres	**8,958**	8,733	2.6%	**18,415**	18,560	(0.8%)
Retail – Enclosed regional centres	**21,906**	23,429	(6.5%)	**46,002**	49,963	(7.9%)
Total	**$58,475**	$59,300	(1.4%)	**$119,445**	$125,673	(5.0%)

The decline in enclosed regional centres revenue is due to the enclosed mall tenant failures and restructured rent arrangements provided to tenants that are struggling as part of the COVID-19 pandemic.

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

For the three months ended June 30,	2021	2020	Variance
Rental revenue	**$37,099**	$38,563	($1,464)
CAM recoveries	**10,384**	9,667	717
Property tax and insurance recoveries	**8,815**	9,474	(659)
Other revenue and lease cancellation fees	**1,737**	712	1,025
Parking revenue	**908**	1,080	(172)
Amortized rents	**(468)**	(196)	(272)
	$58,475	$59,300	($825)

For the six months ended June 30,	2021	2020	Variance
Rental revenue	**$74,583**	$78,439	($3,856)
CAM recoveries	**19,438**	23,336	(3,898)
Property tax and insurance recoveries	**18,288**	20,156	(1,868)
Other revenue and lease cancellation fees	**5,193**	1,798	3,395
Parking revenue	**1,862**	2,369	(507)
Amortized rents	**81**	(425)	506
	$119,445	$125,673	($6,228)

Included in other revenue and lease cancellation fees is $2.3 million received from Lowe's at Pine Centre in the six-month period ending June 30, 2021, in order to facilitate the Save-on-Foods development.

Under IFRS, the Trust is required to establish an expected credit loss which would include considerations for failed or restructuring tenants as well as doubtful account provisions for future expected credit losses on accounts receivable arrears, including rent abatements or rent forgiveness. The following is an analysis of the allowance for doubtful accounts for the six-month period ending June 30, 2021.

Six months ended June 30, 2021	Retail	Office	Industrial	Total
Opening allowance balance – January 1, 2021	$7,469	$1,335	$15	**$8,819**
Bad debt expense/(recovery) charged to income statement	697	(609)	17	**105**
Failed tenant writeoffs and abatements granted	(1,046)	(140)	—	**(1,186)**
Closing allowance balance – June 30, 2021	**$7,120**	**$586**	**$32**	**$7,738**

The following is an analysis of revenue and bad debt expense for the six months ended June 30, 2021:

Six months ended June 30, 2021	Retail	Office	Industrial	Total
Revenue from real estate properties	$64,417	$53,257	$1,771	**$119,445**
Bad debt expense	697	(609)	17	**105**
% of revenue from real estate properties	**1%**	**(1%)**	**1%**	**—%**

The following is an analysis of revenue and bad debt expense for the six months ended June 30, 2020:

Six months ended June 30, 2020	Retail	Office	Industrial	Total
Revenue from real estate properties	$68,523	$55,439	$1,711	**$125,673**
Bad debt expense	5,034	710	77	**5,821**
% of revenue from real estate properties	**7%**	**1%**	**5%**	**5%**

Property operating expenses include costs related to interior and exterior maintenance, insurance and utilities.

Property operating expenses (excluding bad debt expense) for the three months ended June 30, 2021, increased 16.2% to $15.2 million from $13.1 million for the same period in 2020. This increase is primarily due to more normalized operating expenses in 2021 as compared to 2020 when sharp reductions occurred due to the pandemic.

Net operating income for the three months ended June 30, 2021, increased 6.5% as compared to 2020. This increase was the result of a decrease in bad debt expense in 2021 as compared to 2020.

Interest expense for the three months ended June 30, 2021, decreased 4.5% to $13.4 million from $14.0 million for the same period in 2020. This decline is primarily due to the decline in the Trust's weighted average interest rate on mortgages to 3.7% from 4.1% in the second quarter of 2020, in addition to a reduction in overall debt.

The Trust records its income producing properties at fair value in accordance with IFRS. The financial results include fair value adjustments that are more significant than previous years. These adjustments are a result of the Trust's regular quarterly IFRS fair value process and include the impact of COVID-19 on the enclosed regional centres from the challenging retail landscape. In accordance with this policy, the following fair value adjustments by segment have been recorded:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	**2021**	2020
Retail – enclosed regional centres	**($15,366)**	($74,072)	**($22,475)**	($170,886)
Retail – community strip centres	**(514)**	(9,358)	**216**	(10,292)
Office	**(10,419)**	(26,652)	**(21,508)**	(50,204)
Industrial	**5,462**	(1,348)	**8,481**	(1,165)
	($20,837)	($111,430)	**($35,286)**	($232,547)

Reported net loss for three months ended June 30, 2021, was $5.8 million as compared to loss of $98.8 million in 2020. This change is due to the fair value losses recorded in 2020, as described above.

NET OPERATING INCOME BY ASSET TYPE AND LOCATION

The following is a geographical breakdown of the net operating income for the six months ended June 30, 2021.

	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	$6,208	3	$6,778	—	$—	5	$12,986	22%
Alberta	5	4,880	9	11,921	—	—	14	16,801	28%
Saskatchewan	1	2,996	—	—	—	—	1	2,996	5%
Manitoba	3	5,598	—	—	—	—	3	5,598	9%
Ontario	8	9,168	8	7,526	4	960	20	17,654	31%
Quebec	—	—	1	3,210	—	—	1	3,210	5%
	19	28,850	21	29,435	4	960	44	59,245	**100%**
IPP held for development	1	504	1	322	—	(38)	2	788	
Income producing properties	**20**	**29,354**	**22**	**29,757**	**4**	**922**	**46**	**60,033**	
Equity-accounted investment	—	—	1	1,514	—	—	1	1,514	
Grand Total	**20**	**$29,354**	**23**	**$31,271**	**4**	**$922**	**47**	**$61,547**	
% [1]		**48%**		**50%**		**2%**		**100%**	

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

COMPARATIVE NET OPERATING INCOME BY ASSET TYPE

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	%	**2021**	2020	%
Enclosed regional centres	**$8,082**	$7,204	12.2%	**$17,793**	$19,612	(9.3%)
Community strip centres	**5,733**	5,421	5.8%	**11,561**	11,289	2.4%
Subtotal – retail	**13,815**	12,625	9.4%	**29,354**	30,901	(5.0%)
Single-/dual-tenant buildings	**11,441**	11,235	1.8%	**23,570**	23,682	(0.5%)
Multi-tenant buildings	**3,292**	2,928	12.4%	**6,187**	6,542	(5.4%)
Subtotal – office	**14,733**	14,163	4.0%	**29,757**	30,224	(1.5%)
Industrial	**427**	412	3.6%	**922**	903	2.1%
Net operating income	**$28,975**	$27,200	6.5%	**$60,033**	$62,028	(3.2%)

RETAIL PROPERTIES – NET OPERATING INCOME

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	%	**2021**	2020	%
Revenue from real estate properties	**$30,864**	$32,162	(4.0%)	**$64,417**	$68,523	(6.0%)
Bad debt expense	**168**	(4,756)	(103.5%)	**(697)**	(5,034)	(86.2%)
Property operating expenses	**(8,204)**	(6,526)	25.7%	**(16,136)**	(15,162)	6.4%
Property taxes	**(7,821)**	(7,285)	7.4%	**(15,893)**	(15,189)	4.6%
Property management fees	**(1,192)**	(970)	22.9%	**(2,337)**	(2,237)	4.5%
Net operating income	**$13,815**	$12,625	9.4%	**$29,354**	$30,901	(5.0%)

The Trust's retail properties NOI for the three months ended June 30, 2021, was $13.8 million versus $12.6 million for the same period ended 2020, an increase of $1.2 million. The increase was mainly the result of decreased bad debt expense of $4.8 million, stemming from the rent arrears and failed tenants as a result of the economic impact of COVID-19, offset by increased vacancy costs of $2.7 million and decreases in basic rent of $0.9 million.

The Trust's retail properties' NOI for the six months ended June 30, 2021, was $29.4 million versus $30.9 million for the same period ended 2020, a decrease of $1.5 million. The decrease was mainly the result of increased vacancy costs of $6.3 million and decreases in basic rent of $1.7 million. The decrease in NOI was partially offset by decreased bad debt expense of $4.2 million, stemming from the rent arrears and failed tenants as a result of the economic impact of COVID-19, coupled with $2.3 million in lease cancellation fees received as a part of an agreement with Lowe's at Pine Centre to facilitate the Save-On-Foods development.

RETAIL PROPERTIES TOP TENANTS

The following is a breakdown of the Trust's 20 largest retail tenants by rental revenue as at June 30, 2021:

	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	5.9 %	16	115	2.5 %	2.5
2	Canadian Tire Corporation Ltd.	4.4 %	7	285	6.1 %	1.9
3	Loblaw Companies Ltd.	3.7 %	8	107	2.3 %	5.5
4	Sobeys Inc.	3.3 %	3	161	3.5 %	7.0
5	Goodlife Fitness	3.1 %	5	192	4.1 %	10.5
6	Dollarama	2.6 %	11	103	2.2 %	2.8
7	Cineplex Odeon	2.4 %	3	110	2.4 %	7.7
8	TJX	1.7 %	4	101	2.2 %	7.9
9	Walmart	1.4 %	2	241	5.2 %	3.0
10	L Brands	1.2 %	6	22	0.5 %	1.8
11	Indigo	0.9 %	2	40	0.9 %	7.6
12	YM Inc.	0.9 %	7	83	1.8 %	1.9
13	A&W	0.8 %	9	8	0.2 %	6.2
14	Co-Op Grocery Store	0.8 %	1	45	1.0 %	9.3
15	Subway	0.7 %	12	8	0.2 %	1.6
16	Telus	0.7 %	6	9	0.2 %	5.2
17	Intact Financial Corporation	0.7 %	1	34	0.7 %	1.8
18	Toys R Us	0.7 %	1	35	0.8 %	0.6
19	The Source	0.7 %	5	10	0.2 %	1.0
20	Peoples Jewellers	0.7 %	4	6	0.1 %	2.0
		37.3 %	**113**	**1,715**	**37.1 %**	**4.9**

OFFICE PROPERTIES – NET OPERATING INCOME

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	%	**2021**	2020	%
Revenue from real estate properties	**$26,731**	$26,241	1.9%	**$53,257**	$55,439	(3.9%)
Bad debt recovery/(expense)	**55**	(703)	(107.8%)	**609**	(710)	(185.8%)
Property operating expenses	**(6,746)**	(6,388)	5.6%	**(13,409)**	(14,007)	(4.3%)
Property taxes	**(4,390)**	(4,127)	6.4%	**(8,902)**	(8,687)	2.5%
Property management fees	**(917)**	(860)	6.6%	**(1,798)**	(1,811)	(0.7%)
Net operating income	**$14,733**	$14,163	4.0%	**$29,757**	$30,224	(1.5%)

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 35% of the Trust's office contracted gross revenue is attributable to government tenants.

The Trust's office properties NOI for the three months ended June 30, 2021, was $14.7 million versus $14.2 million for the same period ended 2020. The favourable variance of $0.6 million is mainly the result of decreased bad debt expense of $0.8 million coupled with increases in basic rent of $0.5 million. The increase in NOI is partially offset by increased vacancy costs of $0.6 million.

The Trust's office properties' NOI for the six months ended June 30, 2021, was $29.8 million versus $30.2 million for the same period ended 2020. The unfavourable variance of $0.5 million is mainly the result of increased vacancy costs of $1.4 million coupled with the rent forgiveness agreement with Obsidian Energy Ltd. in the amount of $0.6 million. This was partially offset by increased basic rent of $0.6 million and decreased bad debt expense of $1.3 million.

OFFICE PROPERTIES TOP TENANTS

The following is a breakdown of the Trust's 20 largest office tenants by rental revenue as at June 30, 2021:

	Tenant	Percentage of Total Office Revenue	# of Locations	GLA (000s)	% of Total Office GLA	Weighted Average Remaining Lease Term
1	Federal and provincial governments	32.7 %	9	860	25.4 %	3.0
2	Bombardier Inc.	10.1 %	1	265	7.8 %	9.8
3	Obsidian Energy Ltd.	9.4 %	1	215	6.3 %	3.6
4	Athabasca Oil Corporation	6.2 %	1	149	4.4 %	3.6
5	Canadian chartered banks – Tier 1	5.7 %	2	103	3.0 %	4.2
6	Wood Canada Limited	5.2 %	1	127	3.7 %	4.5
7	Stantec Consulting	3.2 %	2	82	2.4 %	4.4
8	CH2M Hill Canada Limited	2.6 %	1	78	2.3 %	7.2
9	National Bank of Canada	2.5 %	1	43	1.3 %	7.5
10	Western Energy Services Corp.	2.2 %	1	43	1.3 %	3.6
11	Sephora	1.9 %	1	4	0.1 %	5.6
12	Bonavista Energy Corporation	1.0 %	1	50	1.5 %	3.6
13	Ciena	0.8 %	1	27	0.8 %	2.0
14	Realstar Holdings Partnership	0.7 %	1	14	0.4 %	4.2
15	Harry Rosen	0.7 %	1	14	0.4 %	11.0
16	The Ottawa Hospital	0.7 %	1	28	0.8 %	3.8
17	AMDOCS Canadian Managed Services Inc.	0.6 %	1	15	0.4 %	3.4
18	The Ottawa Fertility Centre Inc.	0.6 %	1	24	0.7 %	4.7
19	Investors Group Financial Services Inc.	0.6 %	1	17	0.5 %	5.1
20	Vertex Data L.P.	0.6 %	1	14	0.4 %	1.2
		88.0 %	**30**	**2,172**	**63.9 %**	**4.5**

INDUSTRIAL PROPERTIES – NET OPERATING INCOME

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	%	**2021**	2020	%
Revenue from real estate properties	**$880**	$897	(1.9%)	**$1,771**	$1,711	3.5%
Bad debt expense	**(19)**	(77)	(75.3%)	**(17)**	(77)	(77.9%)
Property operating expenses	**(262)**	(176)	48.9%	**(465)**	(387)	20.2%
Property taxes	**(146)**	(201)	(27.4%)	**(311)**	(288)	8.0%
Property management fees	**(26)**	(31)	(16.1%)	**(56)**	(56)	—%
Net operating income	**$427**	$412	3.6%	**$922**	$903	2.1%

The Trust's industrial properties' NOI remained stable at $0.4 million for the three months ended June 30, 2021, versus the same period ended 2020.

The Trust's industrial properties' NOI remained stable at $0.9 million for the six months ended June 30, 2021, versus the same period ended 2020.

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 non-IFRS measure. Assets acquired, disposed of and developed/redeveloped/intensified over the comparable periods are removed, along with the impact of stepped rents, bad debt expense related to COVID-19, 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 June 30,	2021	2020	Variance	%
Enclosed regional centres	**$7,867**	$6,947	$920	13.2%
Community strip centres	**5,424**	5,118	306	6.0%
Single-/dual-tenant buildings	**11,483**	11,180	303	2.7%
Multi-tenant buildings	**2,905**	2,793	112	4.0%
Industrial properties	**440**	430	10	2.3%
Net operating income – same assets	**28,119**	26,468	1,651	6.2%
Area under development	**30**	219	(189)	(86.3%)
Acquisitions	**(2)**	—	(2)	—%
Real estate properties held for development/held for sale/sold	**392**	458	(66)	(14.4%)
Lease cancellation fees	**689**	41	648	1,580.5%
Stepped rents	**(253)**	14	(267)	(1,907.1%)
Net operating income per the statement of income	**$28,975**	$27,200	$1,775	6.5%

For the six months ended June 30,	2021	2020	Variance	%
Enclosed regional centres (retail)	**$14,971**	$19,194	($4,223)	(22.0%)
Community strip centres (retail)	**10,807**	10,611	196	1.8%
Single-/dual-tenant buildings (office)	**23,551**	23,027	524	2.3%
Multi-tenant buildings (office)	**5,744**	6,320	(576)	(9.1%)
Industrial properties	**956**	937	19	2.0%
Net operating income – same assets	**56,029**	60,089	(4,060)	(6.8%)
Area under development	**147**	365	(218)	(59.7%)
Acquisitions	**(2)**	—	(2)	—%
Real estate properties held for development/held for sale/sold	**788**	934	(146)	(15.6%)
Lease cancellation fees	**3,336**	52	3,284	6,315.4%
Stepped rents	**(265)**	8	(273)	(3,412.5%)
Other (primarily Obsidian amendment)	**—**	580	(580)	(100.0%)
Net operating income per the statement of income	**$60,033**	$62,028	($1,995)	(3.2%)

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 six months ended June 30, 2021:

For the six months ended June 30, 2021	Enclosed Regional Centres	Community Strip Centres	Single-/ Dual-Tenant Buildings	Multi-Tenant Buildings	Industrial Properties	Total Portfolio
Opening vacancy (SF)	212,441	20,439	102,090	260,817	19,618	615,405
Opening occupancy	93.1%	98.3%	95.4%	73.9%	93.3%	92.1%
EXPIRING LEASES:						
Square feet	638,597	149,130	137,368	58,392	56,470	1,039,957
Average contract rent per SF	$14.82	$17.32	$23.80	$15.49	$7.56	$16.00
EARLY TERMINATIONS:						
Square feet	142,537	3,506	26,447	9,477	—	181,967
Average contract rent per SF	$7.74	$20.79	$—	$15.27	$—	$7.26
RENEWALS:						
Square feet	(551,428)	(96,053)	(136,067)	(22,095)	(44,693)	(850,336)
Average contract rent per SF	$10.67	$20.70	$31.29	$14.37	$10.20	$15.17
Retention rate	86%	64%	99%	38%	79%	82%
NEW LEASING:						
Square feet	(72,644)	(57,385)	(28,316)	(15,252)	(1,898)	(175,495)
Average contract rent per SF	$11.71	$12.88	$5.02	$10.85	$12.75	$10.94
OTHER ADJUSTMENTS:						
Square feet	(129,549)	—	—	—	—	(129,549)
Ending vacancy (SF)	239,954	19,637	101,522	291,339	29,497	681,949
Ending occupancy	91.8%	98.4%	95.4%	70.6%	89.9%	91.1%

The decline in average contract rent per square foot for enclosed regional centre renewals is due to the fact that certain of these tenants converted to percentage rent arrangements.

Other adjustments includes the early termination of 133,548 square feet for enclosed regional centres represents primarily the lease cancellation arrangement with Lowe's at Pine Centre to allow the Save-On-Foods development to proceed. This space was then taken offline as a part of this project.

The Trust has committed to a lease starting in the third quarter of 2021 for 9,705 square feet of industrial GLA at a rate of approximately $11.00 PSF.

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	352,811	$21.91	—	$—	—	$—	352,811	$21.91
(remainder of the year) 2021	436,681	13.54	134,549	17.29	17,989	9.20	589,219	14.33
2022	602,435	25.15	284,569	22.07	16,580	10.52	903,584	23.83
2023	286,976	36.86	260,754	16.29	44,941	6.83	592,671	24.97
2024	188,793	33.08	161,103	31.03	76,505	5.93	426,401	27.39
2025	361,774	29.06	798,566	33.05	14,656	5.50	1,174,996	31.30
Thereafter	1,665,289	19.33	1,162,325	21.57	92,564	10.25	2,920,178	19.94
Current vacancy	259,591	—	392,861	—	29,497	—	681,949	—
Total	**4,154,350**	**$22.58**	**3,194,727**	**$24.28**	**292,732**	**$8.09**	**7,641,809**	**$22.73**
Weighted average remaining lease term (years)		4.27		4.50		3.68		4.34

Lower weighted average contract rent for the year 2021 (retail) is the result of anchor tenant lease maturities. This amounts to 251,902 square feet at a weighted average contract rate of $5.01.

MONTH TO MONTH AND REMAINING 2021 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	113,111	$21.66	50,517	$12.11	—	$—	163,628
British Columbia	—	—	3,739	35.86	—	—	3,739
Manitoba	65,438	26.56	—	—	—	—	65,438
Ontario	576,103	13.82	78,722	19.66	17,989	9.20	672,814
Quebec	—	—	1,571	22.50	—	—	1,571
Saskatchewan	34,840	32.33	—	—	—	—	34,840
	789,492	**$16.55**	**134,549**	**$17.29**	**17,989**	**$9.20**	**942,030**

Lower weighted average contract rent for the year 2021 (retail) is the result of anchor tenant lease maturities. In Ontario this amounts to 251,902 square feet at a weighted average contract rate of $5.01.

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, and expired January 1, 2021. 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 by the Alberta government, the Trust has been advised that the tenant will attend to the lease renewal when time allows in the second half of 2021.

CHANGES IN GLA

The table below provides a summary of the changes in GLA for the six months ended June 30, 2021.

In thousands of SF	Retail	Office	Industrial	Total Portfolio
GLA – opening balance – January 1, 2021	**4,642**	**3,240**	**292**	**8,174**
Changes due to re-measurement	**3**	**(3)**	**1**	**1**
GLA – closing balance – June 30, 2021	**4,645**	**3,237**	**293**	**8,175**
Area under/held for development/sale	**(489)**	**(43)**	**—**	**(532)**
GLA for purposes of occupancy	**4,156**	**3,194**	**293**	**7,643**
Occupied GLA	**3,896**	**2,801**	**263**	**6,960**
Occupied GLA (%)	**93.8 %**	**87.7 %**	**89.9 %**	**91.1 %**

OFFICE OCCUPANCY BY PROVINCE

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

Province	June 30, 2021	June 30, 2020
Alberta	**88.0%**	90.5%
British Columbia	**97.0%**	100.0%
Ontario	**79.1%**	83.6%
Quebec	**93.4%**	93.4%
	87.7%	90.6%

CORPORATE ITEMS

INTEREST EXPENSE

Interest expense totalled $26.7 million for the six months ended June 30, 2021, compared to $28.6 million for the same period in 2020. The components of interest expense are as follows:

INTEREST EXPENSE

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	%	**2021**	2020	%
Mortgages payable	**$10,162**	$10,617	(4.3%)	**$20,485**	$21,335	(4.0%)
Amortization of deferred financing costs – mortgages	**204**	116	75.9%	**388**	299	29.8%
Convertible debentures	**1,963**	1,963	—%	**3,905**	3,905	—%
Accretion on convertible debentures, net	**270**	255	5.9%	**537**	508	5.7%
Amortization of deferred financing costs – convertible debentures	**285**	270	5.6%	**567**	536	5.8%
Lease liabilities	**273**	173	57.8%	**444**	346	28.3%
Bank indebtedness	**163**	372	(56.2%)	**314**	1,125	(72.1%)
Morguard loan payable and other	**114**	411	(72.3%)	**224**	858	(73.9%)
Capitalized interest	**(55)**	(162)	(66.0%)	**(213)**	(325)	(34.5%)
	$13,379	**$14,015**	**(4.5%)**	**$26,651**	**$28,587**	**(6.8%)**

Interest expense has decreased primarily due to the decrease in weighted average interest rate on mortgages to 3.7% in 2021 as compared to 4.1% in the first half of 2020, in addition to a decline in overall debt levels which has impacted interest on bank indebtedness and on the Morguard loan payable.

FAIR VALUE (LOSSES)/GAINS ON REAL ESTATE PROPERTIES

For the six months ended June 30, 2021, the Trust recorded fair value losses on real estate properties of $35.3 million, versus $232.5 million of fair value losses on real estate properties for 2020.

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

FAIR VALUE (LOSSES)/GAINS ON REAL ESTATE PROPERTIES

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	**2021**	2020
Retail – enclosed regional centres	**($15,366)**	**($74,072)**	**($22,475)**	($170,886)
Retail – community strip centres	**(514)**	**(9,358)**	**216**	(10,292)
Office	**(10,419)**	**(26,652)**	**(21,508)**	(50,204)
Industrial	**5,462**	**(1,348)**	**8,481**	(1,165)
	($20,837)	**($111,430)**	**($35,286)**	**($232,547)**

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 7.8% applied to a stabilized net operating income (2020 – 4.3% to 8.5%), resulting in an overall weighted average capitalization rate of 6.70% (2020 – 6.60%).

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

STABILIZED CAPITALIZATION RATES

	June 30, 2021					December 31, 2020				
	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%**	**7.3%**	**5.3%**	**7.0%**	97.0%	90.0%	7.3%	5.3%	6.8%
Office	**100.0%**	**90.0%**	**7.8%**	**4.3%**	**6.4%**	100.0%	90.0%	8.5%	4.3%	6.5%
Industrial	**100.0%**	**95.0%**	**5.3%**	**5.0%**	**5.1%**	100.0%	95.0%	5.5%	5.3%	5.5%

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

	June 30, 2021			December 31, 2020		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
RETAIL						
Discount rate	**8.3 %**	**6.0 %**	**7.3 %**	8.3 %	6.0 %	7.3 %
Terminal cap rate	**7.3 %**	**5.3 %**	**6.4 %**	7.3 %	5.3 %	6.4 %
OFFICE						
Discount rate	**8.0 %**	**5.3 %**	**6.3 %**	8.0 %	5.3 %	6.4 %
Terminal cap rate	**7.5 %**	**4.3 %**	**5.4 %**	7.5 %	4.3 %	5.5 %
INDUSTRIAL						
Discount rate	**6.3 %**	**5.8 %**	**6.0 %**	6.5 %	6.0 %	6.2 %
Terminal cap rate	**5.5 %**	**5.3 %**	**5.3 %**	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 June 30, 2021, 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 June 30, 2021, would decrease by $82,624 or increase by $89,124, 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 six months ended June 30, 2021		
Change in capitalization rate	**0.25%**	**(0.25%)**
Retail	**($40,663)**	**$43,678**
Office	**(39,780)**	**43,041**
Industrial	**(2,181)**	**2,405**
	($82,624)	**$89,124**

NET INCOME/(LOSS) FROM EQUITY-ACCOUNTED INVESTMENT

For the six months ended June 30, 2021, the Trust generated $0.9 million of income from its equity-accounted investment compared to $0.3 million in losses for the same six months ended June 30, 2020. The favourable variance of $1.2 million is largely the result of the recorded loss from fair value on the investment of $2.0 million in 2020.

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. A purposeful decline in spending brought about by the economic impact of COVID-19 has resulted in a decline in the annual normalized PCME to be expected. This has led management to conclude that as of April 1, 2020, normalized PCME had decreased from $25.0 million per annum to $12.5 million (or $3.125 million per quarter) for the remainder of 2020. This metric has been set at $4,625 per quarter in 2021, or $18,500 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 and six months ended June 30, 2021, and 2020.

ACTUAL PRODUCTIVE CAPACITY MAINTENANCE EXPENDITURES

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	**2021**	2020
Leasing commissions	**$735**	$361	**$1,394**	$966
Tenant allowances	**433**	975	**1,433**	3,016
Total leasing costs	**1,168**	1,336	**2,827**	3,982
Capital expenditures recoverable from tenants	**1,210**	690	**1,661**	2,011
Capital expenditures non-recoverable from tenants	**132**	12	**137**	29
Total capital expenditures	**1,342**	702	**1,798**	2,040
Total PCME	**2,510**	2,038	**4,625**	6,022
Discretionary capital expenditures	**—**	—	**—**	—
Total leasing costs and capital expenditures	**$2,510**	$2,038	**$4,625**	$6,022
Total PCME (above)	**$2,510**	$2,038	**$4,625**	$6,022
Normalized PCME	**4,625**	3,125	**9,250**	9,375
Shortfall between total PCME and normalized PCME	**$2,115**	$1,087	**$4,625**	$3,353

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.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

The Trust presents FFO and AFFO in accordance with the current definition of the Real Property Association of Canada ("REALpac").

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

In thousands of dollars, except per unit amounts	Three Months Ended June 30, 2021	2020	%	Six Months Ended June 30, 2021	2020	%
Net loss	**($5,845)**	($98,814)	(94.1%)	**($995)**	($201,369)	(99.5%)
Adjustments:						
Fair value losses on real estate properties [1]	**20,907**	111,975	(81.3%)	**35,401**	234,498	(84.9%)
Amortization of right-of-use assets	**21**	21	—%	**42**	41	2.4%
Payment of lease liabilities, net	**(40)**	(30)	33.3%	**(72)**	(60)	20.0%
Funds from operations – basic	**15,043**	13,152	14.4%	**34,376**	33,110	3.8%
Interest expense on convertible debentures	**1,963**	1,963	—%	**3,905**	3,905	—%
Funds from operations – diluted	**$17,006**	$15,115	12.5%	**$38,281**	$37,015	3.4%
Funds from operations – basic	**$15,043**	$13,152	14.4%	**$34,376**	$33,110	3.8%
Adjustments:						
Amortized stepped rents [1]	**246**	5	4,820.0%	**288**	28	928.6%
Normalized PCME	**(4,625)**	(3,125)	48.0%	**(9,250)**	(9,375)	(1.3%)
Adjusted funds from operations – basic	**10,664**	10,032	6.3%	**25,414**	23,763	6.9%
Interest expense on convertible debentures	**1,963**	1,963	—%	**3,905**	3,905	—%
Adjusted funds from operations – diluted	**$12,627**	$11,995	5.3%	**$29,319**	$27,668	6.0%
FUNDS FROM OPERATIONS PER UNIT						
Basic	**$0.23**	$0.21	9.5%	**$0.54**	$0.54	—%
Diluted [2]	**$0.23**	$0.21	9.5%	**$0.53**	$0.53	—%
ADJUSTED FUNDS FROM OPERATIONS PER UNIT						
Basic	**$0.17**	$0.16	6.3%	**$0.40**	$0.39	2.6%
Diluted [2]	**$0.17**	$0.16	6.3%	**$0.40**	$0.39	2.6%
DISTRIBUTIONS						
Distributions declared per unit	**$0.06**	$0.16	(62.5%)	**$0.14**	$0.40	(65.0%)
Distributions as a percentage of AFFO per unit – basic	**35.3%**	100.0%	(64.7%)	**35.0%**	102.6%	(65.9%)
WEIGHTED AVERAGE UNITS OUTSTANDING (IN THOUSANDS)						
Basic	**64,137**	61,567	4.2%	**64,133**	61,152	4.9%
Diluted [2]	**72,716**	70,145	3.7%	**72,711**	69,731	4.3%

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 REALpac.

ADJUSTED CASH FLOW FROM OPERATIONS

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	%	**2021**	2020	%
Cash provided by operating activities	**$18,393**	($6,594)	(378.9%)	**$38,204**	$14,224	168.6%
Adjustments:						
Adjustment to working capital changes for ACFO [1]	**3,967**	10,691	(62.9%)	**7,093**	7,053	0.6%
Normalized PCME	**(4,625)**	(3,125)	48.0%	**(9,250)**	(9,375)	(1.3%)
Actual additions to tenant incentives and leasing commissions	**735**	617	19.1%	**1,415**	1,307	8.3%
Amortization of deferred financing costs	**(489)**	(386)	26.7%	**(955)**	(835)	14.4%
Payment of lease liabilities, net	**(40)**	(30)	33.3%	**(72)**	(60)	20.0%
ACFO from equity-accounted investment	**1,498**	22	6,709.1%	**1,751**	547	220.1%
Adjusted cash flow from operations – basic	**19,439**	1,195	1,526.7%	**38,186**	12,861	196.9%
Interest expense on convertible debentures	**1,963**	1,963	—%	**3,905**	3,905	—%
Adjusted cash flow from operations – diluted	**$21,402**	$3,158	577.7%	**$42,091**	$16,766	151.0%
Adjusted cash flow from operations – basic	**$19,439**	$1,195	1,526.7%	**$38,186**	$12,861	196.9%
Distributions declared	**3,849**	9,883	(61.1%)	**8,981**	24,461	(63.3%)
Excess/(shortfall) adjusted cash flow from operations over distributions declared	**$15,590**	($8,688)	(279.4%)	**$29,205**	($11,600)	(351.8%)

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	%	**2021**	2020	%
Development accruals	**$1,266**	$2,338	(45.9%)	**$2,158**	$2,316	(6.8%)
Prepaid realty taxes and insurance	**902**	602	49.8%	**5,111**	5,067	0.9%
Interest payable and receivable	**1,909**	1,913	(0.2%)	**101**	16	531.3%
Insurance claims	**(110)**	(639)	(82.8%)	**(277)**	(346)	(19.9%)
Deferrals related to COVID-19 (primarily realty taxes)	**—**	6,477	(100.0%)	**—**	—	—%
Adjustment to working capital changes for ACFO	**3,967**	10,691	(62.9%)	**7,093**	7,053	0.6%
Net change in non-cash operating assets and liabilities as per the financial statements	**3,327**	(19,367)	(117.2%)	**4,025**	(18,421)	(121.9%)
Net working capital changes included in ACFO	**$7,294**	($8,676)	(184.1%)	**$11,118**	($11,368)	(197.8%)

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 2021 was $0.04 per unit for January, and reduced to $0.02 per unit starting with the February distribution payable in March.

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 2021 monthly distributions:

Payment Date	Distribution Per Unit	Cash Distribution	Unit Distribution	Total Distribution
February 16, 2021	$0.04	$2,537	$28	$2,565
March 15, 2021	0.02	1,269	14	1,283
April 15, 2021	0.02	1,270	14	1,284
May 14, 2021	0.02	1,269	14	1,283
June 15, 2021	0.02	1,269	14	1,283
July 15, 2021	0.02	1,266	17	1,283

PART IV

REAL ESTATE OVERVIEW

The carrying value of the Trust's real estate properties remained unchanged at $2.5 billion at June 30, 2021 (December 31, 2020 – $2.5 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.

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	27,400	5,981	2,858	Q1 2022	Anchor tenant remerchandising of former Sears space
Pine Centre Mall	Enclosed regional centres	38,850	15,000	625	Q3 2022	Anchor tenant remerchandising of former Lowe's space for Save-On-Foods
St. Laurent Centre	Enclosed regional centres	76,000	TBD	—	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
Development projects		**211,250**	**$20,981**	**$3,483**		

The Trust has recently 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 $15.0 million and is expected to be completed by Q3 2022. This will be a reduced footprint as compared to the current space which is approximately 119,000 square feet.

DEVELOPMENT PROJECTS – COMPLETED IN 2021 & 2020

		GLA						
	Portfolio	Re-developed	Adjustment [1]	Income Producing	Completion Date	Total Project Cost	Occupancy % [2]	Comments
RETAIL								
Pine Centre Mall	Enclosed regional centres	84,750	(36,000)	48,750	Q2 2020	$10,045	100.0%	Anchor tenant remerchandising of former Sears space
The Centre	Enclosed regional centres	—	—	—	Q1 2021	19,711	N/A	Full-scale mall renovation
		84,750	**(36,000)**	**48,750**		**$29,756**		

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 six months ended June 30, 2021	For the twelve months ended December 31, 2020	For the six months ended June 30, 2020
Interest coverage ratio [1]	**2.35**	2.24	2.20
Debt service coverage ratio [1]	**1.37**	1.32	1.32
Debt to assets ratio [2]	**52.6 %**	53.0 %	49.7 %
Weighted average rates on mortgages	**3.7 %**	3.8 %	4.1 %
Average term to maturity on mortgages (years)	**3.5**	3.7	3.2
Distributions as a percentage of AFFO – basic	**35.0 %**	77.1 %	102.6 %
Unencumbered assets to unsecured debt	**172.5 %**	166.8 %	145.0 %
Unencumbered assets	**$332,960**	$321,880	$327,733
Unsecured debt	**$193,000**	$193,000	$226,000
Line of credit availability	**$127,857**	$133,264	$47,694

1. See interest and debt service coverage ratio calculations on following pages.
2. See debt to assets ratio calculations on following pages.

COVERAGE RATIOS [1]

	For the six months ended June 30, 2021	For the twelve months ended December 31, 2020	For the six months ended June 30, 2020
Net operating income	**$61,547**	$127,975	$64,166
General and administrative expenses	**(1,967)**	(3,596)	(1,928)
Other income	**1,983**	—	—
Net operating income adjusted for items noted above (A)	**61,563**	124,379	62,238
Interest expense	**27,115**	57,332	29,068
Less amortization of deferred financing costs – mortgages	**(388)**	(656)	(299)
Less amortization of deferred financing costs – convertible debentures	**(567)**	(1,053)	(536)
Interest expense net of deferred financing costs (B)	**$26,160**	$55,623	$28,233
Interest coverage ratio (A)/(B)	**2.35**	2.24	2.20
Principal instalment repayments	**$18,940**	$38,420	$19,090
Interest expense net of deferred financing costs	**26,160**	55,623	28,233
Debt service (C)	**$45,100**	$94,043	$47,323
Debt service coverage ratio (A)/(C)	**1.37**	1.32	1.32

1. Calculated on a proportionate share basis.

DEBT TO ASSETS RATIO

	For the six months ended June 30, 2021	For the twelve months ended December 31, 2020	For the six months ended June 30, 2020
Total assets as per financial statements	**$2,528,633**	$2,557,733	$2,750,019
Plus accumulated amortization of furniture, fixtures and equipment	**1,256**	1,256	1,256
Plus accumulated amortization of right of use asset	**207**	165	125
Gross book value of total assets (A)	**2,530,096**	2,559,154	2,751,400
Mortgages payable	**1,100,562**	1,122,720	1,050,367
Convertible debentures	**173,909**	172,805	171,797
Lease liabilities	**10,921**	10,993	11,056
Bank indebtedness	**27,924**	29,417	85,039
Morguard loan payable	**18,000**	18,000	51,000
Total net debt (B)	**1,331,316**	1,353,935	1,369,259
Debt to assets ratio (B)/(A)	**52.6%**	53.0%	49.7%

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:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	%	**2021**	2020	%
Cash provided by/(used in) operating activities	**$18,393**	($6,594)	(378.9%)	**$38,204**	$14,224	168.6%
Cash (used in)/provided by financing activities	**(15,764)**	12,904	(222.2%)	**(31,722)**	5,484	(678.4%)
Cash used in investing activities	**(2,705)**	(7,216)	(62.5%)	**(5,964)**	(19,234)	(69.0%)
Net change in cash	**(76)**	(906)	(91.6%)	**518**	474	9.3%
Cash, beginning of period	**9,241**	7,163	29.0%	**8,647**	5,783	49.5%
Cash, end of period	**$9,165**	$6,257	46.5%	**$9,165**	$6,257	46.5%

Cash provided by operating activities for the six months ended June 30, 2021, increased 168.6% to $38.2 million in 2021 from $14.2 million in 2020 mainly due to changes in collections of tenant receivables.

Cash used in financing activities increased to $31.7 million in 2021 from $5.5 million in 2020 mainly due to changes in borrowing on bank lines payable.

Cash used in investing activities decreased to $6.0 million in 2021 from $19.2 million in 2020 due to reduced capital and development expenditures in 2021 compared to the same period in 2020.

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	June 30, 2021	%	December 31, 2020	%	June 30, 2020	%
Conventional secured mortgages payable	**$1,103,201**	**82.7 %**	$1,125,337	82.9 %	$1,052,278	76.7 %
Unsecured convertible debentures	**174,469**	**13.1 %**	173,932	12.8 %	173,441	12.6 %
Secured floating rate bank financing	**27,924**	**2.1 %**	29,417	2.2 %	85,039	6.2 %
Lease liabilities	**10,921**	**0.8 %**	10,993	0.8 %	11,056	0.8 %
Unsecured floating rate loan payable	**18,000**	**1.3 %**	18,000	1.3 %	51,000	3.7 %
Gross debt	**1,334,515**	**100.0 %**	1,357,679	100.0 %	1,372,814	100.0 %
Less deferred financing costs:						
Mortgages	**(2,639)**		(2,617)		(1,911)	
Convertible debentures	**(560)**		(1,127)		(1,644)	
Net debt	**$1,331,316**		$1,353,935		$1,369,259	

To manage long-term interest rate risk while providing flexibility in the execution of investment transactions, management has historically utilized floating interest rate debt at approximately 5% or less of the Trust's total debt.

CONVERTIBLE DEBENTURES

On December 30, 2016, the Trust issued a $175.0 million principal amount of 4.50% convertible unsecured subordinated debentures ("Convertible Debentures"), maturing on December 31, 2021 ("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 $20.40 per unit, being a rate of approximately 49.0196 units per thousand principal amount of Convertible Debentures, subject to adjustment.

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

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

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.

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 (48.9%), insurance companies (30.1%) and pension funds (21.0%) to reduce its exposure to any one lending group.

The following tables outline the debt payments as at June 30, 2021, 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	Revolving Loan	Lease Liabilities	Total Debt
2021	$64,173	$18,018	$82,191	$175,000	$27,924	$18,000	$68	$303,183
2022	171,560	33,466	205,026	—	—	—	141	205,167
2023	273,292	23,493	296,785	—	—	—	138	296,923
2024	184,224	15,327	199,551	—	—	—	57	199,608
2025	115,653	12,181	127,834	—	—	—	61	127,895
Thereafter	152,816	38,998	191,814	—	—	—	10,456	202,270
	$961,718	**$141,483**	**$1,103,201**	**$175,000**	**$27,924**	**$18,000**	**$10,921**	**$1,335,046**

INTEREST RATES

Year	Mortgages Payable	Debentures Payable	Bank Indebtedness	Revolving Loan	Lease Liabilities	Total Debt
2021	4.31 %	4.50 %	2.83 %	2.47 %	— %	4.17 %
2022	3.84 %	— %	— %	— %	— %	3.84 %
2023	3.48 %	— %	— %	— %	7.25 %	3.48 %
2024	4.05 %	— %	— %	— %	— %	4.05 %
2025	3.21 %	— %	— %	— %	— %	3.21 %
Thereafter	3.63 %	— %	— %	— %	6.22 %	3.75 %
	3.69 %	**— %**	**— %**	**— %**	**6.24 %**	**3.78 %**

FAIR VALUE OF ENCUMBERED PROPERTIES RELATIVE TO MATURING DEBT

Year	Mortgage Maturity Payments	Scheduled Principal Repayments	Total	Fair Value of Encumbered Assets	Leverage
2021	$64,173	$1,056	$65,229	$238,500	27.3%
2022	171,560	10,934	182,494	231,000	79.0%
2023	273,292	15,752	289,044	463,880	62.3%
2024	184,224	20,967	205,191	354,170	57.9%
2025	115,653	19,986	135,639	310,400	43.7%
Thereafter	152,816	72,788	225,604	450,200	50.1%
	$961,718	**$141,483**	**$1,103,201**	**$2,048,150**	**53.9%**

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 debt matures and still maintain the targeted loan-to-value ratio in the range of 50-55%.

CREDIT FACILITIES

As at June 30, 2021, the Trust has secured floating rate bank financing availability totalling $110.0 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 June 30, 2021, the Trust was in compliance with all covenants and undertakings.

LIQUIDITY

As at	**June 30, 2021**	December 31, 2020
Availability of bank lines of credit	**$110,000**	$110,000
Availability of Morguard loan payable	**75,000**	75,000
Availability	**185,000**	185,000
Other deductions and adjustments	**(11,219)**	(4,319)
Bank indebtedness outstanding	**(27,924)**	(29,417)
Morguard loan payable outstanding	**(18,000)**	(18,000)
Subtotal	**127,857**	**133,264**
Cash	**9,165**	8,647
Liquidity	**$137,022**	**$141,911**

PART VI

ACCOUNTING POLICIES AND OTHER ITEMS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Trust's condensed consolidated financial statements for the three and six months ended June 30, 2021, and 2020, 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, 2020, 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 June 30, 2021, 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, 2020.

RISKS AND UNCERTAINTIES

The Trust is exposed to risks as further analyzed and described in the annual MD&A for December 31, 2020.

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:

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Property management fees [1]	**$2,153**	$1,889	**$4,230**	$4,158
Acquisition fees	**4**	—	**4**	—
Appraisal/valuation fees	**87**	88	**175**	177
Information services	**55**	55	**110**	110
Leasing fees	**608**	260	**1,316**	824
Project administration fees	**72**	55	**124**	135
Project management fees	**—**	101	**18**	173
Risk management fees	**8**	94	**97**	187
Internal audit fees	**32**	36	**63**	72
Off-site administrative charges	**471**	464	**942**	925
Rental revenue	**(49)**	(51)	**(98)**	(102)
	$3,441	$2,991	**$6,981**	$6,659

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

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

As at	**June 30, 2021**	December 31, 2020
Amounts payable to/(receivable from) MIL, net	**$789**	($1,294)

(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.

Morguard Loan Payable

During the six months ended June 30, 2021, there were no advances or repayments, and as at June 30, 2021, $18,000 remains payable to Morguard (December 31, 2020 – $18,000). For the three months ended June 30, 2021, the Trust incurred interest expense in the amount of $114 (2020 – $369) at an average interest rate of 2.54% (2020 – 3.80%). For the six months ended June 30, 2021, the Trust incurred interest expense in the amount of $224 (2020 – $778) at an average interest rate of 2.51% (2020 – 4.14%).

Morguard Loan Receivable

During the six months ended June 30, 2021, there were no advances or repayments, and as at June 30, 2021, there was no loan receivable from Morguard (December 31, 2020 – $nil). For the three and six months ended June 30, 2021, and 2020, 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 and comprehensive loss.

(c) Sublease with Morguard (Excluding MIL)

The Trust subleases office space from Morguard. For the three months ended June 30, 2021, the Trust incurred rent expense in the amount of $57 (2020 – $60). For the six months ended June 30, 2021, the Trust incurred rent expense in the amount of $113 (2020 – $116).

(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	June 30, 2021	December 31, 2020
Amounts receivable	**$69**	$68
Accounts payable and accrued liabilities	**$72**	$38

(e) Rental Revenue from Morguard (Excluding MIL)

Morguard is a tenant in one of the Trust's properties. For the three months ended June 30, 2021, the Trust earned rental revenue in the amount of $28 (2020 – $28). For the six months ended June 30, 2021, the Trust earned rental revenue in the amount of $57 (2020 – $56).

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 June 30, 2021.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using June 30, 2021, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at June 30, 2021, of the mortgages payable has been estimated at $1,133,906 (December 31, 2020 – $1,177,633) compared with the carrying value before deferred financing costs of $1,103,201 (December 31, 2020 – $1,125,337). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(b) Convertible Debentures

The fair value of the Convertible Debentures is based on their market trading price (TSX: MRT.DB) (Level 1). The fair value as at June 30, 2021, of the Convertible Debentures has been estimated at $175,875 (December 31, 2020 – $171,500) compared with the carrying value before deferred financing costs of $174,469 (December 31, 2020 – $173,932).

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 and six months ended June 30, 2021. 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 and six months ended June 30, 2021.

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

FINANCIAL STATEMENTS AT THE TRUST'S OWNERSHIP SHARE

Part VIII 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 June 30, 2021	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
ASSETS			
Non-current assets			
Real estate properties	$2,472,129	$44,500	$2,516,629
Right-of-use asset	200	—	200
Equity-accounted investment	20,646	(20,646)	—
	2,492,975	23,854	2,516,829
Current assets			
Amounts receivable	15,861	25	15,886
Prepaid expenses and other	10,632	79	10,711
Cash	9,165	1,451	10,616
	35,658	1,555	37,213
Total assets	$2,528,633	$25,409	$2,554,042
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	$979,884	$—	$979,884
Lease liabilities	10,784	—	10,784
Accounts payable and accrued liabilities	5,062	4	5,066
	995,730	4	995,734
Current liabilities			
Mortgages payable	120,678	23,703	144,381
Convertible debentures	173,909	—	173,909
Lease liabilities	137	—	137
Accounts payable and accrued liabilities	44,488	1,702	46,190
Morguard Loan payable	18,000	—	18,000
Bank indebtedness	27,924	—	27,924
	385,136	25,405	410,541
Total liabilities	1,380,866	25,409	1,406,275
Unitholders' equity	1,147,767	—	1,147,767
	$2,528,633	$25,409	$2,554,042

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

For the six months ended June 30, 2021	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
Revenue from real estate properties	**$119,445**	**$2,543**	**$121,988**
Property operating costs			
Property operating expenses	**(30,115)**	**(677)**	**(30,792)**
Property taxes	**(25,106)**	**(262)**	**(25,368)**
Property management fees	**(4,191)**	**(90)**	**(4,281)**
	60,033	**1,514**	**61,547**
Interest expense	**(26,651)**	**(464)**	**(27,115)**
General and administrative	**(1,967)**	**—**	**(1,967)**
Amortization expense	**(42)**	**—**	**(42)**
Other income	**1,983**	**—**	**1,983**
Fair value losses on real estate properties	**(35,286)**	**(115)**	**(35,401)**
Net income from equity-accounted investment	**935**	**(935)**	**—**
Net loss and comprehensive loss	**($995)**	**$—**	**($995)**

For the six months ended June 30, 2020	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
Revenue from real estate properties	$125,673	$3,198	$128,871
Property operating costs			
Property operating expenses	(35,377)	(661)	(36,038)
Property taxes	(24,164)	(306)	(24,470)
Property management fees	(4,104)	(93)	(4,197)
	62,028	**2,138**	**64,166**
Interest expense	(28,587)	(481)	(29,068)
General and administrative	(1,930)	2	(1,928)
Amortization expense	(41)	—	(41)
Fair value losses on real estate properties	(232,547)	(1,951)	(234,498)
Net loss from equity-accounted investment	(292)	292	—
Net loss and comprehensive loss	**($201,369)**	**$—**	**($201,369)**

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

For the six months ended June 30, 2021	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
OPERATING ACTIVITIES			
Net loss	**($995)**	**$—**	**($995)**
Add items not affecting cash	**35,804**	**1,049**	**36,853**
Distributions from equity-accounted investment, net	**785**	**(785)**	**—**
Additions to tenant incentives and leasing commissions	**(1,415)**	**—**	**(1,415)**
Net change in non-cash operating assets and liabilities	**4,025**	**1,418**	**5,443**
Cash provided by operating activities	**38,204**	**1,682**	**39,886**
FINANCING ACTIVITIES			
Proceeds from new mortgages	**101,352**	**—**	**101,352**
Financing costs on new mortgages	**(410)**	**—**	**(410)**
Repayment of mortgages			
Repayments on maturity	**(105,098)**	**—**	**(105,098)**
Principal instalment repayments	**(18,390)**	**(550)**	**(18,940)**
Payment of lease liabilities, net	**(72)**	**—**	**(72)**
Repayment of bank indebtedness, net	**(1,493)**	**—**	**(1,493)**
Distributions to unitholders	**(7,611)**	**—**	**(7,611)**
Cash used in financing activities	**(31,722)**	**(550)**	**(32,272)**
INVESTING ACTIVITIES			
Capital expenditures on real estate properties	**(3,096)**	**(114)**	**(3,210)**
Expenditures on properties under development	**(2,473)**	**—**	**(2,473)**
Acquisition of real estate properties	**(395)**	**—**	**(395)**
Cash used in investing activities	**(5,964)**	**(114)**	**(6,078)**
Net change in cash	**518**	**1,018**	**1,536**
Cash, beginning of period	**8,647**	**433**	**9,080**
Cash, end of period	**$9,165**	**$1,451**	**$10,616**

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

For the six months ended June 30, 2020	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
OPERATING ACTIVITIES			
Net loss	($201,369)	$—	($201,369)
Add items not affecting cash	234,648	1,869	236,517
Distributions from equity-accounted investment, net	673	(673)	—
Additions to tenant incentives and leasing commissions	(1,307)	—	(1,307)
Net change in non-cash operating assets and liabilities	(18,421)	(714)	(19,135)
Cash provided by operating activities	**14,224**	**482**	**14,706**
FINANCING ACTIVITIES			
Financing costs on new mortgages	280	—	280
Repayment of mortgages			
Principal instalment repayments	(18,560)	(530)	(19,090)
Payment of lease liabilities, net	(60)	—	(60)
Proceeds from bank indebtedness, net	19,881	—	19,881
Proceeds from Morguard loan payable, net	18,500	—	18,500
Distributions to unitholders	(14,557)	—	(14,557)
Cash used in financing activities	**5,484**	**(530)**	**4,954**
INVESTING ACTIVITIES			
Capital expenditures on real estate properties	(4,609)	(106)	(4,715)
Expenditures on properties under development	(14,625)	—	(14,625)
Cash used in investing activities	**(19,234)**	**(106)**	**(19,340)**
Net change in cash	**474**	**(154)**	**320**
Cash, beginning of period	5,783	573	6,356
Cash, end of period	**$6,257**	**$419**	**$6,676**

PART IX

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	**Q2 2021**	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue from real estate properties	**$58,475**	$60,970	$67,495	$60,596	$59,300	$66,373	$69,249	$66,363
Net operating income	**28,975**	31,058	33,253	28,497	27,200	34,828	38,757	36,387
Fair value losses on real estate properties	**(20,837)**	(14,449)	(85,804)	(101,415)	(111,430)	(121,117)	(28,640)	(14,928)
Net (loss)/income	**(5,845)**	4,850	(67,934)	(88,116)	(98,814)	(102,555)	(3,628)	6,254
Funds from operations	**15,043**	19,333	19,447	14,367	13,152	19,958	24,088	21,721
Adjusted funds from operations [3]	**10,664**	14,750	16,350	11,451	10,032	13,731	17,570	15,796
Net (loss)/income – basic	**($0.09)**	$0.08	($1.07)	($1.41)	($1.60)	($1.69)	($0.06)	$0.10
Net (loss)/income – diluted	**($0.09)**	$0.08	($1.07)	($1.41)	($1.60)	($1.69)	($0.06)	$0.10
Funds from operations – basic	**$0.23**	$0.30	$0.31	$0.23	$0.21	$0.33	$0.40	$0.36
Funds from operations – diluted	**$0.23**	$0.29	$0.30	$0.23	$0.21	$0.32	$0.38	$0.34
Adjusted funds from operations – basic [3]	**$0.17**	$0.23	$0.26	$0.18	$0.16	$0.23	$0.29	$0.26
Adjusted funds from operations – diluted [3]	**$0.17**	$0.23	$0.25	$0.18	$0.16	$0.23	$0.28	$0.26
Cash distributions per unit	**$0.06**	$0.08	$0.12	$0.12	$0.16	$0.24	$0.24	$0.24
Payout ratio – Adjusted funds from operations	**35.3%**	34.8%	46.2%	66.7%	100.0%	104.3%	82.8%	92.3%
Weighted average number of units as at quarter-end (in thousands)								
Basic	**64,137**	64,128	63,499	62,606	61,567	60,738	60,727	60,715
Balance sheets								
Total assets	**$2,528,633**	$2,550,122	$2,557,733	$2,647,128	$2,750,019	$2,837,293	$2,937,341	$2,955,425
Total gross debt	**$1,334,515**	$1,345,793	$1,357,679	$1,362,838	$1,372,814	$1,355,008	$1,352,545	$1,347,772
Total equity	**$1,147,767**	$1,157,418	$1,157,658	$1,227,973	$1,319,042	$1,420,423	$1,537,468	$1,555,501
Gross leasable area as at quarter-end (in thousands of square feet) [1]								
Retail	**4,645**	4,645	4,642	4,642	4,652	4,716	4,778	4,752
Office	**3,237**	3,240	3,240	3,240	3,240	3,240	3,240	3,240
Industrial	**293**	292	292	292	292	292	292	292
Total	**8,175**	8,177	8,174	8,174	8,184	8,248	8,310	8,284
Occupancy as at quarter-end (%) [2]								
Retail	**93.8%**	92.3%	94.6%	94.0%	94.5%	94.2%	95.1%	94.6%
Office	**87.7%**	88.2%	88.7%	89.9%	90.6%	90.8%	91.6%	91.7%
Industrial	**89.9%**	93.3%	93.3%	94.2%	94.9%	96.5%	90.7%	90.3%
Total	**91.1%**	90.6%	92.1%	92.3%	92.9%	92.9%	93.5%	93.3%

1. Excludes equity-accounted investment.

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

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

PART X

PROPERTY LISTING

RETAIL PROPERTIES

Property	City	Province	Ownership Interest (%)	Gross Area (SF)	Ownership Area (SF)
Burquitlam Plaza	Coquitlam	BC	100	68,000	68,000
Pine Centre Mall	Prince George	BC	100	446,500	446,500
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	498,500	498,500
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	650,000	650,000
Market Square	Kanata	ON	100	68,000	68,000
Wonderland Corners	London	ON	100	46,500	46,500
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 (20)				**4,831,500**	**4,644,000**

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	636,500	636,500
Petroleum Plaza	Edmonton	AB	50	304,000	152,000
Scotia Place	Edmonton	AB	20	545,000	109,000
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	88,500	88,500
Standard Life	Ottawa	ON	50	377,000	188,500
Time Square	Ottawa	ON	100	111,500	111,500
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)				**5,004,500**	**3,389,500**

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	June 30, 2021	December 31, 2020
ASSETS			
Non-current assets			
Real estate properties	3	**$2,472,129**	$2,499,955
Right-of-use asset	4	**200**	242
Equity-accounted investment	5	**20,646**	20,496
		2,492,975	2,520,693
Current assets			
Amounts receivable	6	**15,861**	27,756
Prepaid expenses and other		**10,632**	637
Cash		**9,165**	8,647
		35,658	37,040
Total assets		**$2,528,633**	$2,557,733
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	8	**$979,884**	$918,256
Lease liabilities	10	**10,784**	10,862
Accounts payable and accrued liabilities		**5,062**	5,230
		995,730	934,348
Current liabilities			
Mortgages payable	8	**120,678**	204,464
Convertible debentures	9	**173,909**	172,805
Lease liabilities	10	**137**	131
Accounts payable and accrued liabilities		**44,488**	40,910
Morguard loan payable	15(b)	**18,000**	18,000
Bank indebtedness	11	**27,924**	29,417
		385,136	465,727
Total liabilities		**1,380,866**	1,400,075
Unitholders' equity		**1,147,767**	1,157,658
		$2,528,633	$2,557,733
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,
Trustee

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

In thousands of Canadian dollars, except per unit amounts

	Note	Three months ended		Six months ended	
		June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Revenue from real estate properties	12	**$58,475**	$59,300	**$119,445**	$125,673
Property operating costs					
Property operating expenses	13(a)	**(15,008)**	(18,626)	**(30,115)**	(35,377)
Property taxes		**(12,357)**	(11,613)	**(25,106)**	(24,164)
Property management fees		**(2,135)**	(1,861)	**(4,191)**	(4,104)
		28,975	27,200	**60,033**	62,028
Interest expense	14	**(13,379)**	(14,015)	**(26,651)**	(28,587)
General and administrative	13(b)	**(1,052)**	(850)	**(1,967)**	(1,930)
Amortization expense		**(21)**	(21)	**(42)**	(41)
Other income		**—**	—	**1,983**	—
Fair value losses on real estate properties	3	**(20,837)**	(111,430)	**(35,286)**	(232,547)
Net income/(loss) from equity-accounted investment	5	**469**	302	**935**	(292)
Net loss and comprehensive loss		**($5,845)**	($98,814)	**($995)**	($201,369)
NET LOSS PER UNIT	16(d)				
Basic		**($0.09)**	($1.60)	**($0.02)**	($3.29)
Diluted		**($0.09)**	($1.60)	**($0.02)**	($3.29)

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF UNITHOLDERS' EQUITY

In thousands of Canadian dollars, except number of units

	Number of Units	Issue of Units	Retained Earnings	Equity Component of Convertible Debentures	Contributed Surplus	Total Unitholders' Equity
Unitholders' equity, January 1, 2020	60,735,539	$612,680	$918,330	$4,594	$1,864	$1,537,468
Net income	—	—	(201,369)	—	—	(201,369)
Distributions to unitholders	—	—	(17,057)	—	—	(17,057)
Issue of units – DRIP [1]	1,412,524	7,404	(7,404)	—	—	—
Unitholders' equity, June 30, 2020	62,148,063	620,084	692,500	4,594	1,864	1,319,042
Repurchase of units	(197,300)	(1,944)	991	—	—	(953)
Net loss	—	—	(156,050)	—	—	(156,050)
Distributions to unitholders	—	—	(4,381)	—	—	(4,381)
Issue of units – DRIP [1]	2,174,452	10,770	(10,770)	—	—	—
Unitholders' equity, December 31, 2020	64,125,215	628,910	522,290	4,594	1,864	1,157,658
Net loss	**—**	**—**	**(995)**	**—**	**—**	**(995)**
Distributions to unitholders	**—**	**—**	**(8,896)**	**—**	**—**	**(8,896)**
Issue of units – DRIP [1]	**15,340**	**85**	**(85)**	**—**	**—**	**—**
Unitholders' equity, June 30, 2021	**64,140,555**	**$628,995**	**$512,314**	**$4,594**	**$1,864**	**$1,147,767**

1. Distribution Reinvestment Plan ("DRIP").

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

		Three months ended		Six months ended	
		June 30,	June 30,	**June 30,**	June 30,
	Note	**2021**	2020	**2021**	2020
OPERATING ACTIVITIES					
Net loss		**($5,845)**	($98,814)	**($995)**	($201,369)
Add items not affecting cash	17(a)	**21,616**	111,986	**35,804**	234,648
Distributions from equity-accounted investment, net	5	**30**	218	**785**	673
Additions to tenant incentives and leasing commissions		**(735)**	(617)	**(1,415)**	(1,307)
Net change in non-cash operating assets and liabilities	17(b)	**3,327**	(19,367)	**4,025**	(18,421)
Cash provided by/(used in) operating activities		**18,393**	(6,594)	**38,204**	14,224
FINANCING ACTIVITIES					
Proceeds from new mortgages		**101,352**	—	**101,352**	—
Financing costs on new mortgages		**(410)**	280	**(410)**	280
Repayment of mortgages					
Repayments on maturity		**(105,098)**	—	**(105,098)**	—
Principal instalment repayments		**(9,084)**	(9,326)	**(18,390)**	(18,560)
Payment of lease liabilities, net		**(40)**	(30)	**(72)**	(60)
Proceeds from/(repayment of) bank indebtedness, net	11	**1,322**	11,407	**(1,493)**	19,881
Proceeds from Morguard loan payable, net	15(b)	**—**	15,500	**—**	18,500
Distributions to unitholders		**(3,806)**	(4,927)	**(7,611)**	(14,557)
Cash (used in)/provided by financing activities		**(15,764)**	12,904	**(31,722)**	5,484
INVESTING ACTIVITIES					
Capital expenditures on real estate properties		**(1,706)**	(1,422)	**(3,096)**	(4,609)
Expenditures on properties under development		**(604)**	(5,794)	**(2,473)**	(14,625)
Acquisition of real estate properties		**(395)**	—	**(395)**	—
Cash used in investing activities		**(2,705)**	(7,216)	**(5,964)**	(19,234)
Net change in cash		**(76)**	(906)	**518**	474
Cash, beginning of period		**9,241**	7,163	**8,647**	5,783
Cash, end of period		**$9,165**	$6,257	**$9,165**	$6,257

See accompanying notes to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended June 30, 2021 and 2020

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 60.9% of the outstanding units as at June 30, 2021. 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 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 July 28, 2021.

The Trust has incorporated the potential impact of the coronavirus ("COVID-19") into its significant estimates and assumptions that affect the reported amounts of its assets, liabilities, net loss and related disclosures using available information as at June 30, 2021.

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

The Trust has had to make assumptions with respect to the length and severity of these restrictions and closures as well as the recovery period in estimating the impact and timing of future cash flows generated from real estate properties and used in the discounted cash flow model to determine fair value.

In a long-term scenario, the significant assumptions 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), could potentially be impacted, which 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	June 30, 2021	December 31, 2020
Income producing properties	**$2,421,317**	$2,433,856
Properties under development	**12,012**	29,299
Held for development	**38,800**	36,800
	$2,472,129	$2,499,955

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, 2019	$2,834,394	$18,909	$38,800	$2,892,103
Additions:				
Capital expenditures/capitalized costs	6,649	22,166	—	28,815
Tenant improvements, tenant incentives and commissions	6,491	—	—	6,491
Transfers	11,776	(11,776)	—	—
Disposition	(1,608)	—	(5,192)	(6,800)
Fair value (losses)/gains	(422,958)	—	3,192	(419,766)
Other changes	(888)	—	—	(888)
Balance as at December 31, 2020	**2,433,856**	**29,299**	**36,800**	**2,499,955**
Additions:				
Acquisitions	395	—	—	395
Capital expenditures/capitalized costs	1,684	2,473	—	4,157
Tenant improvements, tenant incentives and commissions	2,827	—	—	2,827
Transfers	19,760	(19,760)	—	—
Fair value (losses)/gains	(37,286)	—	2,000	(35,286)
Other changes	81	—	—	81
Balance as at June 30, 2021	**$2,421,317**	**$12,012**	**$38,800**	**$2,472,129**

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 7.8% applied to a stabilized net operating income (December 31, 2020 – 4.3% to 8.5%), resulting in an overall weighted average capitalization rate of 6.70% (December 31, 2020 – 6.60%).

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

	June 30, 2021					December 31, 2020				
	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%**	**7.3%**	**5.3%**	**7.0%**	97.0%	90.0%	7.3%	5.3%	6.8%
Office	**100.0%**	**90.0%**	**7.8%**	**4.3%**	**6.4%**	100.0%	90.0%	8.5%	4.3%	6.5%
Industrial	**100.0%**	**95.0%**	**5.3%**	**5.0%**	**5.1%**	100.0%	95.0%	5.5%	5.3%	5.5%

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

	June 30, 2021			December 31, 2020		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
RETAIL						
Discount rate	**8.3 %**	**6.0 %**	**7.3 %**	8.3 %	6.0 %	7.3 %
Terminal cap rate	**7.3 %**	**5.3 %**	**6.4 %**	7.3 %	5.3 %	6.4 %
OFFICE						
Discount rate	**8.0 %**	**5.3 %**	**6.3 %**	8.0 %	5.3 %	6.4 %
Terminal cap rate	**7.5 %**	**4.3 %**	**5.4 %**	7.5 %	4.3 %	5.5 %
INDUSTRIAL						
Discount rate	**6.3 %**	**5.8 %**	**6.0 %**	6.5 %	6.0 %	6.2 %
Terminal cap rate	**5.5 %**	**5.3 %**	**5.3 %**	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 June 30, 2021, 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 June 30, 2021, would decrease by $82,624 or increase by $89,124, respectively.

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

For the six months ended June 30, 2021		
Change in capitalization rate	**0.25%**	**(0.25%)**
Retail	**($40,663)**	**$43,678**
Office	**(39,780)**	**43,041**
Industrial	**(2,181)**	**2,405**
	($82,624)	**$89,124**

Acquisitions
On June 30, 2021, the Trust acquired a 20% interest in a component of an existing multi-tenant office property owned by the Trust, located at 10050 Jasper Avenue, in Alberta, for a purchase price of $380 plus transaction costs of $15.

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	June 30, 2021	December 31, 2020
Balance, beginning of period	**$242**	$324
Amortization expense	**(42)**	(82)
Balance, end of period	**$200**	$242

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	June 30, 2021	December 31, 2020
Balance, beginning of period	**$20,496**	$23,705
Equity income/(loss)	**935**	(1,386)
Distributions to partners	**(785)**	(2,480)
Contributions from partners	**—**	657
Balance, end of period	**$20,646**	$20,496

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	June 30, 2021	December 31, 2020
Real estate property	**$44,500**	$44,500
Current assets	**1,555**	576
Total assets	**46,055**	45,076
Non-current liabilities	**(4)**	—
Current liabilities	**(25,405)**	(24,580)
Net equity	**$20,646**	$20,496

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Revenue from real estate property	**$1,276**	$1,570	**$2,543**	$3,198
Property operating expenses	**(509)**	(483)	**(1,029)**	(1,060)
Net operating income	**767**	1,087	**1,514**	2,138
Interest and other	**(228)**	(240)	**(464)**	(479)
Fair value losses on real estate property	**(70)**	(545)	**(115)**	(1,951)
Net income/(loss)	**$469**	$302	**$935**	($292)

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 June 30, 2021, the property was valued using a discount rate of 7.3% (December 31, 2020 – 7.3%), a terminal cap rate of 6.5% (December 31, 2020 – 6.5%) and a stabilized cap rate of 6.3% (December 31, 2020 – 6.5%). The stabilized annual net operating income as at June 30, 2021, was $3,223 (December 31, 2020 – $2,927).

NOTE 6
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at	**June 30, 2021**	December 31, 2020
Tenant receivables (including deferrals)	**$16,045**	$22,147
Unbilled other tenant receivables	**1,426**	2,991
Receivables from related parties	**281**	2,498
Other	**5,847**	8,939
Allowance for expected credit loss	**(7,738)**	(8,819)
	$15,861	$27,756

Allowance for expected credit loss ("ECL")

The Trust records the ECL to comply with IFRS 9’s simplified approach for amounts receivable 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 expected credit loss as of June 30, 2021, 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**	**2021**	2020
505 Third Street	Calgary, AB	Office	**50%**	50%
Scotia Place	Edmonton, AB	Office	**20%**	20%
Prairie Mall	Grande Prairie, AB	Retail	**50%**	50%
Heritage Place	Ottawa, ON	Office	**50%**	50%
Standard Life Centre	Ottawa, ON	Office	**50%**	50%
77 Bloor	Toronto, ON	Office	**50%**	50%
Woodbridge Square	Woodbridge, ON	Retail	**50%**	50%
Place Innovation	Saint-Laurent, QC	Office	**50%**	50%

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 June 30, 2021 and December 31, 2020, and the results of operations for the three and six months ended June 30, 2021 and 2020:

As at	**June 30, 2021**	December 31, 2020
Assets	**$469,659**	$475,679
Liabilities	**$232,471**	$233,725

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Revenue	**$11,905**	$11,929	**$23,266**	$24,696
Expenses	**(7,577)**	(8,226)	**(14,600)**	(16,216)
Income before fair value adjustments	**4,328**	3,703	**8,666**	8,480
Fair value losses on real estate properties	**(4,274)**	(15,150)	**(7,684)**	(25,876)
Net income/(loss)	**$54**	($11,447)	**$982**	($17,396)

NOTE 8
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	June 30, 2021	December 31, 2020
Mortgages payable before deferred financing costs	**$1,103,201**	$1,125,337
Deferred financing costs	**(2,639)**	(2,617)
Mortgages payable	**$1,100,562**	$1,122,720
Mortgages payable – non-current	**$979,884**	$918,256
Mortgages payable – current	**120,678**	204,464
Mortgages payable	**$1,100,562**	$1,122,720
Range of interest rates	**2.6% to 4.9%**	2.7% to 5.5%
Weighted average term to maturity (years)	**3.5**	3.7

The aggregate principal repayments and balances maturing on the mortgages payable as at June 30, 2021, 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
2021 (remainder of year)	$18,018	$64,173	$82,191	4.3 %
2022	33,466	171,560	205,026	3.8 %
2023	23,493	273,292	296,785	3.5 %
2024	15,327	184,224	199,551	4.0 %
2025	12,181	115,653	127,834	3.2 %
Thereafter	38,998	152,816	191,814	3.6 %
	$141,483	**$961,718**	**$1,103,201**	**3.7 %**

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

NOTE 9
CONVERTIBLE DEBENTURES
Debentures

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

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

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

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

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

The Convertible Debentures payable consist of the following:

As at	June 30, 2021	December 31, 2020
Convertible debentures – liability	**$170,267**	$170,267
Convertible debentures – accretion	**4,202**	3,665
Convertible debentures before issue costs	**174,469**	173,932
Issue costs	**(560)**	(1,127)
Convertible debentures	**$173,909**	$172,805

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

	Interest	Principal	Total
2021	3,938	175,000	178,938

Redemption Rights

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

Payment Upon Redemption or Maturity

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

Interest Payment Election

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

NOTE 10

LEASE LIABILITIES

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

As at	June 30, 2021	December 31, 2020
Balance, beginning of period	**$10,993**	$11,116
Lease payments	**(516)**	(812)
Interest	**444**	689
Balance, end of period	**$10,921**	$10,993
Current	**$137**	$131
Non-current	**10,784**	10,862
	$10,921	$10,993
Weighted average borrowing rate	**6.2 %**	6.2 %

NOTE 11

BANK INDEBTEDNESS

The Trust has operating lines of credit totalling $110,000 (December 31, 2020 – $110,000), 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. As at June 30, 2021, there is a maximum of $100,000 available.

As at June 30, 2021, the Trust had borrowed $27,924 (December 31, 2020 – $29,417) on its credit facilities and issued letters of credit in the amount of $1,219 (December 31, 2020 – $1,219) related to these facilities.

The bank credit agreements include certain restrictive covenants and undertakings by the Trust. As at June 30, 2021, and December 31, 2020, 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 June 30, 2021, approximates fair value.

NOTE 12
REVENUE FROM REAL ESTATE PROPERTIES

Revenue from real estate properties consists of the following:

For the three months ended June 30, 2021	**Retail**	**Office**	**Industrial**	**Total**
Rental revenue	**$20,809**	**$15,766**	**$524**	**$37,099**
CAM recoveries	**4,094**	**6,083**	**207**	**10,384**
Property tax and insurance recoveries	**4,902**	**3,779**	**134**	**8,815**
Other revenue and lease cancellation fees	**1,000**	**732**	**5**	**1,737**
Parking revenue	**(6)**	**914**	**—**	**908**
Amortized rents	**65**	**(543)**	**10**	**(468)**
	$30,864	**$26,731**	**$880**	**$58,475**

For the three months ended June 30, 2020	Retail	Office	Industrial	Total
Rental revenue	$22,183	$15,854	$526	$38,563
CAM recoveries	3,693	5,761	213	9,667
Property tax and insurance recoveries	5,767	3,541	166	9,474
Other revenue and lease cancellation fees	495	217	—	712
Parking revenue	2	1,078	—	1,080
Amortized rents	22	(210)	(8)	(196)
	$32,162	$26,241	$897	$59,300

For the six months ended June 30, 2021	**Retail**	**Office**	**Industrial**	**Total**
Rental revenue	**$42,750**	**$30,795**	**$1,038**	**$74,583**
CAM recoveries	**7,185**	**11,832**	**421**	**19,438**
Property tax and insurance recoveries	**10,217**	**7,783**	**288**	**18,288**
Other revenue and lease cancellation fees	**4,165**	**1,023**	**5**	**5,193**
Parking revenue	**—**	**1,862**	**—**	**1,862**
Amortized rents	**100**	**(38)**	**19**	**81**
	$64,417	**$53,257**	**$1,771**	**$119,445**

For the six months ended June 30, 2020	Retail	Office	Industrial	Total
Rental revenue	$45,305	$32,073	$1,061	$78,439
CAM recoveries	9,679	13,241	416	23,336
Property tax and insurance recoveries	12,122	7,786	248	20,156
Other revenue and lease cancellation fees	1,388	410	—	1,798
Parking revenue	2	2,367	—	2,369
Amortized rents	27	(438)	(14)	(425)
	$68,523	$55,439	$1,711	$125,673

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

NOTE 13
EXPENSES
(a) Property Operating Expenses
Property operating expenses consist of the following:

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Repairs and maintenance	**$6,380**	$4,597	**$12,398**	$12,156
Utilities	**3,343**	3,275	**7,304**	7,336
Bad debt (recovery)/expense	**(204)**	5,535	**105**	5,821
Other operating expenses	**5,489**	5,219	**10,308**	10,064
	$15,008	$18,626	**$30,115**	$35,377

(b) General and Administrative
General and administrative expenses consist of the following:

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Trustees' fees and expenses	**$72**	$62	**$143**	$140
Professional and compliance fees	**329**	317	**648**	729
Payroll and other administrative expenses	**651**	471	**1,176**	1,061
	$1,052	$850	**$1,967**	$1,930

NOTE 14
INTEREST EXPENSE
The components of interest expense are as follows:

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Mortgages payable	**$10,162**	$10,617	**$20,485**	$21,335
Amortization of deferred financing costs – mortgages	**204**	116	**388**	299
Convertible debentures	**1,963**	1,963	**3,905**	3,905
Accretion on convertible debentures, net	**270**	255	**537**	508
Amortization of deferred financing costs – convertible debentures	**285**	270	**567**	536
Lease liabilities	**273**	173	**444**	346
Bank indebtedness	**163**	372	**314**	1,125
Morguard loan payable and other	**114**	411	**224**	858
Capitalized interest	**(55)**	(162)	**(213)**	(325)
	$13,379	$14,015	**$26,651**	$28,587

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

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Property management fees [1]	**$2,153**	$1,889	**$4,230**	$4,158
Acquisition fees	**4**	—	**4**	—
Appraisal/valuation fees	**87**	88	**175**	177
Information services	**55**	55	**110**	110
Leasing fees	**608**	260	**1,316**	824
Project administration fees	**72**	55	**124**	135
Project management fees	**—**	101	**18**	173
Risk management fees	**8**	94	**97**	187
Internal audit fees	**32**	36	**63**	72
Off-site administrative charges	**471**	464	**942**	925
Rental revenue	**(49)**	(51)	**(98)**	(102)
	$3,441	$2,991	**$6,981**	$6,659

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

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

As at	**June 30, 2021**	December 31, 2020
Amounts payable to/(receivable from) MIL, net	**$789**	($1,294)

(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, 2020 – $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 six months ended June 30, 2021, there were no advances or repayments, and as at June 30, 2021, $18,000 remains payable to Morguard (December 31, 2020 – $18,000). For the three months ended June 30, 2021, the Trust incurred interest expense in the amount of $114 (2020 – $369) at an average interest rate of 2.54% (2020 – 3.80%). For the six months ended June 30, 2021, the Trust incurred interest expense in the amount of $224 (2020 – $778) at an average interest rate of 2.51% (2020 – 4.14%).

Morguard Loan Receivable

During the six months ended June 30, 2021, there were no advances or repayments, and as at June 30, 2021, there was no loan receivable from Morguard (December 31, 2020 – $nil). For the three and six months ended June 30, 2021, and 2020, 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 and comprehensive loss.

(c) Sublease with Morguard (Excluding MIL)

The Trust subleases office space from Morguard. For the three months ended June 30, 2021, the Trust incurred rent expense in the amount of $57 (2020 – $60). For the six months ended June 30, 2021, the Trust incurred rent expense in the amount of $113 (2020 – $116).

(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	June 30, 2021	December 31, 2020
Amounts receivable	**$69**	$68
Accounts payable and accrued liabilities	**$72**	$38

(e) Rental Revenue from Morguard (Excluding MIL)

Morguard is a tenant in one of the Trust's properties. For the three months ended June 30, 2021, the Trust earned rental revenue in the amount of $28 (2020 – $28). For the six months ended June 30, 2021, the Trust earned rental revenue in the amount of $57 (2020 – $56).

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, 2020 to June 30, 2021:

As at	Six months ended June 30, 2021	Year ended December 31, 2020
Balance, beginning of period	**64,125,215**	60,735,539
Distribution Reinvestment Plan – Morguard	**—**	3,520,153
Distribution Reinvestment Plan – other unitholders	**15,340**	66,823
Repurchase of units	**—**	(197,300)
Balance, end of period	**64,140,555**	64,125,215

Total distributions recorded during the six months ended June 30, 2021, amounted to $8,981 or $0.14 per unit (2020 – $24,461 or $0.40 per unit). Included in this amount is a distribution declared on June 15, 2021, in the amount of $0.02 per unit for the month of June 2021, payable on July 15, 2021. On July 15, 2021, the Trust declared a distribution of $0.02 per unit payable on August 16, 2021.

(b) Normal Course Issuer Bid
On February 4, 2021, the Trust announced that the TSX had accepted notice filed by the Trust of its intention to make a normal course issuer bid. The notice provided that during the 12-month period commencing February 7, 2021, and ending February 6, 2022, the Trust may purchase for cancellation on the TSX up to 3,206,260 units in total, being approximately 5% of the outstanding units. Additionally, the Trust may purchase for cancellation up to $11,495 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 six months ended June 30, 2021, the Trust did not purchase any units for cancellation.

(c) Distribution Reinvestment Plan
Under the Trust's Distribution Reinvestment Plan, unitholders can elect to reinvest cash distributions into additional units at a weighted average trading price of the units on the TSX for the 20 trading days immediately preceding the applicable date of distribution. During the six months ended June 30, 2021, the Trust issued 15,340 units under the DRIP (2020 – 1,412,524 units).

(d) Net Loss Per Unit

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

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Net loss – basic	**($5,845)**	($98,814)	**($995)**	($201,369)
Net loss – diluted	**($5,845)**	($98,814)	**($995)**	($201,369)
Weighted average number of units outstanding – basic	**64,137**	61,567	**64,133**	61,152
Weighted average number of units outstanding – diluted	**64,137**	61,567	**64,133**	61,152
Net loss per unit – basic	**($0.09)**	($1.60)	**($0.02)**	($3.29)
Net loss per unit – diluted	**($0.09)**	($1.60)	**($0.02)**	($3.29)

To calculate net loss – diluted, interest, accretion and the amortization of financing costs on convertible debentures outstanding that were expensed during the year are added back to net loss – basic. The weighted average number of units outstanding – diluted is calculated as if all convertible debentures outstanding as at June 30, 2021, and 2020, had been converted into units of the Trust at the beginning of the year. The calculation of net loss per unit – diluted excludes the impact of the convertible debentures for the three and six months ended June 30, 2021, and 2020 as their inclusion would be anti-dilutive.

NOTE 17

STATEMENTS OF CASH FLOWS

(a) Items Not Affecting Cash

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Fair value losses on real estate properties	**$20,837**	$111,430	**$35,286**	$232,547
Net (income)/loss from equity-accounted investment	**(469)**	(302)	**(935)**	292
Amortized stepped rent	**247**	(12)	**289**	(7)
Amortized free rent	**139**	130	**(553)**	281
Amortization of deferred financing costs – mortgages	**204**	116	**388**	299
Amortization of tenant incentives	**82**	78	**183**	151
Amortization of right-of-use asset	**21**	21	**42**	41
Amortization of deferred financing costs – convertible debentures	**285**	270	**567**	536
Accretion on convertible debentures	**270**	255	**537**	508
	$21,616	$111,986	**$35,804**	$234,648

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

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	**June 30, 2021**	June 30, 2020
Amounts receivable	**$6,323**	($14,665)	**$11,895**	($15,242)
Prepaid expenses and other	**(2,357)**	(2,697)	**(9,995)**	(10,399)
Accounts payable and accrued liabilities	**(639)**	(2,005)	**2,125**	7,220
	$3,327	($19,367)	**$4,025**	($18,421)

Other supplemental cash flow information consists of the following:				
Interest paid	**$14,587**	$15,448	**$25,476**	$27,585
Issue of units – DRIP	**$43**	$7,316	**$85**	$7,404

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 June 30, 2021, committed capital expenditures in the next 12 months are estimated at $10,623.

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	June 30, 2021	December 31, 2020
Mortgages payable	8	**$1,100,562**	$1,122,720
Convertible debentures	9	**173,909**	172,805
Bank indebtedness	11	**27,924**	29,417
Morguard loan payable	15(b)	**18,000**	18,000
Lease liabilities	10	**10,921**	10,993
Cash		**(9,165)**	(8,647)
Unitholders' equity		**1,147,767**	1,157,658
		$2,469,918	$2,502,946

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	June 30, 2021	December 31, 2020
Fixed-rate debt to gross book value of total assets	N/A	**48.2 %**	51.1 %
Floating-rate debt to gross book value of total assets	15 %	**4.4 %**	1.9 %
	65 %	**52.6 %**	53.0 %

As at June 30, 2021, the Trust met all externally imposed ratios and minimum equity requirements.

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

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

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

NOTE 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 June 30, 2021.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using June 30, 2021, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at June 30, 2021, of the mortgages payable has been estimated at $1,133,906 (December 31, 2020 – $1,177,633) compared with the carrying value before deferred financing costs of $1,103,201 (December 31, 2020 – $1,125,337). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(b) Convertible Debentures

The fair value of the Convertible Debentures is based on their market trading price (TSX: MRT.DB) (Level 1). The fair value as at June 30, 2021, of the Convertible Debentures has been estimated at $175,875 (December 31, 2020 – $171,500) compared with the carrying value before deferred financing costs of $174,469 (December 31, 2020 – $173,932).

(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:

	June 30, 2021			December 31, 2020		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
ASSETS						
Income producing properties	**$—**	**$—**	**$2,421,317**	$—	$—	$2,433,856
Properties under development	**$—**	**$—**	**$12,012**	$—	$—	$29,299
Held for development	**$—**	**$—**	**$38,800**	$—	$—	$36,800

Risks Associated with Financial Assets and Liabilities

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

NOTE 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-makers for the purpose of allocating resources to the segment and assessing its performance. The Trust has applied judgment by aggregating its operating segments according to the nature of the property operations. Such judgment considers the nature of operations, types of customers and an expectation that operating segments within a reportable segment have similar long-term economic characteristics. As at June 30, 2021, the Trust has the following three reportable segments: retail, office and industrial.

Business Segments

For the three months ended June 30, 2021	Retail	Office	Industrial	Total
Revenue from real estate properties	**$30,864**	**$26,731**	**$880**	**$58,475**
Property operating expenses	**(8,036)**	**(6,691)**	**(281)**	**(15,008)**
Property taxes	**(7,821)**	**(4,390)**	**(146)**	**(12,357)**
Property management fees	**(1,192)**	**(917)**	**(26)**	**(2,135)**
Net operating income	**$13,815**	**$14,733**	**$427**	**$28,975**

For the three months ended June 30, 2020	Retail	Office	Industrial	Total
Revenue from real estate properties	$32,162	$26,241	$897	$59,300
Property operating expenses	(11,282)	(7,091)	(253)	(18,626)
Property taxes	(7,285)	(4,127)	(201)	(11,613)
Property management fees	(970)	(860)	(31)	(1,861)
Net operating income	$12,625	$14,163	$412	$27,200

For the three months ended June 30, 2021	Retail	Office	Industrial	Total
Additions to real estate properties	**$1,238**	**$1,825**	**$377**	**$3,440**
Fair value (losses)/gains on real estate properties	**($15,880)**	**($10,419)**	**$5,462**	**($20,837)**

For the three months ended June 30, 2020	Retail	Office	Industrial	Total
Additions to real estate properties	$6,128	$1,698	$7	$7,833
Fair value losses on real estate properties	($83,430)	($26,652)	($1,348)	($111,430)

For the six months ended June 30, 2021	**Retail**	**Office**	**Industrial**	**Total**
Revenue from real estate properties	**$64,417**	**$53,257**	**$1,771**	**$119,445**
Property operating expenses	**(16,833)**	**(12,800)**	**(482)**	**(30,115)**
Property taxes	**(15,893)**	**(8,902)**	**(311)**	**(25,106)**
Property management fees	**(2,337)**	**(1,798)**	**(56)**	**(4,191)**
	$29,354	**$29,757**	**$922**	**$60,033**

For the six months ended June 30, 2020	Retail	Office	Industrial	Total
Revenue from real estate properties	$68,523	$55,439	$1,711	$125,673
Property operating expenses	(20,196)	(14,717)	(464)	(35,377)
Property taxes	(15,189)	(8,687)	(288)	(24,164)
Property management fees	(2,237)	(1,811)	(56)	(4,104)
	$30,901	$30,224	$903	$62,028

	Retail	**Office**	**Industrial**	**Total**
As at June 30, 2021				
Real estate properties	**$1,350,699**	**$1,069,380**	**$52,050**	**$2,472,129**
Mortgages payable (based on collateral)	**$601,095**	**$499,467**	**$—**	**$1,100,562**
For the six months ended June 30, 2021				
Additions to real estate properties	**$4,105**	**$2,774**	**$500**	**$7,379**
Fair value (losses)/gains on real estate properties	**($22,259)**	**($21,508)**	**$8,481**	**($35,286)**

	Retail	Office	Industrial	Total
As at December 31, 2020				
Real estate properties	$1,368,750	$1,088,155	$43,050	$2,499,955
Mortgages payable (based on collateral)	$610,546	$512,174	$—	$1,122,720
For the six months ended June 30, 2020				
Additions to real estate properties	$17,517	$2,974	$50	$20,541
Fair value losses on real estate properties	($181,178)	($50,204)	($1,165)	($232,547)