2020 FOURTH QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

MORGUARD REIT

Q4

Morguard

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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 consolidated financial statements and the accompanying notes for the year ended December 31, 2020, and 2019.

The Trust's consolidated financial statements and the accompanying notes for the year ended December 31, 2020, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These 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 February 17, 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 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 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 X). 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 60% 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 February 17, 2021.

SUMMARY OF SELECTED ANNUAL INFORMATION

The selected annual information highlights certain key metrics for the Trust over the most recently completed five years. 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. These items along with the ongoing financing activities for the existing portfolio can dramatically affect the results.

SUMMARY OF SELECTED ANNUAL INFORMATION

In thousands of dollars, except per unit amounts	2020	2019	2018	2017	2016
Revenue from real estate properties	**$253,764**	$273,074	$276,473	$278,754	$280,726
Net operating income	**123,778**	149,961	152,078	157,025	160,500
Fair value losses on real estate properties	**(419,766)**	(73,850)	(18,602)	(31,225)	(51,643)
Net (loss)/income	**(357,419)**	14,840	73,015	67,306	57,207
Funds from operations	**66,924**	90,894	94,992	100,766	113,500
Adjusted funds from operations [3]	**51,564**	66,063	69,394	74,983	87,091
Net (loss)/income – basic	**($5.75)**	$0.24	$1.20	$1.11	$0.94
Net (loss)/income – diluted	**($5.75)**	$0.24	$1.12	$1.05	$0.93
Funds from operations – basic	**$1.08**	$1.50	$1.56	$1.66	$1.87
Funds from operations – diluted	**$1.06**	$1.43	$1.48	$1.57	$1.81
Adjusted funds from operations – basic [3]	**$0.83**	$1.09	$1.14	$1.24	$1.43
Adjusted funds from operations – diluted [3]	**$0.83**	$1.07	$1.12	$1.20	$1.41
Cash distributions per unit	**$0.64**	$0.96	$0.96	$0.96	$0.96
Payout ratio – Adjusted funds from operations	**77.1%**	88.1%	84.2%	77.4%	67.1%
Weighted average number of units as at year-end (in thousands)					
Basic	**62,108**	60,711	60,705	60,622	60,750
Balance sheets					
Total assets	**$2,557,733**	$2,937,341	$2,978,573	$2,921,091	$3,034,190
Total debt	**$1,357,679**	$1,352,545	$1,349,724	$1,306,710	$1,435,735
Total equity	**$1,157,658**	$1,537,468	$1,580,414	$1,565,591	$1,555,183
Gross leasable area as at year-end (in thousands of square feet) [1]					
Retail	**4,642**	4,778	4,629	4,793	4,788
Office	**3,240**	3,240	3,240	3,241	3,244
Industrial	**292**	292	534	534	534
Total	**8,174**	8,310	8,403	8,568	8,566
Occupancy as at year-end (%) [2]					
Retail	**94.6%**	95.1%	94.7%	96.6%	96.1%
Office	**88.7%**	91.6%	92.9%	93.1%	96.5%
Industrial	**93.3%**	90.7%	91.7%	98.0%	97.7%
Total	**92.1%**	93.5%	93.8%	95.3%	96.4%

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 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, 2015 ("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 60.88% of the outstanding units as at December 31, 2020. 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 60%.

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 December 31, 2020, 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	1,169	—	—	14	1,990	25%
Saskatchewan	1	497	—	—	—	—	1	497	6%
Manitoba	3	660	—	—	—	—	3	660	8%
Ontario	8	2,094	8	980	4	292	20	3,366	41%
Quebec	—	—	1	448	—	—	1	448	6%
	19	**4,575**	**21**	**3,197**	**4**	**292**	**44**	**8,064**	**100%**
IPP held for development	1	67	1	43	—	—	2	110	
Income producing properties	**20**	**4,642**	**22**	**3,240**	**4**	**292**	**46**	**8,174**	
Equity-accounted investment (Alberta)	—	—	1	152	—	—	1	152	
Grand Total	**20**	**4,642**	**23**	**3,392**	**4**	**292**	**47**	**8,326**	
% [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 December 31, 2020, 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 3.3 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 0.3 million square feet of area either held for, or under, development.

COMMUNITY STRIP CENTRES OVERVIEW

At December 31, 2020, 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 December 31, 2020, 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 December 31, 2020, 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 December 31, 2020, 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

IMPACT OF COVID-19 AND TRUST PERFORMANCE

SIGNIFICANT EVENT – COVID-19

In March 2020, the outbreak of the novel strain of coronavirus ("COVID-19") resulted in governments enacting emergency measures to combat the spread of the virus. These measures, including the implementation of travel bans, lockdowns, quarantine periods and physical distancing, have contributed to an economic recession along with material disruption to business. Governments reacted with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, and is subject to waves of varying degrees.

The Trust recognizes the impact of COVID-19 on many of its tenants and its stakeholders and is committed to taking measures to protect the health of its employees, tenants and communities in which it operates. In March, the Trust initiated its crisis management plan with a team mandated to maintain a safe environment for its tenants, employees and stakeholders, coordinating efforts across its portfolio, standardizing communications and responding as circumstances demand.

The Trust is actively monitoring the ongoing developments with regards to COVID-19 and is committed to ensuring a healthy and safe environment, adjusting its service model as necessary.

The Trust continues to act accordingly to direction provided by the federal, provincial and municipal governments to control the spread of COVID-19. The Trust continues to monitor business operations and may take further actions in response to directives of government and public health authorities or that are in the best interests of employees, tenants, suppliers or other stakeholders as necessary.

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.

Management concluded that it was important for the Trust to play an important role in helping the tenants that have been negatively impacted by the pandemic. As such, the Trust participated in the Canada Emergency Commercial Rent Assistance ("CECRA") program as described further in the MD&A and has also been in discussions with medium and large-sized tenants on a case-by-case basis to determine rent payment solutions.

Due to non-essential business closure orders issued by the various provinces in Canada, the majority of the Trust's retail tenants were closed for portions of the second quarter. The easing of these restrictions varied by province and by industry. Lockdowns and restrictions were imposed again late in 2020 and into 2021.

Canada Emergency Commercial Rent Assistance ("CECRA") Program

The Government of Canada partnered with the provincial governments to deliver the CECRA program. The program provided relief for small business tenants of commercial landlords who are experiencing financial difficulties during the COVID-19 pandemic. The program was available for six months from April to September 2020.

Over the course of the program, landlords that participated in the program reduced rent by at least 75% for the months of April to September 2020 for their small business tenants that qualify. The Government of Canada, via a forgivable loan, covered 50% of the rent, with the tenant paying up to 25% and the landlord forgiving at least 25%.The interest-free loans will be forgiven on December 31, 2020 if the property owner agrees to terms, including reducing the small business tenants' rent by at least 75% under a rent reduction agreement. To ensure loan forgiveness, the property owner must follow the terms and conditions of the loan, including complying with the rent reduction agreement.

Qualifying criteria for this program for small business tenants included having gross rent less than $50,000 per month per a particular tenant in addition to suffering a 70% decline in revenue for the period from April to June 2020. Enrollment for the program for July, August and September 2020 was automatic if the tenant qualified in Q2 2020.

The Trust decided that it was important for it to participate in the program and actively worked with tenants to determine their qualification. The Trust has finalized the applications under the CECRA program, and as of the date of this MD&A has received all scheduled government funding.

The amount forgiven by the landlord under the CECRA program (25%) is recorded in the financial statements as a bad debt expense. The cost of this program to the Trust was $2.8 million for the six-month duration of the program.

The following is an analysis of the scope of participation in the CECRA program (the dollar amounts exclude sales taxes):

	Number of CECRA Tenants	Total Tenant Billings	Total Landlord Writeoff	Total Collections from Government
Industrial	14	$588	$150	$294
Office	54	1,248	312	624
Retail	220	9,372	2,346	4,686
Six-month total	**288**	**$11,208**	**$2,808**	**$5,604**

Canada Emergency Rent Subsidy ("CERS")

On October 9, 2020, the federal government announced the launch of a new program (CERS) to provide rent support until June 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. Typically, these discussions related to the rent owing for April, May and June 2020 as part of the economic shutdown. There are a significant number of retail tenants who have requested consideration for a deferral or an abatement. 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. It was difficult to engage with tenants in a meaningful manner in regards to their arrears until they had visibility as to the economic landscape post closure, as well as having a more comprehensive understanding of the CECRA program. 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. Consequently, most of these rent payment solutions were negotiated in the fourth quarter and are now mostly complete. 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.

MIL invoices contracted rent (including base rent, property taxes and common area maintenance charges) on the first of every month. Appropriate sales taxes are included in these billings depending upon the provincial jurisdiction.

The following is an analysis of collections of invoiced contracted rent by asset class, for selected months, including expected collections for February 2021, as of the date of this report (incorporating government and certain tenants that pay at the end of the month):

	Approximate Contribution to Revenue	October 2020	November 2020	December 2020	January 2021	February 2021
Industrial	1%	95%	94%	96%	97%	80%
Office	43%	99%	99%	99%	98%	96%
Retail – community strip centres	15%	95%	98%	97%	96%	91%
Retail – enclosed regional centres	41%	82%	84%	81%	75%	71%
Total	**100%**	**92%**	**93%**	**92%**	**89%**	**85%**

The following is a breakdown of outstanding billed tenant receivables as at December 31, 2020 (these amounts include sales taxes):

	Tenant Receivables	Allowance for Doubtful Accounts	Net Tenant Receivable
Office and industrial	$3,740	($1,350)	$2,390
Retail	18,407	(7,469)	10,938
	$22,147	**($8,819)**	**$13,328**

Failed Tenants

Various tenants have filed for both creditor and bankruptcy protection within 2020. This process will allow these tenants to emerge from the COVID-19 pandemic with a stronger balance sheet and better liquidity. The impact of these failed tenants is estimated to be approximately $8.0 million. An analysis of these tenants is as follows:

	Date Filed	Vacant GLA	Number of Locations Closed	Retained GLA	Number of Locations Remaining Open
Stokes	February 18, 2020	773	1	7,054	4
Nygard	March 9, 2020	13,398	5	—	—
Aldo	May 7, 2020	—	—	9,200	6
Reitmans	May 19, 2020	—	—	11,085	3
Bestseller	June 2, 2020	2,124	1	2,200	1
Comark [1]	June 3, 2020	—	—	50,791	15
GNC	June 23, 2020	968	1	1,287	1
DAVIDsTEA	July 8, 2020	3,423	5	—	—
Ascena Retail Group (Justice)	July 23, 2020	4,558	1	—	—
Laura Canada	July 31, 2020	—	—	13,848	3
Moores	August 2, 2020	—	—	4,972	1
Groupe Dynamite [2]	September 8, 2020	2,451	1	20,285	6
Conforti	September 28, 2020	2,049	2	—	—
Bizou	October 6, 2020	733	1	—	—
Le Chateau	October 23, 2020	17,011	4	—	—
Sticky's Canada	N/A	1,410	1	—	—
S&H Health Foods	N/A	830	1	—	—
		49,728	**24**	**120,722**	**40**

1. Comark includes Ricki's, Cleo and Bootlegger
2. Includes Garage and Dynamite

There are also a number of locations that have been negotiated to remain open at a restructured or percentage rent. These instances could either represent reduced gross rent for a limited period or conversion to a percentage rent structure for a set time period. Some of these changes are temporary and some are permanent. The Trust has estimated an annualized rental revenue reduction of approximately $3.0 million as a result of these lease amendments.

Operational Update

In response to the decline in collections and net operating income, there has been a deferral of discretionary capital spending. Also, available deferrals of sales taxes, payroll taxes, property taxes and utility payments offered by the various levels of government have been acted upon. However, these deferrals initially acted upon have now been reversed.

The amount of operating capital spending for 2020 was less than typical levels. The amount of spending for 2020 was $13.3 million (or approximately one-half of the typical $25.0 million threshold). Discretionary spending is being reviewed on a case-by-case basis in order to consider deferrals to later periods. The Trust has narrowed the scope of its capital expenditure program to ensure the availability of resources. Leasing capital will still be spent as opportunities arise in addition to capital needed for any structural or safety purposes. The development project at The Centre in Saskatoon is ongoing and the project at Pine Centre in Prince George is complete, pending the lease-up of the remaining space.

The extent of the impact 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 $141.9 million as of December 31, 2020, and also has an unencumbered asset pool of $321.9 million in order to raise necessary capital, if required. This represents an increase in liquidity of $90.1 million as compared to the available liquidity as of December 31, 2019, which was $51.9 million.

During the third and fourth quarter of 2020, the Trust completed seven mortgage renewals. These renewals produced upfinancing proceeds of $91.9 million and were contracted at an average interest rate of 3.0%.

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

SELECTED FINANCIAL INFORMATION

The table below sets forth selected financial data relating to the Trust's fiscal years ended December 31, 2020, 2019 and 2018. This financial data is derived from the Trust's consolidated statements which are prepared in accordance with IFRS.

For the year ended December 31,	2020	2019	2018	% Change 2020/2019	% Change 2019/2018
Revenue from real estate properties	**$253,764**	$273,074	$276,473	(7.1%)	(1.2%)
Bad debt expense	**(14,857)**	(676)	(234)	2,097.8%	188.9%
Property operating expenses	**(59,314)**	(66,124)	(63,903)	(10.3%)	3.5%
Property taxes	**(47,822)**	(47,266)	(51,083)	1.2%	(7.5%)
Property management fees	**(7,993)**	(9,047)	(9,175)	(11.7%)	(1.4%)
Net operating income	**123,778**	**149,961**	**152,078**	**(17.5%)**	**(1.4%)**
Interest expense	**(56,376)**	(58,006)	(55,648)	(2.8%)	4.2%
General and administrative	**(3,587)**	(4,271)	(4,781)	(16.0%)	(10.7%)
Other items	**(82)**	(38)	106	115.8%	(135.8%)
Fair value losses on real estate properties	**(419,766)**	(73,850)	(18,602)	468.4%	297.0%
Net (loss)/income from equity-accounted investment	**(1,386)**	1,044	(138)	(232.8%)	(856.5%)
Net (loss)/income	**($357,419)**	**$14,840**	**$73,015**	**(2,508.5%)**	**(79.7%)**
Net (loss)/income per unit – basic	**($5.75)**	$0.24	$1.20	(2,495.8%)	(80.0%)
Funds from operations per unit – basic	**$1.08**	$1.50	$1.56	(28.0%)	(3.8%)
Adjusted funds from operations per unit – basic	**$0.83**	$1.09	$1.14	(23.9%)	(4.4%)

THREE-YEAR CONSOLIDATED OPERATING HIGHLIGHTS

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

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

For the year ended December 31,	2020	2019	2018
Industrial	**$3,479**	$4,328	$4,981
Office – Single-/dual-tenant buildings	**80,392**	89,546	90,765
Office – Multi-tenant buildings	**29,787**	31,060	33,394
Retail – Community strip centres	**37,701**	37,861	36,809
Retail – Enclosed regional centres	**102,405**	110,279	110,524
Total	**$253,764**	$273,074	$276,473

The decline in industrial revenue is due to the sale of an industrial asset in Quebec on July 31, 2019.

On March 30, 2020, the Trust announced the conclusion of its discussions with Obsidian Energy Ltd. regarding its tenancy in Penn West Plaza (a single-tenant building). This future rent reduction represents an annual reduction in the Trust's net operating income of approximately $7.0 million.

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 year ended December 31,	2020	2019	Variance
Rental revenue	**$155,433**	$162,990	($7,557)
CAM recoveries	**50,369**	58,086	(7,717)
Property tax and insurance recoveries	**39,073**	41,722	(2,649)
Other revenue and lease cancellation fees	**5,609**	5,121	488
Parking revenue	**4,168**	5,993	(1,825)
Amortized rents	**(888)**	(838)	(50)
	$253,764	$273,074	($19,310)

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 twelve-month period ending December 31, 2020.

Year ended December 31, 2020	Retail	Office	Industrial	Total
Opening allowance balance – January 1, 2020	$422	$132	$—	**$554**
Bad debt expense charged to income statement	13,052	1,636	169	**14,857**
Failed tenant writeoffs and abatements granted	(3,659)	(121)	(4)	**(3,784)**
Landlord portion of CECRA writeoffs	(2,346)	(312)	(150)	**(2,808)**
Closing allowance balance – December 31, 2020	**$7,469**	**$1,335**	**$15**	**$8,819**

The following is an analysis of revenue and bad debt expense for the year ended December 31, 2020:

Year ended December 31, 2020	Retail	Office	Industrial	Total
Revenue from real estate properties	$140,106	$110,179	$3,479	**$253,764**
Bad debt expense	13,052	1,636	169	**14,857**
% of revenue from real estate properties	**9%**	**1%**	**5%**	**6%**

The following is an analysis of revenue and bad debt expense for the year ended December 31, 2019:

Year ended December 31, 2019	Retail	Office	Industrial	Total
Revenue from real estate properties	$148,140	$120,606	$4,328	**$273,074**
Bad debt expense	538	138	—	**676**
% of revenue from real estate properties	**—%**	**—%**	**—%**	**—%**

Property operating expenses include costs related to interior and exterior maintenance, insurance and utilities. Property operating expenses (excluding bad debt expense) for the year ended December 31, 2020, decreased 10.3% to $59.3 million from $66.1 million for the same period in 2019. This decrease is primarily due to lower operating and repair and maintenance expenses in 2020 due to less traffic in the retail and office assets during the COVID-19 pandemic.

Net operating income for the year ended December 31, 2020, declined 17.5% as compared to 2019. This decline was due to bad debt expense recorded for the year in addition to the decline in income for Penn West Plaza relating to the rent reduction offered to Obsidian Energy Ltd.

Interest expense for the year ended December 31, 2020, decreased 2.8% to $56.4 million from $58.0 million for the same period in 2019. This decline is primarily due to the low interest rate environment and the impact on rates paid on the Trust's lines of credit.

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:

For the year ended December 31,	2020	2019	2018
Retail – enclosed regional centres	**($308,432)**	($64,551)	($62,717)
Retail – community strip centres	**(16,439)**	7,054	16,240
Office	**(94,838)**	(18,705)	23,664
Industrial	**(57)**	2,352	4,211
	($419,766)	($73,850)	($18,602)

The IFRS value of the Trust's enclosed mall portfolio has been reduced by $308.4 million since December 31, 2019. This included an average cap rate increase of 25 basis points in each of the first and third quarters along with changes in cash flow assumptions. The significant changes of inputs into the forecasting of cash flows, include normalized vacancy rates, market rental rates, releasing assumptions and credit assumptions. The revised inputs into the discounted cash flow models have resulted in lower fair market values and higher implied overall cap rates.

The fair value decline for the office asset class is due to the decline in Penn West Plaza arising from the discussions and resulting rent reduction granted to Obsidian, along with more conservative cash flow modelling assumptions resulting from the COVID-19 pandemic.

Reported net loss for year ended December 31, 2020, was $357.4 million as compared to profit of $14.8 million in 2019. 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 year ended December 31, 2020.

	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	$7,800	3	$12,692	—	$—	5	$20,492	17%
Alberta	5	9,924	9	24,980	—	—	14	34,904	29%
Saskatchewan	1	7,176	—	—	—	—	1	7,176	6%
Manitoba	3	10,886	—	—	—	—	3	10,886	9%
Ontario	8	25,222	8	15,397	4	1,864	20	42,483	34%
Quebec	—	—	1	5,813	—	—	1	5,813	5%
	19	61,008	21	58,882	4	1,864	44	121,754	**100%**
IPP held for development	1	1,507	1	641	—	(63)	2	2,085	
Income producing properties	**20**	**62,515**	**22**	**59,523**	**4**	**1,801**	**46**	**123,839**	
Properties held for sale/sold	—	(61)	—	—	—	—	—	(61)	
Total real estate properties	**20**	**62,454**	**22**	**59,523**	**4**	**1,801**	**46**	**123,778**	
Equity-accounted investment	—	—	1	4,197	—	—	1	4,197	
Grand Total	**20**	**$62,454**	**23**	**$63,720**	**4**	**$1,801**	**47**	**$127,975**	
% [1]		**50%**		**48%**		**2%**		**100%**	

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

COMPARATIVE NET OPERATING INCOME BY ASSET TYPE

	Year Ended December 31,		
	2020	2019	%
Enclosed regional centres	**$39,347**	$55,070	(28.6%)
Community strip centres	**23,107**	23,533	(1.8%)
Subtotal – retail	**62,454**	78,603	(20.5%)
Single-/dual-tenant buildings	**46,471**	54,137	(14.2%)
Multi-tenant buildings	**13,052**	14,564	(10.4%)
Subtotal – office	**59,523**	68,701	(13.4%)
Industrial	**1,801**	2,657	(32.2%)
Net operating income	**$123,778**	$149,961	(17.5%)

RETAIL PROPERTIES – NET OPERATING INCOME

	Year Ended December 31,		
	2020	2019	%
Revenue from real estate properties	**$140,106**	$148,140	(5.4%)
Bad debt expense	**(13,052)**	(538)	2,326.0%
Property operating expenses	**(30,481)**	(34,875)	(12.6%)
Property taxes	**(29,761)**	(28,988)	2.7%
Property management fees	**(4,358)**	(5,136)	(15.1%)
Net operating income	**$62,454**	$78,603	(20.5%)

The Trust's retail properties' NOI for the year ended December 31, 2020, was $62.5 million versus $78.6 million for the same period ended 2019, a decrease of $16.1 million. The decrease was mainly the result of bad debt expense of $12.5 million, stemming from the rent arrears and failed tenants as a result of the economic impact of COVID-19 and increased vacancy costs of $3.3 million. The portfolio benefited from the Trust's completed retail development projects, which contributed an additional $0.9 million during the year.

RETAIL PROPERTIES TOP TENANTS

The following is a breakdown of the Trust's 20 largest retail tenants by rental revenue as at December 31, 2020:

	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	5.4 %	16	115	2.5 %	2.8
2	Canadian Tire Corporation Ltd.	4.2 %	7	285	6.1 %	2.4
3	Goodlife Fitness	3.1 %	5	192	4.1 %	11.0
4	Loblaw Companies Ltd.	3.0 %	7	100	2.2 %	4.2
5	Sobeys Inc.	3.0 %	3	161	3.5 %	7.5
6	Dollarama	2.4 %	11	103	2.2 %	3.1
7	Cineplex Odeon	1.7 %	3	110	2.4 %	8.2
8	HBC	1.6 %	2	290	6.2 %	3.1
9	Walmart	1.4 %	2	241	5.2 %	0.5
10	Ardene	1.3 %	7	64	1.4 %	6.5
11	Lowe's	1.2 %	2	170	3.7 %	1.9
12	The Childrens Place	1.2 %	6	23	0.5 %	1.8
13	YM Inc.	1.2 %	7	70	1.5 %	2.4
14	L Brands	1.1 %	6	22	0.5 %	1.9
15	TJX	1.0 %	4	101	2.2 %	8.4
16	Boathouse	0.8 %	6	22	0.5 %	0.5
17	Co-Op Grocery Store	0.8 %	1	45	1.0 %	0.1
18	Soft Moc	0.7 %	5	11	0.2 %	5.2
19	Subway	0.7 %	12	8	0.2 %	2.1
20	Indigo	0.7 %	2	40	0.9 %	8.1
		36.5 %	**114**	**2,173**	**47.0 %**	**4.3**

The following is a breakdown of retail gross revenue by industry segment (top ten only):

Industry Segment	Retail Gross Revenue
Clothing, apparel and shoes	18.1 %
Health and personal wellness	14.9 %
Grocery and spirits	9.7 %
Limited service eating	8.7 %
Financial services and insurance	6.3 %
Jewellery, luggage and leather	4.1 %
Sporting goods	3.9 %
Department	3.3 %
Telecommunications	3.3 %
Full service restaurants	2.9 %
Other	24.8 %
	100.0 %

OFFICE PROPERTIES – NET OPERATING INCOME

	Year Ended December 31,		
	2020	2019	%
Revenue from real estate properties	**$110,179**	$120,606	(8.6%)
Bad debt expense	**(1,636)**	(138)	1,085.5%
Property operating expenses	**(28,051)**	(30,427)	(7.8%)
Property taxes	**(17,443)**	(17,553)	(0.6%)
Property management fees	**(3,526)**	(3,787)	(6.9%)
Net operating income	**$59,523**	$68,701	(13.4%)

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 29% of the Trust's office contracted gross revenue is attributable to government tenants.

The Trust's office properties' NOI for the year ended December 31, 2020, was $59.5 million versus $68.7 million for the same period ended 2019. The unfavourable variance of $9.2 million is mainly the result of the rent forgiveness agreement with Obsidian Energy Ltd., coupled with an increase of $1.6 million in bad debt expense, stemming from the rent arrears from the economic impact of COVID-19, and with decreased basic rent of $1.0 million.

The majority of the bad debt expense is a result of small business office tenant participation in the CECRA program.

OFFICE PROPERTIES TOP TENANTS

The following is a breakdown of the Trust's 20 largest office tenants by rental revenue as at December 31, 2020:

	Tenant	Percentage of Total Office Revenue	# of Locations	GLA (000s)	% of Total Office GLA	Weighted Average Remaining Lease Term
1	Federal and provincial governments	29.1 %	9	859	25.3 %	3.4
2	Obsidian Energy Ltd.	8.6 %	1	242	7.1 %	4.1
3	Bombardier Inc.	8.2 %	1	265	7.8 %	10.3
4	Athabasca Oil Corporation	5.7 %	1	149	4.4 %	4.1
5	Canadian chartered banks – Tier 1	5.4 %	3	108	3.2 %	4.7
6	Wood Canada Limited	4.9 %	1	127	3.7 %	5.0
7	Stantec Consulting	3.0 %	2	82	2.4 %	4.9
8	CH2M Hill Canada Limited	2.7 %	1	78	2.3 %	7.7
9	AJW Technique Inc.	2.1 %	1	75	2.2 %	2.0
10	National Bank of Canada	2.1 %	1	43	1.3 %	8.0
11	Western Energy Services Corp.	2.0 %	1	43	1.3 %	4.1
12	Sephora	1.7 %	1	4	0.1 %	6.1
13	Assent Compliance	1.5 %	2	57	1.7 %	0.2
14	The Ottawa Hospital	0.7 %	1	28	0.8 %	4.2
15	Realstar Holdings Partnership	0.6 %	1	14	0.4 %	4.7
16	Investors Group Financial Services Inc.	0.6 %	2	19	0.6 %	4.9
17	The Ottawa Fertility Centre Inc.	0.6 %	1	24	0.7 %	5.2
18	Harry Rosen	0.6 %	1	14	0.4 %	11.5
19	AMDOCS Canadian Managed Services Inc.	0.5 %	1	15	0.4 %	3.9
20	Ferring Inc.	0.5 %	1	15	0.4 %	2.7
		81.1 %	**33**	**2,261**	**66.5 %**	**4.8**

INDUSTRIAL PROPERTIES – NET OPERATING INCOME

	Year Ended December 31,		
	2020	2019	%
Revenue from real estate properties	**$3,479**	$4,238	(17.9%)
Bad debt expense	**(169)**	—	—%
Property operating expenses	**(782)**	(822)	(4.9%)
Property taxes	**(618)**	(725)	(14.8%)
Property management fees	**(109)**	(124)	(12.1%)
Net operating income	**$1,801**	$2,567	(29.8%)

The Trust's industrial properties' NOI for the year ended December 31, 2020, was $1.8 million versus $2.6 million for the same period ended 2019. The decrease of $0.8 million is the result of the sale of 825 Des Érables in July of 2019, offset by a decrease in vacancy costs.

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 year ended December 31,	**2020**	2019	Variance	%
Enclosed regional centres (retail)	**$48,476**	$53,897	($5,421)	(10.1%)
Community strip centres (retail)	**22,557**	22,178	379	1.7%
Single-/dual-tenant buildings (office)	**53,661**	53,995	(334)	(0.6%)
Multi-tenant buildings (office)	**12,864**	14,366	(1,502)	(10.5%)
Industrial properties	**2,037**	1,823	214	11.7%
Net operating income – same assets before bad debt expense	**139,595**	146,259	(6,664)	(4.6%)
Bad debt expense related to COVID-19	**(14,223)**	—	(14,223)	N/A
Net operating income – same assets after bad debt expense	**125,372**	146,259	(20,887)	(14.3%)
Area under development	**1,471**	578	893	154.5%
Real estate properties held for development/held for sale/sold	**2,024**	2,549	(525)	(20.6%)
Lease cancellation fees	**1,683**	791	892	112.8%
Stepped rents	**(392)**	(31)	(361)	1,164.5%
Other (primarily Obsidian amendment)	**(6,380)**	(185)	(6,195)	3,348.6%
Net operating income per the statement of income	**$123,778**	$149,961	($26,183)	(17.5%)

LEASING ACTIVITY

The Trust places a high value on tenant retention as the cost of retention is typically lower than the cost of securing new tenants. When retention is neither possible nor desirable, the Trust strives to secure high-quality replacement tenants. The table below provides a summary of the leasing activity for the year ended December 31, 2020:

For the year ended December 31, 2020	Enclosed Regional Centres	Community Strip Centres	Single-/ Dual-Tenant Buildings	Multi-Tenant Buildings	Industrial Properties	Total Portfolio
Opening vacancy (SF)	187,377	24,657	46,752	223,079	27,275	509,140
Opening occupancy	93.8%	98.0%	97.9%	77.6%	90.7%	93.5%
EXPIRING LEASES:						
Square feet	580,659	34,327	75,429	133,662	4,595	828,672
Average contract rent per SF	$22.47	$26.35	$26.86	$20.75	$11.86	$22.51
EARLY TERMINATIONS:						
Square feet	61,534	50,198	20,247	54,814	9,294	196,087
Average contract rent per SF	$31.44	$18.26	$24.59	$18.02	$11.58	$22.67
RENEWALS:						
Square feet	(426,493)	(30,639)	(1,816)	(89,396)	(4,595)	(552,939)
Average contract rent per SF	$18.30	$28.84	$20.00	$24.23	$12.05	$19.80
Retention rate	73%	89%	2%	67%	100%	67%
NEW LEASING:						
Square feet	(218,829)	(23,823)	(38,522)	(61,342)	(16,951)	(359,467)
Average contract rent per SF	$14.96	$23.58	$14.63	$14.78	$7.50	$15.11
OTHER ADJUSTMENTS:						
Square feet	28,193	(34,281)	—	—	—	(6,088)
Ending vacancy (SF)	212,441	20,439	102,090	260,817	19,618	615,405
Ending occupancy	93.1%	98.3%	95.4%	73.9%	93.3%	92.1%

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	419,891	$24.72	—	$—	—	$—	419,891	$24.72
2021	964,803	13.26	388,445	20.69	75,977	8.03	1,429,225	15.09
2022	496,854	26.23	279,505	22.02	16,580	10.36	792,939	24.36
2023	401,200	26.71	300,525	16.64	42,091	6.64	743,816	21.34
2024	199,173	32.89	161,203	31.24	74,577	5.68	434,953	27.57
Thereafter	1,567,906	24.20	1,706,021	24.38	63,486	8.97	3,337,413	23.98
Current vacancy	232,880	—	362,907	—	19,618	—	615,405	—
Total	**4,282,707**	**$22.61**	**3,198,606**	**$23.13**	**292,329**	**$7.53**	**7,773,642**	**$22.08**
Weighted average remaining lease term (years)		3.88		4.39		3.09		4.05

Lower weighted average contract rent for the year 2021 (retail) is the result of anchor tenant lease maturities. This amounts to 552,194 square feet at a weighted average contract rate of $6.40.

MONTH TO MONTH AND 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	379,827	$15.24	64,498	$13.74	—	$—	444,325
British Columbia	1,910	36.35	203,702	24.58	—	—	205,612
Manitoba	95,884	28.59	—	—	—	—	95,884
Ontario	860,115	15.01	118,674	17.75	75,977	8.03	1,054,766
Quebec	—	—	1,571	22.50	—	—	1,571
Saskatchewan	46,958	28.96	—	—	—	—	46,958
	1,384,694	**$16.44**	**388,445**	**$20.69**	**75,977**	**$8.03**	**1,849,116**

Lower weighted average contract rent for the year 2021 (retail) is the result of anchor tenant lease maturities. In Alberta, this amounts to 141,978 square feet at a weighted average contract rate of $7.56. In Ontario, this amounts to 410,216 square feet at a weighted average contract rate of $6.22.

The majority of the square footage expiring in 2021 in British Columbia relates to two tenants in 111 Dunsmuir in Vancouver. Five-year renewals have been completed with both tenants totalling approximately 200,000 square feet at an average rate expected to be in the range of $31-32 per square foot, with future steps.

Not included in the above table 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, expiring January 1, 2021. The contract rent on the expiring lease is $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 first half of 2021.

CHANGES IN GLA

The table below provides a summary of the changes in GLA for the year ended December 31, 2020.

In thousands of SF	Retail	Office	Industrial	Total Portfolio
GLA – opening balance – January 1, 2020	**4,778**	**3,240**	**292**	**8,310**
Cambridge Centre – Sears (2nd floor)	**(69)**	**—**	**—**	**(69)**
Pine Centre – Common area (Former Sears)	**(36)**	**—**	**—**	**(36)**
Disposition – Home Base	**(10)**	**—**	**—**	**(10)**
Other	**(21)**	**—**	**—**	**(21)**
GLA – closing balance – December 31, 2020	**4,642**	**3,240**	**292**	**8,174**
Area under/held for development/sale	**(359)**	**(43)**	**—**	**(402)**
GLA for purposes of occupancy	**4,283**	**3,197**	**292**	**7,772**
Occupied GLA	**4,051**	**2,834**	**272**	**7,157**
Occupied GLA (%)	**94.6 %**	**88.7 %**	**93.3 %**	**92.1 %**

OFFICE OCCUPANCY BY PROVINCE

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

Province	December 31, 2020	December 31, 2019
Alberta	**88.6%**	90.0%
British Columbia	**97.0%**	100.0%
Ontario	**81.4%**	86.2%
Quebec	**93.4%**	96.1%
	88.7%	91.6%

CORPORATE ITEMS

INTEREST EXPENSE

Interest expense totalled $56.4 million for the year ended December 31, 2020, compared to $58.0 million for the same period in 2019. The components of interest expense are as follows:

INTEREST EXPENSE

For the year ended December 31,	2020	2019	%
Mortgages payable	**$42,627**	$43,864	(2.8%)
Amortization of deferred financing costs – mortgages	**656**	658	(0.3%)
Convertible debentures	**7,875**	7,875	—%
Accretion on convertible debentures, net	**999**	944	5.8%
Amortization of deferred financing costs – convertible debentures	**1,053**	995	5.8%
Lease liabilities	**689**	697	(1.1%)
Bank indebtedness	**1,799**	2,154	(16.5%)
Morguard loan payable and other	**1,375**	1,382	(0.5%)
Capitalized interest	**(697)**	(563)	23.8%
	$56,376	**$58,006**	**(2.8%)**

Interest expense has decreased due to the decline in short-term interest rates and also due to lower long-term interest rates on the $205.7 million in mortgages refinanced during 2020.

FAIR VALUE (LOSSES)/GAINS ON REAL ESTATE PROPERTIES

For the year ended December 31, 2020, the Trust recorded fair value losses on real estate properties of $419.8 million, versus $73.9 million of fair value losses on real estate properties for 2019.

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

For the year ended December 31,	2020	2019
Retail – enclosed regional centres	**($308,432)**	($64,551)
Retail – community strip centres	**(16,439)**	7,054
Office	**(94,838)**	(18,705)
Industrial	**(57)**	2,352
	($419,766)	**($73,850)**

APPRAISAL CAPITALIZATION AND DISCOUNT RATES

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

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

Using the direct capitalization income approach to corroborate the discounted cash flow method, the properties were valued using capitalization rates in the range of 4.3% to 8.5% applied to a stabilized net operating income (2019 – 4.3% to 8.5%), resulting in an overall weighted average capitalization rate of 6.60% (2019 – 6.38%).

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

STABILIZED CAPITALIZATION RATES

	December 31, 2020					December 31, 2019				
	Stabilized Occupancy		**Capitalization Rates**			Stabilized Occupancy		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Retail	**97.0%**	**90.0%**	**7.3%**	**5.3%**	**6.8%**	100.0%	90.0%	7.3%	5.3%	6.5%
Office	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.5%**	100.0%	90.0%	8.5%	4.3%	6.3%
Industrial	**100.0%**	**95.0%**	**5.5%**	**5.3%**	**5.5%**	100.0%	95.0%	5.5%	5.3%	5.4%

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

DISCOUNT AND TERMINAL CAPITALIZATION RATES

	December 31, 2020			December 31, 2019		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
RETAIL						
Discount rate	**8.3 %**	**6.0 %**	**7.3 %**	7.8 %	6.0 %	6.9 %
Terminal cap rate	**7.3 %**	**5.3 %**	**6.4 %**	7.0 %	5.3 %	6.0 %
OFFICE						
Discount rate	**8.0 %**	**5.3 %**	**6.4 %**	7.8 %	5.3 %	6.3 %
Terminal cap rate	**7.5 %**	**4.3 %**	**5.5 %**	7.3 %	4.3 %	5.5 %
INDUSTRIAL						
Discount rate	**6.5 %**	**6.0 %**	**6.2 %**	6.5 %	6.0 %	6.2 %
Terminal cap rate	**5.8 %**	**5.5 %**	**5.5 %**	5.8 %	5.5 %	5.5 %

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

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in net operating income, with a lower capitalization rate resulting in a greater impact to the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rate were to increase or decrease by 25 basis points, the value of the income producing properties as at December 31, 2020, would decrease by $82,451 or increase by $88,917, 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 year ended	December 31, 2020	
Change in capitalization rate	**0.25%**	**(0.25%)**
Retail	**($42,401)**	**$45,638**
Office	**(38,373)**	**41,440**
Industrial	**(1,677)**	**1,839**
	($82,451)	**$88,917**

NET (LOSS)/INCOME FROM EQUITY-ACCOUNTED INVESTMENT

For the year ended December 31, 2020, the Trust incurred $1.4 million in losses from its equity-accounted investment compared to $1.0 million of income for the same year ended December 31, 2019. The unfavourable variance of $2.4 million is largely the result of the recorded loss from fair value on the investment of $4.6 million in 2020, versus a loss of $2.2 million in 2019.

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 has decreased from $25.0 million per annum to $12.5 million (or $3.125 million per quarter) for the remainder of 2020. It is expected that due to the wide disparity in planned PCME spending for 2021 as compared to past years that allowance thresholds will be determined as warranted, but would be somewhere between $12.5 million and $25.0 million.

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 years ended December 31, 2020, 2019 and 2018.

ACTUAL PRODUCTIVE CAPACITY MAINTENANCE EXPENDITURES

For the year ended December 31,	2020	2019	2018
Leasing commissions	**$3,137**	$3,742	$2,332
Tenant allowances	**3,331**	5,803	7,091
Total leasing costs	**6,468**	9,545	9,423
Capital expenditures recoverable from tenants	**6,229**	12,946	13,453
Capital expenditures non-recoverable from tenants	**554**	322	205
Total capital expenditures	**6,783**	13,268	13,658
Total PCME	**13,251**	22,813	23,081
Discretionary capital expenditures	**—**	169	655
Total leasing costs and capital expenditures	**$13,251**	$22,982	$23,736
Total PCME (above)	**$13,251**	$22,813	$23,081
Normalized PCME	**15,625**	25,000	25,000
Shortfall between total PCME and normalized PCME	**$2,374**	$2,187	$1,919

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

	Year Ended December 31,		
In thousands of dollars, except per unit amounts	2020	2019	%
Net (loss)/income	**($357,419)**	$14,840	(2,508.5%)
Adjustments:			
Fair value losses on real estate properties [1]	**424,384**	76,087	457.8%
Amortization of right-of-use assets	**82**	83	(1.2%)
Payment of lease liabilities, net	**(123)**	(116)	6.0%
Funds from operations – basic	**66,924**	90,894	(26.4%)
Interest expense on convertible debentures	**7,875**	7,875	—%
Funds from operations – diluted	**$74,799**	$98,769	(24.3%)
Funds from operations – basic	**$66,924**	$90,894	(26.4%)
Adjustments:			
Amortized stepped rents [1]	**265**	169	56.8%
Normalized PCME	**(15,625)**	(25,000)	(37.5%)
Adjusted funds from operations – basic	**51,564**	66,063	(21.9%)
Interest expense on convertible debentures	**7,875**	7,875	—%
Adjusted funds from operations – diluted	**$59,439**	$73,938	(19.6%)
FUNDS FROM OPERATIONS PER UNIT			
Basic	**$1.08**	$1.50	(28.0%)
Diluted [2]	**$1.06**	$1.43	(25.9%)
ADJUSTED FUNDS FROM OPERATIONS PER UNIT			
Basic	**$0.83**	$1.09	(23.9%)
Diluted [2]	**$0.83**	$1.07	(22.4%)
DISTRIBUTIONS			
Distributions declared per unit	**$0.64**	$0.96	(33.3%)
Distributions as a percentage of AFFO per unit – basic	**77.1%**	88.1%	(12.5%)
WEIGHTED AVERAGE UNITS OUTSTANDING (IN THOUSANDS)			
Basic	**62,108**	60,711	2.3%
Diluted [2]	**70,686**	69,289	2.0%

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.

The Trust's funds from operations for the year ended December 31, 2020, have decreased as compared to 2019 due to bad debt expense resulting from the COVID-19 pandemic in addition to the rent relief for Obsidian at Penn West Plaza.

ADJUSTED CASH FLOW FROM OPERATIONS

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

ADJUSTED CASH FLOW FROM OPERATIONS

	Year Ended December 31,		
	2020	2019	%
Cash provided by operating activities	**$46,919**	$89,358	(47.5%)
Adjustments:			
Adjustment to working capital changes for ACFO [1]	**4,940**	282	1,651.8%
Normalized PCME	**(15,625)**	(25,000)	(37.5%)
Actual additions to tenant incentives and leasing commissions	**3,490**	3,955	(11.8%)
Amortization of deferred financing costs	**(1,709)**	(1,654)	3.3%
Payment of lease liabilities, net	**(123)**	(116)	6.0%
ACFO from equity-accounted investment	**1,055**	1,419	(25.7%)
Adjusted cash flow from operations – basic	**38,947**	68,244	(42.9%)
Interest expense on convertible debentures	**7,875**	7,875	—%
Adjusted cash flow from operations – diluted	**$46,822**	$76,119	(38.5%)

Adjusted cash flow from operations – basic	**$38,947**	$68,244	(42.9%)
Distributions declared	**39,612**	58,283	(32.0%)
Excess/(shortfall) adjusted cash flow from operations over distributions declared	**($665)**	$9,961	(106.7%)

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

	Year Ended December 31,		
	2020	2019	%
Development accruals	**$5,931**	$700	747.3%
Prepaid realty taxes and insurance	**(1,322)**	827	(259.9%)
Interest payable and receivable	**73**	164	(55.5%)
Insurance claims	**258**	(1,409)	(118.3%)
Adjustment to working capital changes for ACFO	**4,940**	282	1,651.8%
Net change in non-cash operating assets and liabilities as per the financial statements	**(18,825)**	64	(29,514.1%)
Net working capital changes included in ACFO	**($13,885)**	$346	(4,113.0%)

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 2020 was $0.08 per unit from January to April, and reduced to $0.04 per unit starting with the May distribution payable in June.

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 2020 monthly distributions:

Payment Date	Distribution Per Unit	Cash Distribution	Unit Distribution	Total Distribution
February 15, 2020	$0.08	$4,816	$43	$4,859
March 15, 2020	0.08	4,815	45	4,860
April 15, 2020	0.08	1,971	2,888	4,859
May 15, 2020	0.08	1,972	2,934	4,906
June 15, 2020	0.04	982	1,493	2,475
July 15, 2020	0.04	991	1,495	2,486
August 14, 2020	0.04	982	1,516	2,498
September 15, 2020	0.04	981	1,529	2,510
October 15, 2020	0.04	993	1,530	2,523
November 16, 2020	0.04	982	1,555	2,537
December 15, 2020	0.04	979	1,568	2,547
December 31, 2020	0.04	974	1,578	2,552

FOURTH QUARTER OVERVIEW

For the three months ended December 31,	2020	2019	% Change
Revenue from real estate properties	**$67,495**	$69,249	(2.5%)
Bad debt expense	**(4,750)**	(256)	1,755.5%
Property operating expenses	**(15,916)**	(17,291)	(8.0%)
Property taxes	**(11,680)**	(10,578)	10.4%
Property management fees	**(1,896)**	(2,367)	(19.9%)
Net operating income	**33,253**	**38,757**	**(14.2%)**
Interest expense	**(13,712)**	(14,402)	(4.8%)
General and administrative	**(828)**	(1,037)	(20.2%)
Amortization expense	**(20)**	(21)	(4.8%)
Other expense	**—**	(1)	(100.0%)
Fair value losses on real estate properties	**(85,804)**	(28,640)	199.6%
Net (loss)/income from equity-accounted investment	**(823)**	1,716	(148.0%)
Net loss	**($67,934)**	**($3,628)**	**N/A**
Net loss per unit – basic	**($1.07)**	($0.06)	N/A
Net loss per unit – diluted [1]	**($1.07)**	($0.06)	N/A
Funds from operations per unit – basic	**$0.31**	$0.40	(22.5%)
Funds from operations per unit – diluted	**$0.30**	$0.38	(21.1%)
Adjusted funds from operations per unit – basic	**$0.26**	$0.29	(10.3%)
Adjusted funds from operations per unit – diluted	**$0.25**	$0.28	(10.7%)

1. The calculation of net income/(loss) per unit – diluted excludes the impact of the convertible debentures for the three months ended December 31, 2020, and 2019, as their inclusion would be anti-dilutive.

Revenue from real estate properties includes contracted rent from tenants along with recoveries of property expenses. Revenue for the three months ended December 31, 2020, decreased 2.5% to $67.5 million from $69.2 million for the same period in 2019. The decline in revenue is due to the enclosed mall tenant failures coupled with the rent relief for Obsidian at Penn West Plaza.

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

For the three months ended December 31,	2020	2019	Variance
Rental revenue	**$38,452**	$41,543	($3,091)
CAM recoveries	**16,345**	15,417	928
Property tax and insurance recoveries	**9,456**	9,565	(109)
Other revenue and lease cancellation fees	**2,207**	1,378	829
Parking revenue	**910**	1,523	(613)
Amortized rents	**125**	(177)	302
	$67,495	$69,249	($1,754)

The following is an analysis of the allowance for doubtful accounts for the three-month period ending December 31, 2020.

Three months ended December 31, 2020	Retail	Office	Industrial	Total
Opening allowance balance – October 1, 2020	$5,567	$1,220	$—	**$6,787**
Bad debt expense charged to income statement	4,493	236	21	**4,750**
Failed tenant writeoffs and abatements granted	(2,591)	(121)	(6)	**(2,718)**
Closing allowance balance – December 31, 2020	**$7,469**	**$1,335**	**$15**	**$8,819**

Property operating expenses for the three months ended December 31, 2020, decreased 8.0% to $15.9 million from $17.3 million for the same period in 2019. This decrease is primarily due to lower operating and repair and maintenance expenses in 2020 due to less traffic in the retail and office assets.

The following is an analysis of revenue and bad debt expense for the three months and year ended December 31, 2020:

Three months ended December 31, 2020	Retail	Office	Industrial	Total
Revenue from real estate properties	$38,323	$28,212	$960	**$67,495**
Bad debt expense	4,493	236	21	**4,750**
% of revenue from real estate properties	**12%**	**1%**	**2%**	**7%**

Net operating income for the three months ended December 31, 2020, declined $5.5 million as compared to 2019. This decline was due to bad debt expense recorded for the year in addition to the decline in income for Penn West Plaza.

Interest expense for the three months ended December 31, 2020, decreased 4.8% to $13.7 million from $14.4 million for the same period in 2019 due primarily to the low interest rate environment and the impact on rates paid on the Trust's lines of credit.

Fair value losses for the three months ended December 31, 2020, were $85.8 million, versus fair value losses of $28.6 million for the three months ended December 31, 2019. The following fair value adjustments by segment have been recorded during the quarter:

For the three months ended December 31,	2020	2019
Retail – enclosed regional centres	**($52,508)**	($19,468)
Retail – community strip centres	**(3,722)**	(3,265)
Office	**(30,949)**	(8,159)
Industrial	**1,375**	2,252
	($85,804)	($28,640)

The Trust's net loss and comprehensive loss for the three months ended December 31, 2020, was $67.9 million versus net income of $3.6 million for the three months ended December 31, 2019. The decrease of $64.3 million is largely the result of fair value changes.

The Trust's basic FFO for the three months ended December 31, 2020, was $19.4 million ($0.31 per unit) versus $24.1 million ($0.40 per unit) for the same three months ended December 31, 2019. This represents a decrease of $4.7 million ($0.09 per unit).

The Trust has the following occupancy statistics for the quarter:

	December 31, 2020	September 30, 2020	% Change
OCCUPANCY			
Retail	**94.6%**	94.0%	0.6%
Office	**88.7%**	89.9%	(1.3%)
Industrial	**93.3%**	94.2%	(1.0%)
	92.1%	92.3%	(0.2%)

COMPARATIVE NET OPERATING INCOME BY ASSET TYPE

	Three Months Ended December 31,		
	2020	2019	%
Enclosed regional centres	**$11,671**	$15,529	(24.8%)
Community strip centres	**6,058**	5,861	3.4%
Subtotal – retail	**17,729**	21,390	(17.1%)
Single-/dual-tenant buildings	**11,811**	13,380	(11.7%)
Multi-tenant buildings	**3,244**	3,510	(7.6%)
Subtotal – office	**15,055**	16,890	(10.9%)
Industrial	**469**	477	(1.7%)
Net operating income	**$33,253**	$38,757	(14.2%)

NET OPERATING INCOME – SAME ASSETS

For the three months ended December 31,	2020	2019	Variance	%
Enclosed regional centres	**$14,469**	$14,863	($394)	(2.7%)
Community strip centres	**6,071**	5,489	582	10.6%
Single-/dual-tenant buildings	**13,400**	13,351	49	0.4%
Multi-tenant buildings	**3,144**	3,641	(497)	(13.7%)
Industrial properties	**500**	504	(4)	(0.8%)
Net operating income – same assets before bad debt expense	**37,584**	37,848	(264)	(0.7%)
Bad debt expense related to COVID-19	**(4,535)**	—	(4,535)	N/A
Net operating income – same assets after bad debt expense	**33,049**	37,848	(4,799)	(12.7%)
Area under development	**278**	362	(84)	(23.2%)
Real estate properties held for development/held for sale/sold	**630**	473	157	33.2%
Lease cancellation fees	**791**	(10)	801	(8,010.0%)
Stepped rents	**245**	269	(24)	(8.9%)
Other (primarily Obsidian amendment)	**(1,740)**	(185)	(1,555)	N/A
Net operating income per the statement of income	**$33,253**	$38,757	($5,504)	(14.2%)

PART IV

REAL ESTATE OVERVIEW

The carrying value of the Trust's real estate properties decreased to $2.5 billion at December 31, 2020 (December 31, 2019 – $2.9 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	Est. GLA New	Est. GLA Under Development	Est. GLA Total	Est. Project Cost	Spend to Date	Completion Date	Comments
RETAIL								
Pine Centre Mall	Enclosed regional centres	—	38,850	38,850	$15,000	$—	Q3 2022	Anchor tenant remerchandising of former Lowe's space
Pine Centre Mall	Enclosed regional centres	—	27,400	27,400	5,981	2,995	Q1 2022	Anchor tenant remerchandising of former Sears space
The Centre	Enclosed regional centres	—	—	—	19,500	19,041	Q1 2021	Full-scale mall renovation
St. Laurent Centre	Enclosed regional centres	—	76,000	76,000	TBD	—	TBD	Anchor tenant remerchandising of portion of former Sears space
Cambridge Centre	Enclosed regional centres	—	69,000	69,000	TBD	—	TBD	Anchor tenant remerchandising of former Sears space
Development projects		**—**	**211,250**	**211,250**	**$40,481**	**$22,036**		

On July 31, 2019, the Trust announced the kickoff of a significant redevelopment project that will modernize the interior of Pine Centre Mall in Prince George, British Columbia and will refit the former Sears space to welcome new retailers and service providers. The Trust is investing approximately $17.0 million in the renovation project for the shopping centre, which also includes a new mall entrance. The main tenants taking over this space so far are Winners/Homesense (which anchors the development), Orange Theory Fitness, and BC Cannabis. Tenant fixturing was completed during the second quarter, resulting in all tenants opening during that time frame. A total of $10.0 million has been transferred to income producing properties from properties under development, representing the portion that has been completed and is in operation for the above three tenants.

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 2020 & 2019

		GLA								
	Portfolio	New	Re-developed	Total	Adjust-ment [1]	Income Producing	Completion Date	Total Project Cost	Occupancy % [2]	Comments
RETAIL										
Pine Centre Mall	Enclosed regional centres	7,000	—	7,000	(200)	6,800	Q1 2019	$3,494	100.0%	Construction of new freestanding pad space
Parkland Mall	Enclosed regional centres	—	56,500	56,500	(15,900)	40,600	Q1 2019	9,031	75.3%	Anchor tenant remerchandising of former Safeway space
The Centre	Enclosed regional centres	29,500	—	29,500	—	29,500	Q4 2019	9,997	100.0%	Construction of new freestanding pad space for Cineplex Odeon
Pine Centre Mall	Enclosed regional centres	—	84,750	84,750	(36,000)	48,750	Q2 2020	10,045	100.0%	Anchor tenant remerchandising of former Sears space
		36,500	**141,250**	**177,750**	**(52,100)**	**125,650**		**$32,567**		

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.

For the year ended December 31, 2020, the projects completed since January 1, 2019, contributed $1.5 million in NOI (incrementally $0.9 million over 2019).

PART V

LIQUIDITY AND CAPITAL RESOURCES

DEBT AND LEVERAGE METRICS

For the year ended December 31,	2020	2019	%
Interest coverage ratio [1]	**2.24**	2.62	(14.5%)
Debt service coverage ratio [1]	**1.32**	1.62	(18.5%)
Debt to assets ratio [2]	**53.0 %**	45.8 %	15.7%
Weighted average rates on mortgages	**3.8 %**	4.1 %	(7.3%)
Average term to maturity on mortgages (years)	**3.7**	3.7	—%
Distributions as a percentage of adjusted funds from operations – basic	**77.1 %**	88.1 %	(12.5%)
Unencumbered assets to unsecured debt	**166.8 %**	151.2 %	10.3%
Unencumbered assets	**$321,880**	$313,750	2.6%
Unsecured debt	**$193,000**	$207,500	(7.0%)
Line of credit availability	**$133,264**	$46,075	189.2%

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 year ended December 31,	2020	2019	%
Net operating income	**$127,975**	$154,242	(17.0%)
General and administrative expenses	**(3,596)**	(4,283)	(16.0%)
Other income	**—**	45	(100.0%)
Net operating income adjusted for items noted above (A)	**124,379**	150,004	(17.1%)
Interest expense	**57,332**	58,994	(2.8%)
Less amortization of deferred financing costs – mortgages	**(656)**	(658)	(0.3%)
Less amortization of deferred financing costs – convertible debentures	**(1,053)**	(995)	5.8%
Interest expense net of deferred financing costs (B)	**$55,623**	$57,341	(3.0%)
Interest coverage ratio (A)/(B)	**2.24**	2.62	(14.5%)
Principal instalment repayments	**$38,420**	$35,267	8.9%
Interest expense net of deferred financing costs	**55,623**	57,341	(3.0%)
Debt service (C)	**$94,043**	$92,608	1.5%
Debt service coverage ratio (A)/(C)	**1.32**	1.62	(18.5%)

1. Calculated on a proportionate share basis.

DEBT TO ASSETS RATIO

For the year ended December 31,	2020	2019	%
Total assets as per financial statements	**$2,557,733**	$2,937,341	(12.9%)
Plus accumulated amortization of furniture, fixtures and equipment	**1,256**	1,256	—%
Plus accumulated amortization of right of use asset	**165**	83	98.8%
Gross book value of total assets (A)	**2,559,154**	2,938,680	(12.9%)
Mortgages payable	**1,122,720**	1,068,348	5.1%
Convertible debentures	**172,805**	170,753	1.2%
Lease liabilities	**10,993**	11,116	(1.1%)
Bank indebtedness	**29,417**	65,158	(54.9%)
Morguard loan payable	**18,000**	32,500	(44.6%)
Total net debt (B)	**1,353,935**	1,347,875	0.4%
Debt to assets ratio (B)/(A)	**53.0%**	45.8%	15.7%

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:

For the year ended December 31,	2020	2019	%
Cash provided by operating activities	**$46,919**	$89,358	(47.5%)
Cash used in financing activities	**(19,039)**	(57,808)	(67.1%)
Cash used in investing activities	**(25,016)**	(36,419)	(31.3%)
Net change in cash	**2,864**	(4,869)	(158.8%)
Cash, beginning of period	**5,783**	10,652	(45.7%)
Cash, end of period	**$8,647**	$5,783	49.5%

Cash provided by operating activities for the year ended December 31, 2020, decreased 47.5% to $46.9 million in 2020 from $89.4 million in 2019 mainly due to changes in working capital as a result of rent arrears from the COVID-19 pandemic.

Cash used in financing activities decreased to $19.0 million in 2020 from $57.8 million in 2019 mainly due to changes in borrowing on bank lines and Morguard loan payable resulting from the working capital change.

Cash used in investing activities decreased to $25.0 million in 2020 from $36.4 million in 2019 due to increased proceeds from the sale of real estate properties in 2019.

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 60% 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 December 31,	2020	%	2019	%
Conventional secured mortgages payable	**$1,125,337**	**82.9 %**	$1,070,838	79.2 %
Unsecured convertible debentures	**173,932**	**12.8 %**	172,933	12.8 %
Secured floating rate bank financing	**29,417**	**2.2 %**	65,158	4.8 %
Lease liabilities	**10,993**	**0.8 %**	11,116	0.8 %
Unsecured floating rate loan payable	**18,000**	**1.3 %**	32,500	2.4 %
Gross debt	**1,357,679**	**100.0 %**	1,352,545	100.0 %
Less deferred financing costs:				
Mortgages	**(2,617)**		(2,490)	
Convertible debentures	**(1,127)**		(2,180)	
Net debt	**$1,353,935**		$1,347,875	

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 10-year time 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 (48.5%), insurance companies (32.0%) and pension funds (19.5%) to reduce its exposure to any one lending group.

The following tables outline the debt payments as at December 31, 2020, 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	$169,373	$35,800	$205,173	$175,000	$29,417	$18,000	$131	$427,721
2022	171,560	32,431	203,991	—	—	—	142	204,133
2023	208,194	22,425	230,619	—	—	—	139	230,758
2024	172,224	14,224	186,448	—	—	—	58	186,506
2025	115,653	11,043	126,696	—	—	—	62	126,758
Thereafter	133,994	38,416	172,410	—	—	—	10,461	182,871
	$970,998	**$154,339**	**$1,125,337**	**$175,000**	**$29,417**	**$18,000**	**$10,993**	**$1,358,747**

INTEREST RATES

Year	Mortgages Payable	Debentures Payable	Bank Indebtedness	Revolving Loan	Lease Liabilities	Total Debt
2021	4.14 %	4.50 %	3.14 %	2.47 %	— %	4.19 %
2022	3.84 %	— %	— %	— %	— %	3.84 %
2023	3.74 %	— %	— %	— %	7.25 %	3.75 %
2024	4.08 %	— %	— %	— %	— %	4.08 %
2025	3.21 %	— %	— %	— %	— %	3.21 %
Thereafter	3.69 %	— %	— %	— %	6.22 %	3.81 %
	3.80 %	**4.50 %**	**3.14 %**	**2.47 %**	**6.24 %**	**3.89 %**

FAIR VALUE OF ENCUMBERED PROPERTIES RELATIVE TO MATURING DEBT

Year	Mortgage Maturity Payments	Scheduled Principal Repayments	Total	Fair Value of Encumbered Assets	Leverage
2021	$169,373	$3,191	$172,564	$443,200	38.9%
2022	171,560	14,902	186,462	240,600	77.5%
2023	208,194	19,502	227,696	352,350	64.6%
2024	172,224	24,359	196,583	343,590	57.2%
2025	115,653	22,102	137,755	311,425	44.2%
Thereafter	133,994	70,283	204,277	396,000	51.6%
	$970,998	**$154,339**	**$1,125,337**	**$2,087,165**	**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%.

2020 MORTGAGE MATURITIES

The following is a summary of the mortgages renewed in 2020:

Property	Prov.	Expiry Date	New Maturity Date	Expired Interest rate	New Interest rate	Expired Balance	New Balance	Up-financing
Q3 2020								
Heritage Towne Centre	AB	August 1, 2020	August 1, 2025	3.89%	3.25%	$15,864	$19,000	$3,136
Heritage Place	ON	September 1, 2020	October 1, 2025	4.27%	2.70%	18,372	23,500	5,128
77 Bloor Street West	ON	September 1, 2020	September 1, 2030	4.96%	3.05%	14,741	76,000	61,259
Petroleum Plaza	AB	September 1, 2020	March 1, 2021	3.86%	3.86%	24,526	24,526	—
Q4 2020								
Place Innovation	QC	October 9, 2020	November 1, 2024	5.48%	2.89%	32,737	40,000	7,263
Centre 810	AB	November 1, 2020	November 1, 2025	4.75%	3.25%	3,655	3,655	—
Aurora Centre	ON	December 1, 2020	December 23, 2025	4.07%	2.88%	28,439	43,500	15,061

2021 MORTGAGE MATURITIES

The following is a summary of the mortgages maturing in 2021:

Property	Prov.	Expiry Date	Expiring Interest Rate	Expiring Balance
Q2 2021				
Time Square	ON	May 1, 2021	3.69%	$15,848
Pine Centre Mall	BC	May 3, 2021	4.23%	65,098
Prairie Mall	AB	June 1, 2021	3.74%	24,254
Q3 2021				
Duncan Building	AB	August 1, 2021	4.85%	7,342
Petroleum Plaza	AB	September 1, 2021	3.86%	23,424
Q4 2021				
Shoppers Mall	MB	October 1, 2021	4.62%	29,107
Chancery Place	BC	December 1, 2021	3.84%	27,724

CREDIT FACILITIES

As at December 31, 2020, 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 December 31, 2020, the Trust was in compliance with all covenants and undertakings.

LIQUIDITY

As at December 31,	2020	2019
Availability of bank lines of credit	**$110,000**	$95,000
Availability of Morguard loan payable	**75,000**	50,000
Availability	**185,000**	145,000
Other deductions and adjustments	**(4,319)**	(1,267)
Bank indebtedness outstanding	**(29,417)**	(65,158)
Morguard loan payable outstanding	**(18,000)**	(32,500)
Subtotal	**133,264**	**46,075**
Cash	**8,647**	5,783
Liquidity	**$141,911**	**$51,858**

PART VI

RISKS, UNCERTAINTIES AND OTHER ITEMS

RISKS AND UNCERTAINTIES

An investment in securities of the Trust involves significant risks. Investors should consider carefully the risks described below, the other information described elsewhere in this MD&A (as updated by any subsequent interim MD&A) and those risks set out in the Trust's Annual Information Form ("AIF") for the year ended December 31, 2020, dated February 2021, before making a decision to buy securities of the Trust. If any of the following or other risks occur, the Trust's business, prospects, financial condition, financial performance and cash flows could be materially adversely affected. In that case, the trading price of securities of the Trust could decline, and investors could lose all or part of their investment in such securities. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.

The Trust is supported by contracted property management, leasing services, capital expenditure administration, information system services activities and risk management administration. 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 and other services are delivered through a management agreement with MIL. MIL also provides advisory and management services to institutional and other investors not related to Morguard or to the Trust.

The following are business risks the Trust expects to face in the normal course of its operations and management's strategy to reduce the potential impact.

COVID-19 and Other Pandemic or Epidemic Diseases

In response to the outbreak of COVID-19, governments worldwide have enacted emergency measures to contain the spread of the virus. The ongoing COVID-19 pandemic has led to prolonged voluntary and mandatory building closures, business closures, government restrictions on travel, movement and gatherings, quarantines, curfews, self-isolation and physical distancing. The impact of these measures has led to a general slowdown of economic activity and has disrupted workforce and business operations in North America and other parts of the world. Such occurrences could have a material adverse effect on the demand for real estate, the ability of tenants to pay rent and the debt and equity capital markets. The duration and impact of the ongoing COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. The pace of recovery following such occurrences cannot be accurately predicted, nor can the impact on the Trust's business and operations, real estate property valuations, securities, cash flows, results of operations and the Trust's ability to obtain additional financing or refinancing and ability to make distributions to unitholders.

Specifically, such enhanced risks associated with COVID-19 may include, but are not limited to:

a. the negative impact on Canadian and global debt and equity capital markets, including both pricing and availability;
b. the ability to access capital markets at a reasonable cost;
c. the trading price of the Trust's securities;
d. a material reduction in rental revenue and related collections due to associated financial hardship, unemployment and non-essential business orders governing the complete or partial closure of certain businesses;
e. a material increase in vacancy potentially caused by the resulting economic crisis, changes in consumer demand for businesses' products and services, changes in businesses' real estate requirements, restrictions on travel and the inability of businesses to operate in the normal course or at all;
f. uncertainty of real estate valuations resulting from the impact of potential decline in revenue and/or lack of market activity and demand;
g. uncertainty delivering services due to illness, Trust or government-imposed isolation programs, restrictions on the movement of personnel, closures and supply chain disruptions;
h. uncertainty associated with costs, delays and availability of resources required to complete major maintenance and expansion projects on time and budget, and lease-up space following completion of development projects;

i. a material reduction in revenue and related collections due to the impact that oil price challenges have on tenants that rely on this industry for their business success;
j. adverse impacts on the creditworthiness of tenants and other counterparties;
k. Increased risk of cyber attacks due to remote working environments and increased reliance on information technology infrastructure; and
l. the impact of additional legislation, regulation, fiscal and monetary policy responses and other government interventions.

The foregoing is not an exhaustive list of all risk factors.

Developments throughout the COVID-19 pandemic have resulted in a substantive shift in management's focus towards ensuring the continued health and safety of our employees and service partners, compliance with guidelines and requirements issued by various health authorities and government organizations, and continuity of other critical business operations. The Trust remains focused on delivering our key business operations.

Other outbreaks of pandemics and epidemics may have similar impacts on the Trust's business, operations, financial condition and ability to make distributions to unitholders.

Reporting Real Estate Property at Fair Value
The Trust holds real estate property to earn rental income or for capital appreciation or both. All real estate properties are measured using the fair value model under IFRS, whereby changes in fair value are recognized for each reporting period in the statements of (loss)/income and comprehensive (loss)/income. Management values each real estate property based on the most probable price that a property could be sold for in a competitive and open market as of the specified date under all conditions requisite to a fair sale, such as the buyer and seller each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Each real estate property has been valued on a highest-and-best-use basis.

There is a risk that general declines in real estate markets or sales of assets by the Trust under financial or other hardship, including as a result of changes in demand for real estate resulting from COVID-19 and related economic conditions, would have an impact on the fair values reported or on the cash flows associated with owning or disposing of such properties. Market assumptions applied for valuation purposes do not necessarily reflect the Trust's specific history or experience, and the conditions for realizing the fair values through a sale may change or may not be realized. Consequently, there is a risk that the actual fair values may differ, and the differences may be material. In addition, there is an inherent risk related to the reliance on and use of a single appraiser as this approach may not adequately capture the range of fair values that market participants would assign to the real estate properties. Certain ratios and covenants could be negatively affected by downturns in the real estate market and could have significant impact on the Trust's operating revenues and cash flows, as well as the fair values of the real estate properties.

Property Development, Redevelopment and Renovation Risks
The Trust engages in development and intensification activities with respect to certain properties. It is subject to certain risks, including: (a) the availability and pricing of financing on satisfactory terms or availability at all; (b) the availability and timely receipt of zoning, occupancy, land use and other regulatory and governmental approvals; (c) the ability to achieve an acceptable level of occupancy upon completion; (d) the potential that the Trust may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (e) the potential that the Trust may expend funds on and devote management time to projects which are not completed; (f) construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (g) the time required to complete the construction or redevelopment of a project or to lease-up the completed project may be greater than originally anticipated, thereby adversely affecting cash flows and liquidity; (h) the cost and timely completion of construction (including risks beyond the Trust's control, such as weather, labour conditions or material shortages); (i) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; and (j) occupancy rates and rents of a completed project may not be sufficient to make the project profitable.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of development activities or the completion of development activities once undertaken. In addition, development projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its accompanying risks) with contractors, subcontractors, suppliers, partners and others. Any failure by the Trust to effectively manage all development and intensification initiatives may negatively impact the reputation and financial performance of the Trust.

Shift of Retailers from Bricks and Mortar Stores

Shifting consumer preferences toward e-commerce may result in a decrease in the demand for physical space by retail tenants. The failure of the Trust to adapt to changes in the retail landscape, including finding new tenants to replace any lost income stream from existing tenants that reduce the amount of physical space they lease from the Trust could adversely affect the Trust's financial performance.

IT Systems Implementations and Data Management

The Trust and MIL depend on relevant and reliable information for decision-making and financial reporting. As the volume of data being generated and reported by the Trust increases and evolves, MIL will continue to undertake investments in IT systems to store, process and leverage such data.

The failure to successfully migrate to new IT systems, or disruptions which may arise as a result of the transition to new IT systems, could result in a lack of relevant and reliable information to enable management to effectively achieve its strategic plan or manage the operations of the Trust, which could negatively affect the reputation, operations and financial performance of the Trust.

In addition, any significant loss of data or failure to maintain reliable data could negatively affect the reputation, operations and financial performance of the Trust because management depends on relevant and reliable information for decision-making purposes.

Cybersecurity Risk

The efficient operation of the Trust's business is dependent on computer hardware and software systems operated primarily by MIL. Information systems are vulnerable to cybersecurity incidents. A cybersecurity incident is considered to be any material adverse event that threatens the confidentiality, integrity or availability of the Trust's information resources. A cybersecurity incident is an intentional attack or an unintentional event including, but not limited to, malicious software, attempts to gain unauthorized access to data or information systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. The Trust's primary risks that could directly result from the occurrence of a cyber incident include operational interruption, damage to its reputation, damage to its business relationships with users, the disclosure of confidential information including personally identifiable information, potential liability to third parties, loss of revenue, additional regulatory scrutiny and fines, as well as litigation and other costs and expenses. MIL takes data privacy and protection seriously and has implemented processes, procedures and controls to help mitigate these risks. Access to personal data is controlled through physical security and IT security mechanisms. Additionally, MIL monitors and assesses risks surrounding collection, usage, storage, protection and retention/destruction practices of personal data. These measures, as well at its increased awareness of a risk of a cyber incident, do not guarantee that the Trust's financial results will not be negatively impacted by such an incident.

Vendor Management, Partnerships and Third-Party Service Providers

The Trust currently relies on third-party vendors, developers, co-owners and strategic partners to provide the Trust with various services or to complete projects. The lack of an effective process for developing joint venture arrangements or for contract tendering, drafting, review, approval and monitoring may pose a risk for the Trust. The Trust may not be able to negotiate contract terms, service levels and rates that are optimal for the Trust. In addition, co-owners or joint venture partners may fail to fund their share of capital, may not comply with the terms of any governing agreements or may incur reputational damage which could negatively impact the Trust. Inefficient, ineffective or incomplete vendor management/partnership strategies, policies and procedures could impact the Trust's reputation, operations and/or financial performance.

Current Economic Environment
Concerns about the uncertainty over whether the economy will be adversely affected by inflation and the systemic impact of unemployment, volatile energy costs, geopolitical issues and the availability and cost of credit could contribute to increased market volatility and weakened business and consumer confidence. This difficult operating environment could adversely affect the Trust's ability to generate revenues, thereby reducing its operating income and earnings. It could also have a material adverse effect on the ability of the Trust's operators to maintain occupancy rates in the properties, which could harm the Trust's financial condition. If these economic conditions transpire, the Trust's tenants may be unable to meet their rental payments and other obligations owing to the Trust, which could have a material adverse effect on the Trust.

These conditions already exist in the Alberta office market (specifically Calgary), which has had vacancies in the range of 25%-35% in recent years. The Trust earns approximately one-half of its office net operating income from Alberta, including its largest tenant overall.

Climate Change
As an owner of real estate, the Trust is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the Trust could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the Trust's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the Trust. The Trust is not aware of any material non-compliance with environmental laws at any of its properties. The Trust is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any pending or threatened claims relating to environmental conditions at its properties.

The Trust will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, the Trust does not believe that costs relating to environmental matters will have a material adverse effect on the Trust's business, financial condition or results of operations. However, environmental laws and regulations may change and the Trust may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on the Trust's business, financial condition or results of operations. It is the Trust's operating policy to obtain a Phase I environmental assessment conducted by an independent and experienced environmental consultant prior to acquiring a property. Phase I environmental assessments have been performed in respect of all properties.

Natural disasters and severe weather such as floods, blizzards and rising temperatures may result in damage to the Trust's properties. The extent of the Trust's casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. The Trust is also exposed to risks associated with inclement winter weather, including increased need for maintenance and repair of its buildings. In addition, climate change, to the extent it causes changes in weather patterns, could have effects on the Trust's business by increasing the cost of property insurance, and/or energy at its properties. As a result, the consequences of natural disasters, severe weather and climate change could increase the Trust's costs and reduce its cash flows.

The Trust has approximately one-quarter of its properties in Alberta with a high degree of concentration in Calgary, which is linked to the oil and gas industry. Concerns about climate change have played a role in the downturn of this industry. Continued focus on climate change by lobby and political groups will have lasting impacts on this sector.

The Morguard group has a sustainability program which helps the group structure efforts and act on environmental, social and governance risks and opportunities that are most important to its stakeholders. These major areas of focus are:

- decreasing energy and water use; reducing waste and emissions;
- creating excellence in energy and environmental management that result in green building certifications;
- collecting consistent data that tracks and validates its performance towards its objectives;
- reporting transparency;
- engaging investors, employees and tenants to support its initiatives; and
- driving new sustainability ideas and policies that align with this focus area.

Interest Rate and Financing Risk

The Trust is exposed to financial risks that arise from its indebtedness, including fluctuations in interest rates. Interest rate risk is managed by financing debt at fixed rates with maturities scheduled over a number of years. At December 31, 2020, 96.5% of the Trust's debt was at fixed rates.

As outlined in "Part V – Liquidity and Capital Resources," the Trust has an ongoing requirement to access debt markets to refinance maturing debt as it comes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Trust or any terms at all.

The Declaration of Trust permits the Trust to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness the amount of all indebtedness of the Trust is not more than 60% of the gross book value of the Trust's total assets.

The following table provides the Trust's debt ratios compared to the borrowing limits established in the Declaration of Trust:

As at December 31,	Borrowing Limits	2020	2019
Fixed-rate debt to gross book value of total assets	N/A	**51.1 %**	42.5 %
Floating-rate debt to gross book value of total assets	15.0 %	**1.9 %**	3.3 %
Total indebtedness to gross book value of total assets	60.0 %	**53.0 %**	45.8 %

Credit Risk

The Trust's primary business is the ownership and operation of retail, office and industrial properties. The income stream generated by tenants paying rent can be affected by general and local economic conditions and by a change in the credit and financial stability of tenants. Examples of local conditions that could adversely affect income include oversupply of space or reduced demand for rental space, the attractiveness of the Trust's properties compared to other space, and fluctuation in real estate taxes, insurance and other operating costs. The Trust may be adversely affected if tenants become unable to meet their financial obligations under their leases, including as a result of the COVID-19 pandemic and related financial conditions that impact their creditworthiness.

Lease Rollover Risk

Lease rollover risk arises from the possibility that the Trust may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry. Management attempts to stagger the lease expiry profile so that the Trust is not faced with disproportionate amounts of space expiring in any one year. Management further mitigates this risk by maintaining a diversified portfolio mix by both asset type and province.

Volatile Market Price for the Trust's Securities

The market price for the Trust's securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Trust's control, including the following: (i) the actual or perceived impact of the COVID-19 pandemic and related financial conditions; (ii) actual or anticipated fluctuations in the Trust's financial performance and future prospects; (iii) recommendations by securities research analysts; (iv) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Trust; (v) an addition to or departure of the Trust's executive officers; (vi) sales or perceived sales of additional shares; (vii) significant acquisitions of business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Trust's or its competitors; (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Trust's industry or target markets; (ix) liquidity of the Trust's securities; (x) prevailing interest rates; (xi) the market price of other Trust securities; (xii) a decrease in the amount of distributions declared and paid by the Trust; and (xiii) general economic conditions.

Financial markets have, in recent years, experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such issuers. Accordingly, the market price of the Trust's securities may decline even if the Trust's financial performance, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in losses. As well, certain institutional investors may base their investment decisions on consideration of the Trust's environmental, governance and social practices and performance according to such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited investment or no investment in the Trust's securities by those institutions. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil exist for a protracted period of time, the Trust's operations could be adversely affected and the trading price of its securities may be adversely affected.

Environmental Risk

The Trust is subject to various federal, provincial and municipal laws relating to the environment. The Trust's ongoing environmental management program includes regular review of tenant business uses and inspections of properties to ensure compliance, as well as appropriate testing by qualified environmental consultants when required. A Phase I environmental site assessment is performed on properties considered for acquisition. The Trust mitigates the cost of remediation by carrying environmental insurance where available.

Unitholder Liability

The Declaration of Trust provides that no unitholder or annuitant under a plan of which a unitholder acts as trustee or carrier will be held to have any personal liability as such, and that no recourse may be had to the private property of any unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Trust. Only assets of the Trust are intended to be liable and subject to levy or execution.

The following provinces have legislation relating to unitholder liability protection: British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. Certain of these statutes have not yet been judicially considered, and it is possible that reliance on such statutes by a unitholder could be successfully challenged on jurisdictional or other grounds. The Trustees will cause the operations of the Trust to be conducted, with the advice of counsel, in a manner and in such jurisdictions so as to avoid, as far as practicable, any material risk of liability to the unitholders for claims against the Trust. The Trustees will also cause the Trust to carry insurance, to the extent to which they determine to be possible and reasonable, for the benefit of unitholders and annuitants in such amounts as they consider adequate to cover non-contractual or non-excluded liability.

General Uninsured Losses

The Trust has in place blanket comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars or environmental contamination) that are either uninsurable or not insurable on an economically viable basis. The Trust also carries insurance for earthquake risks, where appropriate, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an insured or underinsured loss occur, the Trust could lose its investment in, and anticipated profits and cash flows from, one or more of its properties.

Liquidity and Capital Availability Risk

Liquidity risk is the risk that the Trust cannot meet a demand for cash or fund its obligations as they come due. Although a portion of the cash flows generated by the properties is devoted to servicing such outstanding debt, there can be no assurance that the Trust will continue to generate sufficient cash flows from operations to meet interest payments and principal repayment obligations upon an applicable maturity date. If the Trust is unable to meet interest payments and principal repayment obligations, it could be required to renegotiate such payments or issue additional equity or debt or obtain other financing. The failure of the Trust to make or renegotiate interest or principal payments or issue additional equity or debt or obtain other financing could materially adversely affect the Trust's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to unitholders.

The real estate industry is highly capital intensive. The Trust requires access to capital to fund operating expenses, to maintain its properties, to fund its growth strategy and certain other capital expenditures from time to time, and to refinance indebtedness. Although the Trust expects to have access to the existing revolving credit facilities, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms. Further, in certain circumstances, the Trust may not be able to borrow funds due to limitations set forth in the Declaration of Trust. Failure by the Trust to access required capital could have a material adverse effect on its financial condition or results of operations and its ability to make distributions to unitholders.

Liquidity and capital availability risks are mitigated by maintaining appropriate levels of liquidity, by diversifying the Trust's sources of funding, by maintaining a well-diversified debt maturity profile and by actively monitoring market conditions.

Unitholder Taxation

The Trust is taxed as a "mutual fund trust" for income tax purposes. Pursuant to the Act, a Trust is not subject to income taxes to the extent that the income for tax purposes in a given year does not exceed the amount distributed to unitholders and deducted by the Trust for tax purposes. The Trustees intend to distribute or designate all taxable income directly earned by the Trust to unitholders of the Trust and to deduct such distributions and designations for income tax purposes.

There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") respecting mutual fund trusts will not be changed in a manner that adversely affects unitholders.

The Act may impose additional withholding or other taxes on distributions made by the Trust to unitholders who are non-residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. Unitholders who are non-residents should consult their own tax advisers.

The Act contains rules (the "SIFT Rules") that apply to a "specified investment flow-through" ("SIFT") trust or partnership. Under the SIFT rules, certain distributions will not be deductible in computing the SIFT trust's taxable income, and the SIFT trust will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. Distributions paid by a SIFT trust as returns of capital will not be subject to the tax.

The SIFT tax does not apply to a trust that satisfies certain conditions relating to the nature of its income and investments ("the REIT exception"). Although, as of the date hereof, management believes that the Trust will be able to meet the requirements of the REIT exception throughout 2021 and beyond, there can be no assurance that the Trust will be able to qualify for the REIT exception such that the Trust and the unitholders will not be subject to the SIFT Rules in 2021 or future years. If the SIFT Rules apply to the Trust, they may adversely affect the marketability of the units, the amount of cash available for distributions and the after-tax return to investors. The Trust has reviewed its status under the legislation and has determined that it is not subject to this tax as it met the REIT exception at December 31, 2020, and 2019, and throughout the years. Accordingly, no net additional current income tax expense or future income tax assets or liabilities have been recorded in the December 31, 2020, and 2019, consolidated financial statements.

RELATED PARTY TRANSACTIONS

Related party transactions are summarized as follows:

(a) Agreement with Morguard Investments Limited

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

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

For the year ended December 31,	2020	2019
Property management fees [1]	**$8,103**	$9,157
Appraisal/valuation fees	**351**	357
Information services	**220**	220
Leasing fees	**2,142**	2,947
Project administration fees	**414**	816
Project management fees	**327**	434
Risk management fees	**374**	360
Internal audit fees	**123**	140
Off-site administrative charges	**1,736**	1,781
Rental revenue	**(197)**	(200)
	$13,593	$16,012

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

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

As at December 31,	2020	2019
Amounts (receivable from)/payable to MIL, net	**($1,294)**	$1,527

(b) Revolving Loan with Morguard

The Trust has a revolving loan agreement with Morguard that provides for borrowings or advances of up to $75,000. 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 year ended December 31, 2020, a gross amount of $75,500 was advanced from Morguard, and a gross amount of $90,000 was repaid to Morguard. As at December 31, 2020, $18,000 remains payable to Morguard (2019 – $32,500). For the year ended December 31, 2020, the Trust incurred interest expense in the amount of $1,258 (2019 – $1,277) at an average interest rate of 3.34% (2019 – 4.68%).

Morguard Loan Receivable

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

(c) Sublease with Morguard (Excluding MIL)

The Trust subleases office space from Morguard. For the year ended December 31, 2020, the Trust incurred rent expense in the amount of $219 (2019 – $215).

(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 December 31,	2020	2019
Amounts receivable	**$68**	$63
Accounts payable and accrued liabilities	**$38**	$124

(e) Rental Revenue from Morguard (Excluding MIL)

Morguard is a tenant in one of the Trust's properties. For the year ended December 31, 2020, the Trust earned rental revenue in the amount of $113 (2019 – $110).

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 December 31, 2020.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using December 31, 2020, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at December 31, 2020, of the mortgages payable has been estimated at $1,177,633 (2019 – $1,093,438) compared with the carrying value before deferred financing costs of $1,125,337 (2019 – $1,070,838). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(b) Convertible Debentures

The fair value of the Convertible Debentures is based on their market trading price (TSX: MRT.DB) (Level 1). The fair value as at December 31, 2020, of the Convertible Debentures has been estimated at $171,500 (2019 – $177,188) compared with the carrying value before deferred financing costs of $173,932 (2019 – $172,933).

PART VII

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Trust's critical accounting policies are those that management believes are the most important in portraying the Trust's financial condition and results and that require the most subjective judgment and estimates on the part of management.

REAL ESTATE PROPERTIES

Real estate properties include retail, office and industrial properties held to earn rental income (income producing properties) and properties or land that are being constructed or developed for future use as income producing properties. Real estate properties are recorded at fair value, determined based on available market evidence, at the balance sheet date. The Trust determined the fair value of each real estate property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable balance sheet date, less future cash outflow pertaining to the respective leases. The real estate properties are appraised using a number of approaches that typically include a discounted cash flow analysis, direct capitalization method and direct comparison approach. The discounted cash flow analysis is primarily based on 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 cash flows.

In applying the accounting policies to the real estate properties, judgment is required in determining whether certain costs are additions to the carrying amount of the property, in distinguishing between tenant incentives and tenant improvements, and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property. Judgment is also applied in determining the extent and frequency of independent appraisals.

REVENUE RECOGNITION

The computation of cost reimbursements from tenants for realty taxes, insurance and common area maintenance charges is complex and involves a number of judgments, including the interpretation of terms and other tenant lease provisions. Tenant leases are not consistent in dealing with such cost reimbursements, and variations in computations can exist. Adjustments are made throughout the year to these cost recovery revenues based upon the Trust's best estimate of the final amounts to be billed and collected.

The Trust applies judgment about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The Trust recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Management reports on a quarterly basis the fair value of financial instruments. The fair value of financial instruments approximates amounts at which these instruments could be exchanged between knowledgeable and willing parties. The estimated fair value may differ in amount from that which could be realized on an immediate settlement of the instruments. Management estimates the fair value of mortgages payable by discounting the cash flows of these financial obligations using market rates as at December 31, 2020, for debts of similar terms. The fair value of the convertible debentures is based on their market trading price (TSX: MRT.DB).

PART VIII

CONTROLS AND PROCEDURES CONCERNING FINANCIAL INFORMATION

The financial certification process project team has documented and assessed the design and effectiveness 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 and effectiveness 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 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 and operation are adequate and effective for the year ended December 31, 2020. The Trust's management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that the design and operation are effective for the year ended December 31, 2020.

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 IX

OUTLOOK

The unfolding of a global health crisis and subsequent economic fallout had a significant impact on Canada's commercial real estate sector performance patterns in 2020. The onset of the COVID-19 pandemic in March 2020 forced the closure of non-essential businesses and placed restrictions on social interaction to combat the spread of the virus. As a result, the national economy contracted by more than 35.0% on annualized basis and a record number of job losses were tallied in the late spring and early summer. Through the summer and fall non-essential businesses reopened, as economic output rebounded to within 5.0% of the pre-pandemic level. Coincidentally, more than three-quarters of the jobs lost in the spring had been recouped. By the late fall, infection rates increased substantially across the country, resulting in additional lockdowns and a slower economic growth trend. The economic fallout resulting from the pandemic lockdown had various impacts on commercial real estate leasing market performance during 2020.

Commercial real estate leasing market performance varied significantly during 2020, due in large part to the effects of the COVID-19 pandemic. Industrial leasing market conditions remained healthy throughout 2020, driven in large part by strong demand for warehouse, last-mile delivery and logistics space across much of the country. Consumers shopped online for essential and non-essential goods, with the unfolding of the pandemic. Non-essential store closures supported a surge in online purchasing and increased demand for industrial space. As a result, availability continued to range at or near all time low levels and rents reached new benchmark highs in several markets. Office sector vacancy levels steadily increased in 2020, as some tenants looked to reduce expenses during a period of heightened uncertainty by placing excess space on the sublease market. At the same time, leasing activity slowed sharply. In some cases, employees were forced to work from home with the closure of non-essential businesses. As 2020 ended, a significant number of companies continued to operate remotely, as many organizations chose to delay decisions related to leasing office space. Retail leasing activity ground to a halt with the closure of non-essential stores across much of the country to combat the spread of the COVID-19 virus. Retailers were forced to rely on pick-up and delivery and online platforms to survive. While some were able to adapt by transitioning to online platforms, store closures increased substantially. As a result, vacancy levels reached new benchmark highs and downward pressure on market rents increased. Many tenants struggled to meet their rental obligations as revenues plunged. Investment market conditions also varied over the past year, against a backdrop of uneven leasing market conditions.

Variation was the main commercial real estate investment market theme of 2020. Investors targeted defensive acquisitions most frequently, given an uncertain economic outlook. The industrial and multi-residential rental asset classes were most popular with investors, given relatively stable outlooks and recent performance records. As a result, transaction volume for both asset classes remained close to the recent peak levels. Retail and office properties transacted far less frequently in 2020, given less certain sector outlooks and weaker near-term leasing performance. Investor preferences were also a function of recent investment performance patterns. Both the industrial and multi-suite residential rental sectors continued to register healthy returns for the year ending September 2020, as reported in the MSCI Index. Conversely, the retail sector posted a decidedly negative result over the same time-period while the office return was a modest 2.0%. The performance variability was in keeping with the broader commercial real estate sector theme of 2020.

Looking ahead to 2021, the Canadian commercial property sector is expected to begin to stabilize toward the end of the year. The forecast is predicated on the expeditious distribution of an effective COVID-19 vaccine to most Canadian residents. The economic recovery, in turn, will strengthen in support of rising employment levels and increased economic output. The recovery will continue to support strong leasing fundamentals in the industrial sector. The eventual reopening of Canada's borders will boost rental demand, which will support the stabilization and tightening of multi-suite residential rental fundamentals. Retail leasing market conditions will also begin to stabilize, although it may take several years for the sector to adapt to ongoing changes in the broader industry. The return of workers to the nation's office towers will increase capacity levels while companies assess their long-term needs. In the investment market, investors will eventually take on additional risk when looking for acquisitions as the global and national economic outlooks improve. Consequently, sales of riskier properties will steadily rise leading to increased value stabilization. Competition for core properties will remain intense, given the continued availability of low-cost debt and equity capital.

PART X

FINANCIAL STATEMENTS AT THE TRUST'S OWNERSHIP SHARE

Part X 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 December 31, 2020	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
ASSETS			
Non-current assets			
Real estate properties	**$2,499,955**	**$44,500**	**$2,544,455**
Right-of-use asset	**242**	**—**	**242**
Equity-accounted investment	**20,496**	**(20,496)**	**—**
	2,520,693	**24,004**	**2,544,697**
Current assets			
Amounts receivable	**27,756**	**121**	**27,877**
Prepaid expenses and other	**637**	**22**	**659**
Cash	**8,647**	**433**	**9,080**
	37,040	**576**	**37,616**
Total assets	**$2,557,733**	**$24,580**	**$2,582,313**
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	**$918,256**	**$24,253**	**$942,509**
Lease liabilities	**10,862**	**—**	**10,862**
Accounts payable and accrued liabilities	**5,230**	**—**	**5,230**
	934,348	**24,253**	**958,601**
Current liabilities			
Mortgages payable	**204,464**	**—**	**204,464**
Convertible debentures	**172,805**	**—**	**172,805**
Lease liabilities	**131**	**—**	**131**
Accounts payable and accrued liabilities	**40,910**	**327**	**41,237**
Morguard Loan payable	**18,000**	**—**	**18,000**
Bank indebtedness	**29,417**	**—**	**29,417**
	465,727	**327**	**466,054**
Total liabilities	**1,400,075**	**24,580**	**1,424,655**
Unitholders' equity	**1,157,658**	**—**	**1,157,658**
	$2,557,733	**$24,580**	**$2,582,313**

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

For the year ended December 31, 2020	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
Revenue from real estate properties	**$253,764**	**$6,290**	**$260,054**
Property operating costs			
Property operating expenses	**(74,171)**	**(1,299)**	**(75,470)**
Property taxes	**(47,822)**	**(611)**	**(48,433)**
Property management fees	**(7,993)**	**(183)**	**(8,176)**
	123,778	**4,197**	**127,975**
Interest expense	**(56,376)**	**(956)**	**(57,332)**
General and administrative	**(3,587)**	**(9)**	**(3,596)**
Amortization expense	**(82)**	**—**	**(82)**
Fair value losses on real estate properties	**(419,766)**	**(4,618)**	**(424,384)**
Net loss from equity-accounted investment	**(1,386)**	**1,386**	**—**
Net loss and comprehensive loss	**($357,419)**	**$—**	**($357,419)**

For the year ended December 31, 2019	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
Revenue from real estate properties	$273,074	$6,393	$279,467
Property operating costs			
Property operating expenses	(66,800)	(1,254)	(68,054)
Property taxes	(47,266)	(671)	(47,937)
Property management fees	(9,047)	(187)	(9,234)
	149,961	**4,281**	**154,242**
Interest expense	(58,006)	(988)	(58,994)
General and administrative	(4,271)	(12)	(4,283)
Amortization expense	(83)	—	(83)
Other income	45	—	45
Fair value losses on real estate properties	(73,850)	(2,237)	(76,087)
Net income from equity-accounted investment	1,044	(1,044)	—
Net income and comprehensive income	**$14,840**	**$—**	**$14,840**

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

For the year ended December 31, 2020	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
OPERATING ACTIVITIES			
Net loss	**($357,419)**	**$—**	**($357,419)**
Add items not affecting cash	**424,830**	**3,630**	**428,460**
Distributions from equity-accounted investment, net	**1,823**	**(1,823)**	**—**
Additions to tenant incentives and leasing commissions	**(3,490)**	**23**	**(3,467)**
Net change in non-cash operating assets and liabilities	**(18,825)**	**(764)**	**(19,589)**
Cash provided by operating activities	**46,919**	**1,066**	**47,985**
FINANCING ACTIVITIES			
Proceeds from new mortgages	**205,665**	**—**	**205,665**
Financing costs on new mortgages	**(783)**	**—**	**(783)**
Repayment of mortgages			
Repayments on maturity	**(113,818)**	**—**	**(113,818)**
Principal instalment repayments	**(37,348)**	**(1,072)**	**(38,420)**
Payment of lease liabilities, net	**(123)**	**—**	**(123)**
Repayment of bank indebtedness, net	**(35,741)**	**—**	**(35,741)**
Repayment of Morguard loan payable, net	**(14,500)**	**—**	**(14,500)**
Distributions to unitholders	**(21,438)**	**—**	**(21,438)**
Units repurchased for cancellation	**(953)**	**—**	**(953)**
Cash used in financing activities	**(19,039)**	**(1,072)**	**(20,111)**
INVESTING ACTIVITIES			
Capital expenditures on real estate properties	**(9,650)**	**(134)**	**(9,784)**
Expenditures on properties under development	**(22,166)**	**—**	**(22,166)**
Proceeds from sale of real estate properties, net	**6,800**	**—**	**6,800**
Cash used in investing activities	**(25,016)**	**(134)**	**(25,150)**
Net change in cash	**2,864**	**(140)**	**2,724**
Cash, beginning of period	**5,783**	**573**	**6,356**
Cash, end of period	**$8,647**	**$433**	**$9,080**

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

For the year ended December 31, 2019	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
OPERATING ACTIVITIES			
Net income	$14,840	$—	$14,840
Add items not affecting cash	76,324	3,701	80,025
Distributions from equity-accounted investment, net	2,085	(2,085)	—
Additions to tenant incentives and leasing commissions	(3,955)	(3)	(3,958)
Net change in non-cash operating assets and liabilities	64	(202)	(138)
Cash provided by operating activities	**89,358**	**1,411**	**90,769**
FINANCING ACTIVITIES			
Proceeds from new mortgages	140,892	—	140,892
Financing costs on new mortgages	(667)	—	(667)
Repayment of mortgages			
Repayments on maturity	(145,892)	—	(145,892)
Principal instalment repayments	(34,237)	(1,030)	(35,267)
Payment of lease liabilities, net	(116)	—	(116)
Repayment of bank indebtedness, net	(2,502)	—	(2,502)
Decrease in loan receivable	10,000	—	10,000
Proceeds from Morguard loan payable, net	32,500	—	32,500
Distributions to unitholders	(57,786)	—	(57,786)
Cash used in financing activities	**(57,808)**	**(1,030)**	**(58,838)**
INVESTING ACTIVITIES			
Capital expenditures on real estate properties	(18,515)	(509)	(19,024)
Expenditures on properties under development	(33,818)	—	(33,818)
Proceeds from sale of real estate properties, net	15,914	—	15,914
Cash used in investing activities	**(36,419)**	**(509)**	**(36,928)**
Net change in cash	**(4,869)**	**(128)**	**(4,997)**
Cash, beginning of period	10,652	701	11,353
Cash, end of period	**$5,783**	**$573**	**$6,356**

PART XI

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	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue from real estate properties	**$67,495**	$60,596	$59,300	$66,373	$69,249	$66,363	$67,008	$70,454
Net operating income	**33,253**	28,497	27,200	34,828	38,757	36,387	36,957	37,860
Fair value losses on real estate properties	**(85,804)**	(101,415)	(111,430)	(121,117)	(28,640)	(14,928)	(24,602)	(5,680)
Net (loss)/income	**(67,934)**	(88,116)	(98,814)	(102,555)	(3,628)	6,254	(4,701)	16,915
Funds from operations	**19,447**	14,367	13,152	19,958	24,088	21,721	21,999	23,086
Adjusted funds from operations [3]	**16,350**	11,451	10,032	13,731	17,570	15,796	15,838	16,859
Net (loss)/income – basic	**($1.07)**	($1.41)	($1.60)	($1.69)	($0.06)	$0.10	($0.08)	$0.28
Net (loss)/income – diluted	**($1.07)**	($1.41)	($1.60)	($1.69)	($0.06)	$0.10	($0.08)	$0.25
Funds from operations – basic	**$0.31**	$0.23	$0.21	$0.33	$0.40	$0.36	$0.36	$0.38
Funds from operations – diluted	**$0.30**	$0.23	$0.21	$0.32	$0.38	$0.34	$0.35	$0.36
Adjusted funds from operations – basic [3]	**$0.26**	$0.18	$0.16	$0.23	$0.29	$0.26	$0.26	$0.28
Adjusted funds from operations – diluted [3]	**$0.25**	$0.18	$0.16	$0.23	$0.28	$0.26	$0.26	$0.27
Cash distributions per unit	**$0.12**	$0.12	$0.16	$0.24	$0.24	$0.24	$0.24	$0.24
Payout ratio – Adjusted funds from operations	**46.2%**	66.7%	100.0%	104.3%	82.8%	92.3%	92.3%	85.7%
Weighted average number of units as at quarter-end (in thousands)								
Basic	**63,499**	62,606	61,567	60,738	60,727	60,715	60,705	60,696
Balance sheets								
Total assets	**$2,557,733**	$2,647,128	$2,750,019	$2,837,293	$2,937,341	$2,955,425	$2,983,511	$2,991,809
Total gross debt	**$1,357,679**	$1,362,838	$1,372,814	$1,355,008	$1,352,545	$1,347,772	$1,351,807	$1,344,542
Total equity	**$1,157,658**	$1,227,973	$1,319,042	$1,420,423	$1,537,468	$1,555,501	$1,563,684	$1,582,826
Gross leasable area as at quarter-end (in thousands of square feet) [1]								
Retail	**4,642**	4,642	4,652	4,716	4,778	4,752	4,749	4,761
Office	**3,240**	3,240	3,240	3,240	3,240	3,240	3,240	3,240
Industrial	**292**	292	292	292	292	292	534	534
Total	**8,174**	8,174	8,184	8,248	8,310	8,284	8,523	8,535
Occupancy as at quarter-end (%) [2]								
Retail	**94.6%**	94.0%	94.5%	94.2%	95.1%	94.6%	94.2%	94.0%
Office	**88.7%**	89.9%	90.6%	90.8%	91.6%	91.7%	91.7%	91.8%
Industrial	**93.3%**	94.2%	94.9%	96.5%	90.7%	90.3%	90.3%	88.5%
Total	**92.1%**	92.3%	92.9%	92.9%	93.5%	93.3%	93.0%	92.7%

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 XII

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
Airdrie RONA Centre	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	497,000	497,000
Shoppers Mall	Brandon	MB	100	361,000	361,000
Charleswood Centre	Winnipeg	MB	100	123,000	123,000
Southdale Centre	Winnipeg	MB	100	175,500	175,500
Aurora Centre	Aurora	ON	100	304,000	304,000
Cambridge Centre	Cambridge	ON	100	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	797,500	797,500
Woodbridge Square	Vaughan	ON	50	112,000	56,000
Total Retail (20)				**4,830,500**	**4,643,000**

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	565,000	113,000
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	378,000	189,000
Time Square	Ottawa	ON	100	111,000	111,000
200 Yorkland	Toronto	ON	100	150,500	150,500
77 Bloor Street West	Toronto	ON	50	396,000	198,000
Place Innovation	Saint-Laurent	QC	50	896,000	448,000
Total Office (23)				**5,025,000**	**3,393,500**

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	197,000	197,000
279 Yorkland	Toronto	ON	100	18,000	18,000
285 Yorkland	Toronto	ON	100	25,000	25,000
Total Industrial (4)				**292,000**	**292,000**

The following is an overview of the various non-essential business orders and restrictions imposed throughout the year for the Trust's retail assets:

Property	City	Province	Restriction
Burquitlam Plaza	Coquitlam	BC	March 18-May 19, 2020
Pine Centre Mall	Prince George	BC	March 18-May 19, 2020
Shelbourne Plaza	Victoria	BC	March 18-May 19, 2020
Airdrie Co-op Centre	Airdrie	AB	March 17-May 14, 2020 / Partial December 13, 2020-February 8, 2021
Airdrie RONA Centre	Airdrie	AB	March 17-May 14, 2020 / Partial December 13, 2020-February 8, 2021
Heritage Towne Centre	Calgary	AB	March 17-May 14, 2020 / Partial December 13, 2020-February 8, 2021
Prairie Mall	Grande Prairie	AB	March 17-May 14, 2020 / Partial December 13, 2020-February 8, 2021
Parkland Mall	Red Deer	AB	March 17-May 14, 2020 / Partial December 13, 2020-February 8, 2021
The Centre	Saskatoon	SK	Partial March 18-May 4, 2020 / December 25, 2020-February 19, 2021
Shoppers Mall	Brandon	MB	Partial March 20-May 4, 2020 / Full November 12, 2020-January 23, 2021
Charleswood Centre	Winnipeg	MB	Partial March 20-May 4, 2020 / Full November 12, 2020-January 23, 2021
Southdale Centre	Winnipeg	MB	Partial March 20-May 4, 2020 / Full November 12, 2020-January 23, 2021
Aurora Centre	Aurora	ON	March 17, 2020-June 11, 2020 / December 11, 2020-Unknown
Cambridge Centre	Cambridge	ON	March 17, 2020-June 11, 2020 / December 26, 2020-Unknown
Market Square	Kanata	ON	March 17, 2020-June 11, 2020 / December 26, 2020-Unknown
Wonderland Corners	London	ON	March 17, 2020-June 11, 2020 / December 26, 2020-Unknown
Kingsbury Centre	Mississauga	ON	March 17, 2020-June 24, 2020 / November 23, 2020-Unknown
Hampton Park Plaza	Ottawa	ON	March 17, 2020-June 11, 2020 / December 26, 2020-Unknown
St. Laurent	Ottawa	ON	March 17, 2020-June 11, 2020 / December 26, 2020-Unknown
Woodbridge Square	Vaughan	ON	March 17, 2020-June 11, 2020 / November 23, 2020-Unknown

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MANAGEMENT'S REPORT TO UNITHOLDERS

The consolidated financial statements of Morguard Real Estate Investment Trust (the "Trust") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management is responsible for the information in these consolidated financial statements and other sections of this annual report.

Management maintains a system of internal controls to provide reasonable assurance that the Trust's assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information. Where necessary, management uses its judgment to make estimates required to ensure fair and consistent presentation of this information. Management recognizes its responsibility for conducting the Trust's affairs in compliance with applicable laws and proper standards of conduct.

As at December 31, 2020, the Chief Executive Officer and Chief Financial Officer evaluated, or caused the evaluation of under their direct supervision, the disclosure controls and procedures and the internal controls over financial reporting (as defined in Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" and, based on that assessment, determined that the disclosure controls and procedures were designed and operating effectively and the internal controls over financial reporting were designed and operating effectively.

The Audit Committee of the Board of Trustees (the "Trustees") of the Trust, consisting solely of independent directors, has reviewed the consolidated financial statements, the report to unitholders of the external auditors, Ernst & Young LLP, and the management's discussion and analysis with management and recommended its approval to the Trustees. The Trustees have approved the consolidated financial statements.

Ernst & Young LLP, as independent auditors, have conducted the audits in accordance with Canadian generally accepted auditing standards and have had full access to the Audit Committee, with and without management being present.

(Signed) "K. Rai Sahi"

K. Rai Sahi,
Chief Executive Officer

(Signed) "Andrew Tamlin"

Andrew Tamlin,
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF MORGUARD REAL ESTATE INVESTMENT TRUST

OPINION

We have audited the consolidated financial statements of Morguard Real Estate Investment Trust (the "Trust") , which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of (loss)/income and comprehensive (loss)/income, consolidated statements of unitholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of real estate properties	
Morguard Real Estate Investment Trust's investment property portfolio comprises income-producing properties, properties under development and land held for development with a fair value of $2.5 billion, which represents 98% of total assets for the year ended December 31, 2020. Fair value of real estate properties is based on external and internal valuations, carried out by third party and certified staff appraisers respectively, using recognized valuation techniques. The valuation methodology for these investment properties is primarily based on an income approach, utilizing the direct capitalization method and the discounted cash flow method. Recent real estate transactions with characteristics and locations similar to the Trust's assets are also considered when developing the valuations. Note 2 of the consolidated financial statements describes the accounting policy for investment properties, including the valuation method and valuation inputs. Note 3 of the consolidated financial statements discloses the sensitivity of the fair value of investment properties to a change in capitalization rates. The valuation of the Trust's investment property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including discount rates, capitalization rates, terminal capitalization rates, and stabilized cash flows or stabilized net operating income, as applicable, which are based on vacancy and leasing assumptions. These assumptions are influenced by property-specific characteristics including location, type and quality of the properties and tenancy agreements.	With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others: • We assessed the competence and objectivity of management's valuation team, and any third-party appraisers engaged, by reviewing the qualifications and expertise of the individuals involved in the preparation and review of the valuations. • We selected a sample of properties where either the fair value change from prior year or significant assumptions fell outside our expectations, based on our understanding of the geographical real estate market for the specific asset type. For this sample of investment properties, we evaluated the significant assumptions, including discount rates, capitalization rates, terminal capitalization rates, and stabilized cash flows or stabilized net operating income, as applicable, which are based on vacancy and leasing assumptions, by comparison to the expected real estate market benchmark range for similar assets and tenancies, in similar locations. We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and that these were appropriately considered in the overall assessment of fair value. • We evaluated the Trust's critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRS.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Trust's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Stephanie Lamont.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 17, 2021

BALANCE SHEETS

In thousands of Canadian dollars

As at December 31,	Note	2020	2019
ASSETS			
Non-current assets			
Real estate properties	3	**$2,499,955**	$2,892,103
Right-of-use asset	4	**242**	324
Equity-accounted investment	5	**20,496**	23,705
		2,520,693	2,916,132
Current assets			
Amounts receivable	6	**27,756**	14,314
Prepaid expenses and other		**637**	1,112
Cash		**8,647**	5,783
		37,040	21,209
Total assets		**$2,557,733**	$2,937,341
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	8	**$918,256**	$902,708
Convertible debentures	9	**—**	170,753
Lease liabilities	10	**10,862**	10,993
Accounts payable and accrued liabilities		**5,230**	4,550
		934,348	1,089,004
Current liabilities			
Mortgages payable	8	**204,464**	165,640
Convertible debentures	9	**172,805**	—
Lease liabilities	10	**131**	123
Accounts payable and accrued liabilities		**40,910**	47,448
Morguard loan payable	15(b)	**18,000**	32,500
Bank indebtedness	11	**29,417**	65,158
		465,727	310,869
Total liabilities		**1,400,075**	1,399,873
Unitholders' equity		**1,157,658**	1,537,468
		$2,557,733	$2,937,341
Commitments and contingencies	19		

See accompanying notes to the consolidated financial statements.

On behalf of the Trustees:

(Signed) "K. Rai Sahi"

K. Rai Sahi,
Chairman of the Board of Trustees

(Signed) "Bart S. Munn"

Bart S. Munn,
Trustee

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

In thousands of Canadian dollars, except per unit amounts

For the year ended December 31,	Note	2020	2019
Revenue from real estate properties	12	**$253,764**	$273,074
Property operating costs			
Property operating expenses	13(a)	**(74,171)**	(66,800)
Property taxes		**(47,822)**	(47,266)
Property management fees		**(7,993)**	(9,047)
		123,778	149,961
Interest expense	14	**(56,376)**	(58,006)
General and administrative	13(b)	**(3,587)**	(4,271)
Amortization expense		**(82)**	(83)
Other income		**—**	45
Fair value losses on real estate properties	3	**(419,766)**	(73,850)
Net (loss)/income from equity-accounted investment	5	**(1,386)**	1,044
Net (loss)/income and comprehensive (loss)/income		**($357,419)**	$14,840
NET (LOSS)/INCOME PER UNIT	16(d)		
Basic		**($5.75)**	$0.24
Diluted		**($5.75)**	$0.24

See accompanying notes to the consolidated financial statements.

STATEMENTS OF UNITHOLDERS' EQUITY

In thousands of Canadian dollars, except number of units

	Number of Units	Issue of Units	Retained Earnings	Equity Component of Convertible Debentures	Contributed Surplus	Total Unitholders' Equity
Unitholders' equity, January 1, 2019	60,694,053	$612,183	$961,773	$4,594	$1,864	$1,580,414
Net income	—	—	14,840	—	—	14,840
Distributions to unitholders	—	—	(57,786)	—	—	(57,786)
Issue of units – DRIP [1]	41,486	497	(497)	—	—	—
Unitholders' equity, December 31, 2019	60,735,539	612,680	918,330	4,594	1,864	1,537,468
Repurchase of units	**(197,300)**	**(1,944)**	**991**	**—**	**—**	**(953)**
Net loss	**—**	**—**	**(357,419)**	**—**	**—**	**(357,419)**
Distributions to unitholders	**—**	**—**	**(21,438)**	**—**	**—**	**(21,438)**
Issue of units – DRIP [1]	**3,586,976**	**18,174**	**(18,174)**	**—**	**—**	**—**
Unitholders' equity, December 31, 2020	**64,125,215**	**$628,910**	**$522,290**	**$4,594**	**$1,864**	**$1,157,658**

1. Distribution Reinvestment Plan ("DRIP").

See accompanying notes to the consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the year ended December 31,	Note	2020	2019
OPERATING ACTIVITIES			
Net (loss)/income		**($357,419)**	$14,840
Add items not affecting cash	17(a)	**424,830**	76,324
Distributions from equity-accounted investment, net	5	**1,823**	2,085
Additions to tenant incentives and leasing commissions		**(3,490)**	(3,955)
Net change in non-cash operating assets and liabilities	17(b)	**(18,825)**	64
Cash provided by operating activities		**46,919**	89,358
FINANCING ACTIVITIES			
Proceeds from new mortgages		**205,665**	140,892
Financing costs on new mortgages		**(783)**	(667)
Repayment of mortgages			
Repayments on maturity		**(113,818)**	(145,892)
Principal instalment repayments		**(37,348)**	(34,237)
Payment of lease liabilities, net		**(123)**	(116)
Repayment of bank indebtedness, net	11	**(35,741)**	(2,502)
Decrease in Morguard loan receivable	15(b)	**—**	10,000
(Repayment of)/proceeds from Morguard loan payable, net	15(b)	**(14,500)**	32,500
Distributions to unitholders		**(21,438)**	(57,786)
Units repurchased for cancellation		**(953)**	—
Cash used in financing activities		**(19,039)**	(57,808)
INVESTING ACTIVITIES			
Capital expenditures on real estate properties		**(9,650)**	(18,515)
Expenditures on properties under development		**(22,166)**	(33,818)
Proceeds from sale of real estate properties, net	3	**6,800**	15,914
Cash used in investing activities		**(25,016)**	(36,419)
Net change in cash		**2,864**	(4,869)
Cash, beginning of period		**5,783**	10,652
Cash, end of period		**$8,647**	$5,783

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

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

NOTE 1

NATURE AND FORMATION OF THE TRUST

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

The Trust has a property management agreement with Morguard Investments Limited ("MIL"), a subsidiary of Morguard Corporation ("Morguard"). Morguard is the parent company of the Trust, owning 60.9% of the outstanding units as at December 31, 2020. Morguard is a real estate company that owns a diversified portfolio of multi-suite residential, retail, hotel, office and industrial properties. Morguard also provides advisory and management services to institutional and other investors.

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved and authorized for issue by the Trustees on February 17, 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)/income and related disclosures using available information as at December 31, 2020.

At this time, the duration and impact of the outbreak of COVID-19 is unknown, as is the effectiveness of the government and central bank interventions. 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 used 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, an 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.

Basis of Presentation

The Trust's consolidated financial statements are prepared on a going-concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated. The consolidated financial statements are prepared on a historical cost basis, except for real estate properties and certain financial instruments that are measured at fair value. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Trust, as well as the entities that are controlled by the Trust ("subsidiaries"). The Trust controls an entity when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of acquisition or the date on which the Trust obtains control and are deconsolidated from the date that control ceases. Intercompany transactions, balances, unrealized losses and unrealized gains on transactions between the Trust and its subsidiaries are eliminated.

Real Estate Properties

Income Producing Properties

Income producing properties include retail, office and industrial properties held to earn rental income and for capital appreciation.

Income producing properties, where not acquired in a business combination, are measured initially at cost including transaction costs. Transaction costs include transfer taxes and professional fees for legal and other services.

Subsequent to initial recognition, income producing properties are recorded at fair value, determined based on available market evidence, at the balance sheet date. The changes in fair value during each reporting period are recorded in the statements of (loss)/income and comprehensive (loss)/income. In order to avoid double counting, the carrying value of income producing properties includes straight-line rent receivable, tenant improvements, tenant incentives and direct leasing costs since these amounts are incorporated in the appraised values of real estate properties.

Tenant improvements include costs incurred to meet the Trust's lease obligations and are classified as either tenant improvements owned by the landlord or tenant incentives. When the obligation is determined to be an improvement that benefits the landlord and is owned by the landlord, the improvement is accounted for as a capital expenditure and included in the carrying amount of income producing properties on the balance sheets.

Tenant incentives are inducements given to prospective tenants to move into the Trust's properties or to existing tenants to extend the lease term. Tenant incentive receivables are included in the carrying value of real estate properties and are deducted from rental revenue on a straight-line basis over the term of the tenant's lease.

Properties Under Development

The cost of properties under development includes all expenditures incurred in connection with the acquisition, including all direct development costs, realty taxes and other costs of the building to prepare it for its productive use, the applicable portion of general and administrative expenses and borrowing costs directly attributable to the development. Borrowing costs associated with direct expenditures on properties under development or redevelopment are capitalized. Borrowing costs are also capitalized on the purchase cost of a site or property acquired specifically for redevelopment in the short term if the activities necessary to prepare the asset for development or redevelopment are in progress. The amount of borrowing costs capitalized is determined by reference to interest incurred on debt specific to the development project. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. The Trust considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this consideration occurs upon completion of construction and receipt of all necessary occupancy and other material permits. Where the Trust has pre-leased space as at, or prior to, the start of the development and the lease requires the Trust to construct tenant improvements that enhance the value of the property, practical completion is considered to occur on completion of such improvements.

Properties under development are measured at fair value, with changes in fair value being recognized in the statements of (loss)/income and comprehensive (loss)/income.

Assets Held for Sale

Real estate properties held for sale are assets that the Trust intends to sell rather than hold on a long-term basis and meet the criteria established in IFRS 5, "Non-Current Assets Held For Sale and Discontinued Operations", for separate classification. Non-current assets and groups of assets and liabilities that comprise disposal groups are categorized as assets held for sale where the asset or disposal group is available for immediate sale in its present condition and the sale is highly probable.

Interests in Joint Arrangements

The Trust reviews its interests in joint arrangements and accounts for those joint arrangements in which the Trust is entitled only to the net assets of the arrangement as joint ventures using the equity method of accounting, and for those joint arrangements in which the Trust is entitled to its share of the assets and liabilities as joint operations and recognizes its rights to and obligations of the assets, liabilities, revenue and expenses of the joint operation.

Lease Liabilities

At the commencement date of a lease, the Trust will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Certain right-of-use assets related to land leases meet the definition of investment property under IAS 40, Investment Property; therefore, the fair value model is applied to those assets. Interest expense on the lease liability and the amortization expense or fair value gain/(loss) on the right-of-use asset, depending on the balance sheet classification of the asset, is recognized separately.

Right-of-use assets not meeting the definition of an investment property are measured at cost less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liability recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Trust is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is amortized on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The Trust measures lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. In calculating the present value of lease payments, the Trust uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Trust applies the recognition exemptions for leases of low-value assets and short-term leases.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with remaining maturities at the time of acquisition of three months or less. There are no cash equivalents on hand as at December 31, 2020, or 2019. Bank borrowings are considered to be financing activities.

Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Trust has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are remeasured at each balance sheet date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

Revenue Recognition

Revenue from income producing properties includes rents from tenants under leases, percentage participation rents, property tax and operating cost recoveries, lease cancellation fees, leasing concessions, parking income and incidental income paid by the tenants under the terms of their existing leases.

Rental revenue, including percentage participation rents, lease cancellation fees and leasing concessions, and property tax and insurance recoveries, are considered lease components within the scope of IFRS 16, "Leases" ("IFRS 16"). Percentage participation rents are accrued based on sales estimates submitted by tenants if the tenant anticipates attaining the minimum sales level stipulated in the tenant lease. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Trust expects to be entitled in exchange for those goods or services. The Trust has not transferred substantially all of the risks and benefits of ownership of its income producing properties and therefore accounts for leases with its tenants as operating leases. Revenue is recognized as performance obligations are satisfied over the term of the lease.

Revenue from real estate properties recorded in the statements of (loss)/income and comprehensive (loss)/income during free rent periods represents future cash receipts and is reflected in the balance sheets in the carrying value of real estate properties and recognized in the statements of (loss)/income and comprehensive (loss)/income on a straight-line basis over the initial term of the lease. The Trust accounts for stepped rents on a straight-line basis, which are reflected in the balance sheets in the carrying value of real estate properties, and recognized in the statements of (loss)/income and comprehensive (loss)/income over the initial term of the lease.

Common area maintenance ("CAM") recoveries and other ancillary income are considered non-lease components and within the scope of IFRS 15, "Revenue from Contracts with Customers". The performance obligation for CAM recoveries and other ancillary services is satisfied over time. The Trust receives variable consideration for CAM recoveries to the extent costs have been incurred, and revenue is recognized on this basis, as this is the best estimate of amounts earned over the period these services are performed. Revenue is constrained by actual costs incurred and any restrictions in the lease contracts.

Comprehensive Income

Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income ("OCI") refers to items recognized in comprehensive income that are excluded from net income. Accordingly, the Trust prepares statements of (loss)/income and includes accumulated other comprehensive income as a component of the unitholders' equity within the balance sheets.

Per Unit Calculation

Basic net (loss)/income per unit is calculated by dividing net income by the weighted average number of units outstanding for the year. The dilutive effect of the convertible debentures is determined by considering both the holders' option to convert these debentures into units and the issuer's option to redeem these debentures by issuing units. The diluted net (loss)/income per unit calculation considers both of these options and discloses the more dilutive of the two options.

Reportable Operating Segments

Reportable operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Trust has determined that its chief operating decision-maker is the Chairman and Chief Executive Officer.

Financial Instruments

Recognition and Measurement of Financial Instruments

Financial assets must be classified and measured on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets subsequent to initial recognition are 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. Initially, all financial assets and financial liabilities are recorded in the consolidated balance sheets at fair value. After initial recognition, the effective interest related to financial assets and liabilities measured at amortized cost and the gain or loss arising from the change in the fair value of financial assets or liabilities classified as FVTPL are included in net income for the year in which they arise. At each consolidated balance sheet date, financial assets measured at amortized cost or at FVTOCI, except for investment in equity instruments, require an impairment analysis using the ECL model ("ECL model") to determine the ECL using judgment determined on a probability weighting basis.

Expected Credit Loss

The Trust utilizes the simplified approach to measure expected credit losses ("ECL") under IFRS 9, "Financial Instruments" ("IFRS 9"), which requires the Trust to recognize a lifetime expected credit loss allowance on all receivables at each reporting date.

Under the simplified approach, consideration is given to factors such as credit risk characteristics and the days past due as well as current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Trust has identified the COVID-19 pandemic and government's response actions to be relevant factors in these assessments. The Trust's ECL as of December 31, 2020, includes estimates of the uncertainty of the recoverability of tenant receivables, short-term rent deferrals, rent reductions provided to tenants related to past due rents, and all other receivable balances. Based on these assessments of the ECL at period end, changes are processed through bad debt expense in the statements of (loss)/income and comprehensive (loss)/income. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are reversed in the statements of (loss)/income and comprehensive (loss)/income.

The Trust accounts for rental abatements, in the form of rent forgiveness on rent receivables relating to tenants experiencing financial hardship as a result of COVID-19, under the derecognition rules of IFRS 9. Financial assets, such as trade receivables, are derecognized when all or a portion of outstanding amounts will be forgiven or abated and no further collection activities will be pursued. The forgiveness or abatement of the tenant receivable is processed against the allowance for doubtful accounts in the period that the Trust forgoes the contractual right to all or a portion of the outstanding receivable.

The Trust's assessment of ECL is inherently subjective due to the forward-looking nature of the assessments. As a result, this process is subject to a degree of uncertainty caused by COVID-19. Based on its review, the Trust recorded an ECL provision of $8,819 as at December 31, 2020 (Note 6).

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

	Classification and Measurement
FINANCIAL ASSETS	
Amounts receivable	Amortized cost
Loan receivable	Amortized cost
Cash	Amortized cost
FINANCIAL LIABILITIES	
Mortgages payable	Amortized cost
Convertible debentures (excluding equity component)	Amortized cost
Loan payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Bank indebtedness	Amortized cost

Derivatives and Embedded Derivatives
All derivative instruments, including embedded derivatives, are recorded in the balance sheets at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in OCI to the extent of hedge effectiveness. Financial guarantees are recorded at their inception date fair value and reversed as the Trust is relieved of its guarantee obligations.

Hedges
Derivative financial instruments are utilized to reduce interest rate risk on the Trust's debt. Interest rate swap agreements are used to manage the fixed and floating interest rate mix of the Trust's total debt portfolio and related overall cost of borrowing. Such instruments are designated, and are effective, as hedges of certain of the Trust's interest rate risk exposures. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based. The net receipt or payment of interest will be recorded as an adjustment to interest expense in each period.

Gains and losses on termination of interest rate swap agreements that were designated, and were effective, as hedges of certain interest rate risk exposures are included in accumulated other comprehensive income and are amortized in interest expense over the remaining term of the original contract life of the terminated swap agreement. Interest expense on the related debt obligation together with this amortization reflects the overall costs of such borrowing.

Transaction Costs
Direct and indirect financing costs that are attributable to the issue of financial liabilities are presented as a reduction from the carrying amount of the related debt and are amortized using the effective interest rate method over the terms of the related debt. These costs include interest, amortization of discounts or premiums relating to borrowings, fees and commissions paid to lenders, agents, brokers and advisers, and transfer taxes and duties that are incurred in connection with the arrangement of borrowings.

Fair Value
The fair value of a financial instrument is the consideration that could be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability; or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

Fair value measurements recognized in the balance sheets are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest-level input that is significant to the fair value measurement in its entirety.

Critical Judgments in Applying Accounting Policies

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

Real Estate Properties

The Trust's accounting policies relating to real estate properties are described above. In applying these policies, judgment has been applied in determining whether certain costs are additions to the carrying amount of the property, in distinguishing between tenant incentives and tenant improvements and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property. Judgment is also applied in determining the extent and frequency of independent appraisals. The key assumptions are further described in Note 3.

Leases

The Trust makes judgments in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the Trust is the lessee, are operating or finance leases. The Trust has determined that all of its tenant leases and long-term ground leases are operating leases.

Critical Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting periods.

In determining estimates of fair market value for its real estate assets, the assumptions underlying estimated values are limited by the availability of comparable data and the uncertainty of predictions concerning future events. Should the underlying assumptions change, actual results could differ from the estimated amounts.

NOTE 3
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at December 31,	2020	2019
Income producing properties	**$2,433,856**	$2,834,394
Properties under development	**29,299**	18,909
Held for development	**36,800**	38,800
	$2,499,955	$2,892,103

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

	Income Producing Properties	Properties Under Development	Held for Development	Total Real Estate Properties
Balance as at December 31, 2018	$2,858,255	$22,887	$34,450	$2,915,592
Adoption of IFRS 16	10,825	—	—	10,825
Additions:				
Capital expenditures/capitalized costs	12,928	33,818	—	46,746
Tenant improvements, tenant incentives and commissions	9,542	—	—	9,542
Transfers	37,796	(37,796)	—	—
Disposition	(15,914)	—	—	(15,914)
Fair value (losses)/gains	(78,200)	—	4,350	(73,850)
Other changes	(838)	—	—	(838)
Balance as at December 31, 2019	**2,834,394**	**18,909**	**38,800**	**2,892,103**
Additions:				
Capital expenditures/capitalized costs	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**

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.

The impact of COVID-19 on estimating fair values for the Trust's properties at December 31, 2020, required judgement based on evolving facts and available information, particularly for retail properties, which have experienced significantly lower collections and higher tenant failure rates. During the year ended December 31, 2020, the Trust recorded a fair value loss relating to its retail properties of $324,871, predominantly due to an increase in capitalization rates of 50 basis points at most of the Trust's enclosed mall properties as well as assumptions on the collectability of rental revenue.

Using the direct capitalization income approach to corroborate the discounted cash flow method, the properties were valued using capitalization rates in the range of 4.3% to 8.5% applied to a stabilized net operating income (2019 – 4.3% to 8.5%), resulting in an overall weighted average capitalization rate of 6.60% (2019 – 6.38%).

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

	December 31, 2020					December 31, 2019				
	Stabilized Occupancy		**Capitalization Rates**			Stabilized Occupancy		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Retail	**97.0%**	**90.0%**	**7.3%**	**5.3%**	**6.8%**	100.0%	90.0%	7.3%	5.3%	6.5%
Office	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.5%**	100.0%	90.0%	8.5%	4.3%	6.3%
Industrial	**100.0%**	**95.0%**	**5.5%**	**5.3%**	**5.5%**	100.0%	95.0%	5.5%	5.3%	5.4%

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

	December 31, 2020			December 31, 2019		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
RETAIL						
Discount rate	**8.3 %**	**6.0 %**	**7.3 %**	7.8 %	6.0 %	6.9 %
Terminal cap rate	**7.3 %**	**5.3 %**	**6.4 %**	7.0 %	5.3 %	6.0 %
OFFICE						
Discount rate	**8.0 %**	**5.3 %**	**6.4 %**	7.8 %	5.3 %	6.3 %
Terminal cap rate	**7.5 %**	**4.3 %**	**5.5 %**	7.3 %	4.3 %	5.5 %
INDUSTRIAL						
Discount rate	**6.5 %**	**6.0 %**	**6.2 %**	6.5 %	6.0 %	6.2 %
Terminal cap rate	**5.8 %**	**5.5 %**	**5.5 %**	5.8 %	5.5 %	5.5 %

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

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in net operating income, with a lower capitalization rate resulting in a greater impact to the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rate were to increase or decrease by 25 basis points, the value of the income producing properties as at December 31, 2020, would decrease by $82,451 or increase by $88,917, respectively.

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

For the year ended	December 31, 2020	
Change in capitalization rate	**0.25%**	**(0.25%)**
Retail	**($42,401)**	**$45,638**
Office	**(38,373)**	**41,440**
Industrial	**(1,677)**	**1,839**
	($82,451)	**$88,917**

Dispositions
On August 18, 2020, the Trust sold a vacant single-tenant retail strip centre, located at 211 Centrum Boulevard, in Ontario, for gross proceeds of $7,000.

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 December 31,	2020	2019
Balance, beginning of period	**$324**	$—
Adoption of IFRS 16	**—**	407
Amortization expense	**(82)**	(83)
Balance, end of period	**$242**	$324

NOTE 5
EQUITY-ACCOUNTED INVESTMENT
On December 22, 2011, the Trust and a major Canadian pension fund each acquired a 50% interest in a limited partnership that owns and operates a 304,000 square foot Class A office complex located in downtown Edmonton, Alberta, in which the Trust has a total original net investment of $28,008. The Trust has joint control over the limited partnership and accounts for its investment using the equity method.

As at December 31,	2020	2019
Balance, beginning of period	**$23,705**	$24,746
Equity (loss)/income	**(1,386)**	1,044
Distributions to partners	**(2,480)**	(2,755)
Contributions from partners	**657**	670
Balance, end of period	**$20,496**	$23,705

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

As at December 31,	2020	2019
Real estate property	**$44,500**	$49,405
Current assets	**576**	651
Total assets	**45,076**	50,056
Non-current liabilities	**(24,253)**	(7)
Current liabilities	**(327)**	(26,344)
Net equity	**$20,496**	$23,705

For the year ended December 31,	2020	2019
Revenue from real estate property	**$6,290**	$6,393
Property operating expenses	**(2,093)**	(2,112)
Net operating income	**4,197**	4,281
Interest and other	**(965)**	(1,000)
Fair value losses on real estate property	**(4,618)**	(2,237)
Net (loss)/income	**($1,386)**	$1,044

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 December 31, 2020, the property was valued using a discount rate of 7.3% (2019 – 7.3%), a terminal cap rate of 6.5% (2019 – 6.3%) and a stabilized cap rate of 6.5% (2019 – 6.0%). The stabilized annual net operating income as at December 31, 2020, was $2,927 (2019 – $3,096).

NOTE 6

AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at December 31,	2020	2019
Tenant receivables (including deferrals)	**$22,147**	$1,741
Unbilled other tenant receivables	**2,991**	3,461
Receivables from related parties	**2,498**	204
Other	**8,939**	9,669
Allowance for expected credit loss	**(8,819)**	(761)
	$27,756	$14,314

Allowance for expected credit loss

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 December 31, 2020, 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.

Canada Emergency Commercial Rent Assistance ("CECRA")

The Government of Canada partnered with the provincial governments to deliver the CECRA program. The program is intended to provide relief for small business tenants of commercial landlords who are experiencing financial difficulties during the COVID-19 pandemic.

Over the course of the program, property owners that participated in the program reduced rent by at least 75% for the months of April to September 2020 for their small business tenants that qualify. The Government of Canada, via a forgivable loan, covered 50% of the rent, with the tenant paying up to 25% and the landlord forgiving at least 25%.The interest-free loans will be forgiven on December 31, 2020 if the property owner agrees to terms, including reducing the small business tenants' rent by at least 75% under a rent reduction agreement. To ensure loan forgiveness, the landlord must follow the terms and conditions of the loan, including complying with the rent reduction agreement. The Trust has finalized all applications under the CECRA program and received the designated proceeds.

The amount forgiven by the landlord under the CECRA program (25%) is recorded in the financial statements as a bad debt expense. The cost of this program to the Trust was $2.8 million for the six month duration of the program.

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 consolidated financial statements.

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

1. Sold July 31, 2019.

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

As at December 31,	2020	2019
Assets	**$475,679**	$520,359
Liabilities	**$233,725**	$164,901

For the year ended December 31,	2020	2019
Revenue	**$49,156**	$52,612
Expenses	**(32,569)**	(32,370)
Income before fair value adjustments	**16,587**	20,242
Fair value losses on real estate properties	**(52,939)**	(1,091)
Net (loss)/income	**($36,352)**	$19,151

NOTE 8

MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at December 31,	2020	2019
Mortgages payable before deferred financing costs	**$1,125,337**	$1,070,838
Deferred financing costs	**(2,617)**	(2,490)
Mortgages payable	**$1,122,720**	$1,068,348
Mortgages payable – non-current	**$918,256**	$902,708
Mortgages payable – current	**204,464**	165,640
Mortgages payable	**$1,122,720**	$1,068,348
Range of interest rates	**2.7% to 5.5%**	2.7% to 5.5%
Weighted average term to maturity (years)	**3.7**	3.7

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

	Principal Instalment Repayments	Balances Maturing	Total	Weighted Average Contractual Rate on Balance Maturing
2021	$35,800	$169,373	$205,173	4.1 %
2022	32,431	171,560	203,991	3.8 %
2023	22,425	208,194	230,619	3.7 %
2024	14,224	172,224	186,448	4.1 %
2025	11,043	115,653	126,696	3.2 %
Thereafter	38,416	133,994	172,410	3.7 %
	$154,339	**$970,998**	**$1,125,337**	**3.8 %**

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 December 31, 2020, Morguard held a total of $60,000 principal amount of the Convertible Debentures (2019 – $60,000).

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

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

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

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

The Convertible Debentures payable consist of the following:

As at December 31,	2020	2019
Convertible debentures – liability	**$170,267**	$170,267
Convertible debentures – accretion	**3,665**	2,666
Convertible debentures before issue costs	**173,932**	172,933
Issue costs	**(1,127)**	(2,180)
Convertible debentures	**$172,805**	$170,753

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

	Interest	Principal	Total
2021	7,875	175,000	182,875

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 December 31,	2020	2019
Balance, beginning of period	**$11,116**	$—
Adoption of IFRS 16	**—**	11,232
Lease payments	**(812)**	(813)
Interest	**689**	697
Balance, end of period	**$10,993**	$11,116
Current	**$131**	$123
Non-current	**10,862**	10,993
	$10,993	$11,116
Weighted average borrowing rate	**6.2 %**	6.3 %

NOTE 11
BANK INDEBTEDNESS

The Trust has operating lines of credit totalling $110,000 (2019 – $95,000), 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 December 31, 2020, there is a maximum of $106,900 available.

As at December 31, 2020, the Trust had borrowed $29,417 (2019 – $65,158) on its credit facilities and issued letters of credit in the amount of $1,219 (2019 – $1,267) related to these facilities.

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

NOTE 12
REVENUE FROM REAL ESTATE PROPERTIES

Revenue from real estate properties consists of the following:

For the year ended December 31, 2020	Retail	Office	Industrial	Total
Rental revenue	**$89,962**	**$63,372**	**$2,099**	**$155,433**
CAM recoveries	**22,991**	**26,543**	**835**	**50,369**
Property tax and insurance recoveries	**23,016**	**15,486**	**571**	**39,073**
Other revenue and lease cancellation fees	**4,011**	**1,591**	**7**	**5,609**
Parking revenue	**2**	**4,166**	**—**	**4,168**
Amortized rents	**124**	**(979)**	**(33)**	**(888)**
	$140,106	**$110,179**	**$3,479**	**$253,764**

For the year ended December 31, 2019	Retail	Office	Industrial	Total
Rental revenue	$93,621	$66,598	$2,771	$162,990
CAM recoveries	25,723	31,536	827	58,086
Property tax and insurance recoveries	24,239	16,747	736	41,722
Other revenue and lease cancellation fees	4,258	745	118	5,121
Parking revenue	3	5,990	—	5,993
Amortized rents	296	(1,010)	(124)	(838)
	$148,140	$120,606	$4,328	$273,074

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

NOTE 13
EXPENSES
(a) Property Operating Expenses

Property operating expenses consist of the following:

For the year ended December 31,	2020	2019
Repairs and maintenance	**$24,952**	$29,564
Utilities	**14,730**	16,111
Bad debt expense	**14,857**	676
Other operating expenses	**19,632**	20,449
	$74,171	$66,800

(b) General and Administrative

General and administrative expenses consist of the following:

For the year ended December 31,	2020	2019
Trustees' fees and expenses	**$274**	$281
Professional and compliance fees	**1,435**	1,434
Payroll and other administrative expenses	**1,878**	2,556
	$3,587	$4,271

NOTE 14
INTEREST EXPENSE

The components of interest expense are as follows:

For the year ended December 31,	2020	2019
Mortgages payable	**$42,627**	$43,864
Amortization of deferred financing costs – mortgages	**656**	658
Convertible debentures	**7,875**	7,875
Accretion on convertible debentures, net	**999**	944
Amortization of deferred financing costs – convertible debentures	**1,053**	995
Lease liabilities	**689**	697
Bank indebtedness	**1,799**	2,154
Morguard loan payable and other	**1,375**	1,382
Capitalized interest	**(697)**	(563)
	$56,376	$58,006

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:

For the year ended December 31,	2020	2019
Property management fees [1]	**$8,103**	$9,157
Appraisal/valuation fees	**351**	357
Information services	**220**	220
Leasing fees	**2,142**	2,947
Project administration fees	**414**	816
Project management fees	**327**	434
Risk management fees	**374**	360
Internal audit fees	**123**	140
Off-site administrative charges	**1,736**	1,781
Rental revenue	**(197)**	(200)
	$13,593	$16,012

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

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

As at December 31,	2020	2019
Amounts (receivable from)/payable to MIL, net	**($1,294)**	$1,527

(b) Revolving Loan with Morguard

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

Morguard Loan Payable

During the year ended December 31, 2020, a gross amount of $75,500 was advanced from Morguard, and a gross amount of $90,000 was repaid to Morguard. As at December 31, 2020, $18,000 remains payable to Morguard (2019 – $32,500). For the year ended December 31, 2020, the Trust incurred interest expense in the amount of $1,258 (2019 – $1,277) at an average interest rate of 3.34% (2019 – 4.68%).

Morguard Loan Receivable

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

(c) Sublease with Morguard (Excluding MIL)

The Trust subleases office space from Morguard. For the year ended December 31, 2020, the Trust incurred rent expense in the amount of $219 (2019 – $215).

(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 December 31,	2020	2019
Amounts receivable	**$68**	$63
Accounts payable and accrued liabilities	**$38**	$124

(e) Rental Revenue from Morguard (Excluding MIL)

Morguard is a tenant in one of the Trust's properties. For the year ended December 31, 2020, the Trust earned rental revenue in the amount of $113 (2019 – $110).

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, 2019 to December 31, 2020:

As at December 31,	2020	2019
Balance, beginning of period	**60,735,539**	60,694,053
Distribution Reinvestment Plan – Morguard	**3,520,153**	—
Distribution Reinvestment Plan – other unitholders	**66,823**	41,486
Repurchase of units	**(197,300)**	—
Balance, end of period	**64,125,215**	60,735,539

Total distributions recorded during the year ended December 31, 2020, amounted to $39,612 or $0.64 per unit (2019 – $58,283 or $0.96 per unit). On January 15, 2021, the Trust declared a distribution of $0.04 per unit for the month of January 2021, payable on February 16, 2021.

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

During the year ended December 31, 2020, the Trust purchased 197,300 units for cancellation for a total cost of $953 (2019 – $nil).

(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 year ended December 31, 2020, the Trust issued 3,586,976 units under the DRIP (2019 – 41,486 units).

(d) Net (Loss)/Income Per Unit
The following table sets forth the computation of basic and diluted net (loss)/income per unit:

For the year ended December 31,	2020	2019
Net (loss)/income – basic	**($357,419)**	$14,840
Net (loss)/income – diluted	**($357,419)**	$14,840
Weighted average number of units outstanding – basic	**62,108**	60,711
Weighted average number of units outstanding – diluted	**62,108**	60,711
Net (loss)/income per unit – basic	**($5.75)**	$0.24
Net (loss)/income per unit – diluted	**($5.75)**	$0.24

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

NOTE 17

STATEMENTS OF CASH FLOWS

(a) Items Not Affecting Cash

For the year ended December 31,	2020	2019
Fair value losses on real estate properties	**$419,766**	$73,850
Net loss/(income) from equity-accounted investment	**1,386**	(1,044)
Amortized stepped rent	**194**	99
Amortized free rent	**379**	372
Amortization of deferred financing costs – mortgages	**656**	658
Amortization of tenant incentives	**315**	367
Amortization of right-of-use asset	**82**	83
Amortization of deferred financing costs – convertible debentures	**1,053**	995
Accretion on convertible debentures	**999**	944
	$424,830	$76,324

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

For the year ended December 31,	2020	2019
Amounts receivable	**($13,442)**	$2,702
Prepaid expenses and other	**475**	(545)
Accounts payable and accrued liabilities	**(5,858)**	(2,093)
	($18,825)	$64

Other supplemental cash flow information consists of the following:

Interest paid	**$54,437**	$56,136
Issue of units – DRIP	**$18,174**	$497

NOTE 18

INCOME TAXES

The Trust is a mutual fund trust pursuant to the *Income Tax Act* (Canada) (the "Act"). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow-Through ("SIFT") Trust pursuant to the Act is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. The Trust intends to qualify as a mutual fund trust that is not a SIFT Trust and to make distributions not less than the amount necessary to ensure that the Trust will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in these consolidated financial statements.

NOTE 19
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 December 31, 2020, committed capital expenditures in the next 12 months are estimated at $459.

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

The Trust is committed to making the following annual payments under a ground lease to the year 2065 for the land upon which one of its properties is situated:

March 1, 2011 to February 28, 2021	$714
March 1, 2021 to February 28, 2065	Fair market value of land in February 2021 multiplied by 8.5% per annum

Effective November 17, 2013, the Trust entered into an operating sublease agreement with Morguard expiring on November 15, 2023. The annual rent amounts to an expense of approximately $217.

In addition to the above-mentioned contractual obligations, the Trust has entered into equipment operating leases with terms ranging to 2024. The remaining payments for the leases are as follows:

2021	$56
2022	49
2023	34
2024	17

(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 20
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 December 31,	Note	2020	2019
Mortgages payable	8	**$1,122,720**	$1,068,348
Convertible debentures	9	**172,805**	170,753
Bank indebtedness	11	**29,417**	65,158
Morguard loan payable	15(b)	**18,000**	32,500
Lease liabilities	10	**10,993**	11,116
Cash		**(8,647)**	(5,783)
Unitholders' equity		**1,157,658**	1,537,468
		$2,502,946	$2,879,560

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

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

As at December 31,	Borrowing Limits	2020	2019
Fixed-rate debt to gross book value of total assets	N/A	**51.1 %**	42.5 %
Floating-rate debt to gross book value of total assets	15 %	**1.9 %**	3.3 %
	60 %	**53.0 %**	45.8 %

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

Mortgages Payable

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

Convertible Debentures

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

Bank Indebtedness

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

NOTE 21

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 December 31, 2020.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using December 31, 2020, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at December 31, 2020, of the mortgages payable has been estimated at $1,177,633 (2019 – $1,093,438) compared with the carrying value before deferred financing costs of $1,125,337 (2019 – $1,070,838). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(b) Convertible Debentures

The fair value of the Convertible Debentures is based on their market trading price (TSX: MRT.DB) (Level 1). The fair value as at December 31, 2020, of the Convertible Debentures has been estimated at $171,500 (2019 – $177,188) compared with the carrying value before deferred financing costs of $173,932 (2019 – $172,933).

(c) Fair Value Hierarchy of Real Estate Properties

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

	December 31, 2020			December 31, 2019		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
ASSETS						
Income producing properties	**$—**	**$—**	**$2,433,856**	$—	$—	$2,834,394
Properties under development	**$—**	**$—**	**$29,299**	$—	$—	$18,909
Held for development	**$—**	**$—**	**$36,800**	$—	$—	$38,800

Risks Associated with Financial Assets and Liabilities

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

Market Risk
Market risk, the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, comprises the following:

(i) Interest Rate Risk
The Trust is subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be able to be refinanced on terms as favourable as those of the existing indebtedness. Interest on the Trust's bank indebtedness is subject to floating interest rates. The Trust mitigates these risks by its continued efforts to enhance the value of its real estate properties, to maintain high occupancy levels to meet its debt obligations and to foster excellent relations with its lenders. For the year ended December 31, 2020, the average increase or decrease in net income for each 1% change in interest rates paid on floating debt amounts to $963 (2019 – $808).

The Trust's objective in managing interest rate risk is to minimize the volatility of the Trust's earnings. As at December 31, 2020, interest rate risk has been minimized because all long-term debt is financed at fixed interest rates with maturities scheduled over a number of years.

(ii) Credit Risk
Credit risk arises from the possibility that tenants and/or debtors may experience financial difficulty and be unable or unwilling to fulfil their lease commitments. The Trust mitigates the risk of loss by investing in well-located properties in urban markets that attract quality tenants, by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. A tenant's success over the term of its lease and its ability to fulfil its obligations are subject to many factors. There can be no assurance that a tenant will be able to fulfil all of its existing commitments and leases up to the expiry date.

The Trust's commercial leases typically have a lease term between five and 10 years and may include clauses to enable periodic upward revision of the rental rates and contractual extensions at the option of the lessee.

Future minimum annual rental receipts on non-cancellable tenant operating leases are as follows:

As at December 31,	2020	2019
Not later than 1 year	**$141,126**	$151,362
Later than 1 year and not later than 5 years	**412,775**	435,026
Later than 5 years	**213,247**	248,131
	$767,148	$834,519

The objective in managing credit risk is to mitigate exposure through the use of approved policies governing the Trust's credit practices that limit transactions according to counterparties' credit quality.

The Trust utilizes the simplified approach to measure ECL under IFRS 9, which requires the Trust to recognize a lifetime ECL allowance on all receivables at each reporting date. The carrying value of amounts receivable is reduced through the use of an allowance account, and the amount of the loss is recognized in the statements of (loss)/income and comprehensive (loss)/income within property operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statements of (loss)/income and comprehensive (loss)/income.

The following table sets forth details of amounts receivable and related allowance for doubtful accounts:

As at December 31,	2020	2019
Trade receivables	**$22,147**	$1,741
Less: Allowance for doubtful accounts	**(8,819)**	(554)
Trade receivables, net	**$13,328**	$1,187

(iii) Liquidity Risk

Liquidity risk is the risk that the Trust will encounter difficulties in meeting its financial obligations. The Trust will be subject to the risks associated with debt financing, including the risk that mortgages, convertible debentures and credit facilities will not be able to be refinanced. The Trust's objectives in minimizing liquidity risk are to maintain appropriate levels of leverage of its real estate assets and to stagger its debt maturity profile. As at December 31, 2020, the Trust's liquidity is described as follows:

As at December 31,	2020	2019
Availability of bank lines of credit	**$110,000**	$95,000
Availability of Morguard loan payable	**75,000**	50,000
Other deductions and adjustments	**(4,319)**	(1,267)
Bank indebtedness outstanding	**(29,417)**	(65,158)
Morguard loan payable outstanding	**(18,000)**	(32,500)
Cash	**8,647**	5,783
	$141,911	$51,858

NOTE 22
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 December 31, 2020, the Trust has the following three reportable segments: retail, office and industrial.

Business Segments

For the year ended December 31, 2020	Retail	Office	Industrial	Total
Revenue from real estate properties	**$140,106**	**$110,179**	**$3,479**	**$253,764**
Property operating expenses	**(43,533)**	**(29,687)**	**(951)**	**(74,171)**
Property taxes	**(29,761)**	**(17,443)**	**(618)**	**(47,822)**
Property management fees	**(4,358)**	**(3,526)**	**(109)**	**(7,993)**
	$62,454	**$59,523**	**$1,801**	**$123,778**

For the year ended December 31, 2019	Retail	Office	Industrial	Total
Revenue from real estate properties	$148,140	$120,606	$4,328	$273,074
Property operating expenses	(35,413)	(30,565)	(822)	(66,800)
Property taxes	(28,988)	(17,553)	(725)	(47,266)
Property management fees	(5,136)	(3,787)	(124)	(9,047)
	$78,603	$68,701	$2,657	$149,961

	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 year ended December 31, 2020				
Additions to real estate properties	**$28,647**	**$6,749**	**($90)**	**$35,306**
Fair value losses on real estate properties	**($324,871)**	**($94,838)**	**($57)**	**($419,766)**

	Retail	Office	Industrial	Total
As at December 31, 2019				
Real estate properties	$1,671,653	$1,177,220	$43,230	$2,892,103
Mortgages payable (based on collateral)	$612,078	$456,270	$—	$1,068,348
For the year ended December 31, 2019				
Additions to real estate properties	$42,798	$12,975	$515	$56,288
Fair value (losses)/gains on real estate properties	($57,497)	($18,705)	$2,352	($73,850)

NOTE 23

SUBSEQUENT EVENTS

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.