MORGUARD REIT

2021 FIRST QUARTER REPORT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
AND CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

Q1

Morguard

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SUMMARY OF OPERATIONS

	Three Months Ended March 31,	
In thousands of dollars, except per-unit amounts	2021	2020
Revenue from real estate properties	**$60,970**	$66,373
Net operating income	**31,058**	34,828
Fair value losses on real estate properties	**(14,449)**	(121,117)
Net income/(loss)	**4,850**	(102,555)
Funds from operations	**19,333**	19,958
Adjusted funds from operations [1]	**14,750**	13,731
Amounts presented on a per unit basis		
Net income/(loss) – basic	**$0.08**	($1.69)
Net income/(loss) – diluted	**$0.08**	($1.69)
Funds from operations – basic	**$0.30**	$0.33
Funds from operations – diluted	**$0.29**	$0.32
Adjusted funds from operations – basic [1]	**$0.23**	$0.23
Adjusted funds from operations – diluted [1]	**$0.23**	$0.23
Distributions per unit	**$0.08**	$0.24
Payout ratio – Adjusted funds from operations	**34.8%**	104.3%
Weighted average number of units (in thousands)		
Basic	**64,128**	60,738
Diluted	**72,707**	69,316

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

SUMMARY OF FINANCIAL POSITION

As at	March 31, 2021	December 31, 2020	March 31, 2020
Total assets (thousands of dollars)	**$2,550,122**	$2,557,733	$2,837,293
Total gross debt (thousands of dollars)	**1,345,793**	1,357,679	1,355,008
Total equity (thousands of dollars)	**1,157,418**	1,157,658	1,420,423
Gross leasable area as at quarter-end (in thousands of square feet) [1]			
Retail	**4,645**	4,642	4,716
Office	**3,240**	3,240	3,240
Industrial	**292**	292	292
Total	**8,177**	**8,174**	**8,248**
Occupancy as at quarter-end (%) [2]			
Retail	**92.3%**	94.6%	94.2%
Office	**88.2%**	88.7%	90.8%
Industrial	**93.3%**	93.3%	96.5%
Total	**90.6%**	92.1%	92.9%

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

PART I

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") for Morguard Real Estate Investment Trust (the "Trust"), should be read in conjunction with the Trust's condensed consolidated financial statements and the accompanying notes for the three months ended March 31, 2021, and 2020.

The Trust's condensed consolidated financial statements and the accompanying notes for the three months ended March 31, 2021, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These condensed consolidated financial statements include the accounts of the Trust and other entities that the Trust controls and are reported in thousands of Canadian dollars, except where otherwise noted.

The information in this MD&A is current to April 28, 2021.

FORWARD-LOOKING DISCLAIMER

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

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

NON-IFRS AND FINANCIAL MEASURES

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

NET OPERATING INCOME ("NOI")

NOI is defined by the Trust as revenue from real estate properties less property operating expenses, property taxes and property management fees, as presented in the consolidated statements of (loss)/income and comprehensive (loss)/income. NOI is used as a key indicator of performance as it represents a measure over which management has control, and is a key input in determining the value of the Trust's properties.

NET OPERATING INCOME – SAME ASSETS

NOI – same assets is a non-IFRS measure used by the Trust to assess period-over-period performance of those properties that are stabilized and owned by the Trust continuously for the current and comparable reporting period. The Trust believes it is useful to provide an analysis of NOI – same assets, which also eliminates non-recurring and non-cash items. NOI – same assets represents NOI from properties that have been adjusted for: (i) acquisitions; (ii) dispositions; and (iii) area either held for, or under, development/redevelopment/intensification. NOI – same assets also excludes the impact of straight-line rents, lease cancellation fees and other non-recurring items.

FUNDS FROM OPERATIONS ("FFO")

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

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

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

AFFO PAYOUT RATIO

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

ADJUSTED CASH FLOW FROM OPERATIONS ("ACFO")

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

PROPORTIONATE SHARE BASIS

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

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

INTEREST COVERAGE RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DEBT TO ASSETS RATIO

Debt to assets ratio is a non-IFRS measure used by the Trust and the real estate industry to assess the risk profile of its capital allocations and the ability to incur additional debt. The Trust calculates this measure by taking assets adjusted by accumulated amortization divided by net debt. The Trust's debt to assets ratio is limited to 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 April 28, 2021.

PART II

BUSINESS OVERVIEW AND STRATEGY

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

The Trust is an unincorporated "closed-end" trust, governed by the laws of the Province of Ontario, created and constituted pursuant to an amended and restated Declaration of Trust dated February 17, 2021 ("Declaration of Trust"). The Trust was formed on June 18, 1997, and began operations on October 14, 1997. The Trust units are publicly traded and listed on the Toronto Stock Exchange ("TSX") under the symbol MRT.UN.

Morguard Corporation ("Morguard") is the parent company of the Trust, owning 60.87% of the outstanding units as at March 31, 2021. Morguard is a real estate company that owns a diversified portfolio of multi-unit residential, retail, hotel, office and industrial properties in both Canada and the United States.

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

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

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

The Trust's long-term debt strategy involves the use of conventional property-specific secured mortgages or bonds, unsecured convertible debentures and secured floating-rate bank financing. The Trust currently targets a capital structure with an overall indebtedness ratio in the range of 50-55% of gross assets. Through its Declaration of Trust, the Trust is allowed to increase its overall indebtedness ratio to 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 March 31, 2021, the Trust owned a diversified real estate portfolio of 47 retail, office and industrial properties consisting of approximately 8.3 million square feet of gross leasable area ("GLA") located in the provinces of British Columbia ("BC"), Alberta, Saskatchewan, Manitoba, Ontario and Quebec. Included in this portfolio are two properties that the Trust has deemed as held for development, and one office property, consisting of 0.2 million square feet of GLA, located in the province of Alberta, which is accounted for using the equity method.

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

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

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

PORTFOLIO COMPOSITION BY ASSET TYPE AND LOCATION

	Retail		Office		Industrial		Total		
Location	Number of Properties	GLA (000s)	Number of Properties	GLA (000s)	Number of Properties	GLA (000s)	Number of Properties	GLA (000s)	%
British Columbia	2	503	3	600	—	—	5	1,103	14%
Alberta	5	821	9	1,169	—	—	14	1,990	25%
Saskatchewan	1	499	—	—	—	—	1	499	6%
Manitoba	3	660	—	—	—	—	3	660	8%
Ontario	8	2,095	8	980	4	292	20	3,367	41%
Quebec	—	—	1	448	—	—	1	448	6%
	19	**4,578**	**21**	**3,197**	**4**	**292**	**44**	**8,067**	**100%**
IPP held for development	1	67	1	43	—	—	2	110	
Income producing properties	**20**	**4,645**	**22**	**3,240**	**4**	**292**	**46**	**8,177**	
Equity-accounted investment (Alberta)	—	—	1	152	—	—	1	152	
Grand Total	**20**	**4,645**	**23**	**3,392**	**4**	**292**	**47**	**8,329**	
% [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 March 31, 2021, the Trust's enclosed regional centres portfolio totalled 3.3 million square feet of GLA, which comprises a 100% interest in six regional centres totalling 3.3 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 0.4 million square feet of area either held for, or under, development.

COMMUNITY STRIP CENTRES OVERVIEW

At March 31, 2021, the Trust's community strip centres portfolio totalled 1.3 million square feet of GLA, comprising a 100% interest in 12 such properties totalling 1.2 million square feet, as well as a 50% interest in one additional property totalling 0.1 million square feet. Included in the above 1.3 million square feet of GLA is 0.1 million square feet of area either held for, or under, development.

SINGLE-/DUAL-TENANT BUILDINGS OVERVIEW

At March 31, 2021, the Trust's single-/dual-tenant buildings portfolio totalled 2.4 million square feet of GLA, which comprises a 100% interest in nine properties totalling 1.5 million square feet and a 50% interest in four properties totalling 0.9 million square feet. Included in the above 2.4 million square feet of GLA is 0.2 million square feet of area relating to the Trust's equity-accounted investment, and area either held for, or under, development.

MULTI-TENANT BUILDINGS OVERVIEW

At March 31, 2021, the Trust's multi-tenant buildings portfolio totalled 1.0 million square feet of GLA, which comprises a 100% interest in six properties totalling 0.6 million square feet, a 50% interest in three properties totalling 0.3 million square feet and a 20% interest in one property totalling 0.1 million square feet.

INDUSTRIAL OVERVIEW

At March 31, 2021, the Trust's industrial portfolio includes 100% interest in four industrial properties comprising 0.3 million square feet. This portfolio includes some retail storefronts.

PART III

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 previously participated in the Canada Emergency Commercial Rent Assistance ("CECRA") program and has also been in discussions with medium and large-sized tenants on a case-by-case basis to determine rent payment solutions. The CECRA program has now expired and has been replaced by the Canada Emergency Rent Subsidy Program ("CERS").

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 in 2020. The easing of these restrictions varied by province and by industry. Lockdowns and restrictions were imposed again late in 2020 and into 2021 in certain provinces, including Ontario.

Canada Emergency Rent Subsidy
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, but are now focussed on rent relief for some of the more recent lockdowns. Deferrals and abatements are being considered and granted on a case-by-case basis, depending on the financial condition of the tenant, and their fact situation in relation to how the pandemic impacted their operations. The rent payment solutions that have been negotiated may have also involved an exchange of rights or additional lease term for the deferral or abatement. Any rent forgiveness or abatements processed on unpaid rent have been derecognized and charged to the allowance for doubtful accounts. Any unprocessed expected abatement to be negotiated in the future was considered as part of establishing the allowance for doubtful accounts.

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, as of the date of this report (incorporating government and certain tenants that pay at the end of the month):

	Approximate Contribution to Revenue	January 2021	February 2021	March 2021	April 2021
Industrial	1%	99%	93%	93%	81%
Office	43%	98%	98%	98%	97%
Retail – community strip centres	15%	97%	98%	98%	96%
Retail – enclosed regional centres	41%	84%	82%	85%	82%
Total	**100%**	**93%**	**92%**	**93%**	**91%**

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

	Tenant Receivables	Allowance for Doubtful Accounts	March 31, 2021 Net Tenant Receivable	December 31, 2020 Net Tenant Receivable	Difference
Office and industrial	$2,526	($796)	$1,730	$2,388	($658)
Retail – enclosed mall Ontario	10,282	(5,345)	4,937	4,786	151
All other retail	7,526	(2,733)	4,793	6,154	(1,361)
	$20,334	**($8,874)**	**$11,460**	**$13,328**	**($1,868)**

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

Operational Update

In response to the decline in collections and net operating income, there has been a deferral of discretionary capital spending. The amount of operating capital spending for 2020 was less than typical levels. 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. It is anticipated that operating capital spending for 2021 will be approximately $18,500. The development project at The Centre in Saskatoon is now complete.

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 $133.4 million as of March 31, 2021, and also has an unencumbered asset pool of $326.6 million in order to raise necessary capital, if required. This represents a decrease in liquidity of $8.5 million as compared to the available liquidity as of December 31, 2020, which was $141.9 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 3.7% at at March 31, 2021, from 3.8% at December 31, 2020, and 4.1% at December 31, 2019.

SELECTED FINANCIAL INFORMATION

The table below sets forth selected financial data relating to the Trust's fiscal three months ended March 31, 2021, and 2020. This financial data is derived from the Trust's condensed consolidated statements which are prepared in accordance with IFRS.

For the three months ended March 31,	2021	2020	% Change
Revenue from real estate properties	**$60,970**	$66,373	(8.1%)
Bad debt expense	**(309)**	(286)	8.0%
Property operating expenses	**(14,798)**	(16,465)	(10.1%)
Property taxes	**(12,749)**	(12,551)	1.6%
Property management fees	**(2,056)**	(2,243)	(8.3%)
Net operating income	**31,058**	**34,828**	**(10.8%)**
Interest expense	**(13,272)**	(14,572)	(8.9%)
General and administrative	**(915)**	(1,080)	(15.3%)
Other items	**1,962**	(20)	(9,910.0%)
Fair value losses on real estate properties	**(14,449)**	(121,117)	(88.1%)
Net income/(loss) from equity-accounted investment	**466**	(594)	(178.5%)
Net income/(loss)	**$4,850**	**($102,555)**	**(104.7%)**
Net income/(loss) per unit – basic	**$0.08**	($1.69)	(104.7%)
Funds from operations per unit – basic	**$0.30**	$0.33	(9.1%)
Adjusted funds from operations per unit – basic	**$0.23**	$0.23	—%

CONSOLIDATED OPERATING HIGHLIGHTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021

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

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

For the three months ended March 31,	2021	2020	Variance
Industrial	**$891**	$814	$77
Office – Single-/dual-tenant buildings	**19,607**	21,127	(1,520)
Office – Multi-tenant buildings	**6,919**	8,071	(1,152)
Retail – Community strip centres	**9,457**	9,827	(370)
Retail – Enclosed regional centres	**24,096**	26,534	(2,438)
Total	**$60,970**	$66,373	($5,403)

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 rent reduction represents a reduction in the Trust's net operating income of approximately $0.6 million for the quarter.

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

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

For the three months ended March 31,	2021	2020	Variance
Rental revenue	**$37,484**	$39,876	($2,392)
CAM recoveries	**9,054**	13,669	(4,615)
Property tax and insurance recoveries	**9,473**	10,682	(1,209)
Other revenue and lease cancellation fees	**3,456**	1,086	2,370
Parking revenue	**954**	1,289	(335)
Amortized rents	**549**	(229)	778
	$60,970	$66,373	($5,403)

Included in other revenue and lease cancellation fees is $2.3 million received from Lowe's at Pine Centre in the three-month period ending March 31, 2021, in order to facilitate the Save-on-Foods development.

Under IFRS, the Trust is required to establish an expected credit loss which would include considerations for failed or restructuring tenants as well as doubtful account provisions for future expected credit losses on accounts receivable arrears, including rent abatements or rent forgiveness. The following is an analysis of the allowance for doubtful accounts for the three-month period ending March 31, 2021.

Three months ended March 31, 2021	Retail	Office	Industrial	Total
Opening allowance balance – January 1, 2021	$7,469	$1,335	$15	**$8,819**
Bad debt expense/(recovery) charged to income statement	865	(554)	(2)	**309**
Failed tenant writeoffs and abatements granted	(253)	(1)	—	**(254)**
Closing allowance balance – March 31, 2021	**$8,081**	**$780**	**$13**	**$8,874**

The following is an analysis of revenue and bad debt expense for the three months ended March 31, 2021:

Three months ended March 31, 2021	Retail	Office	Industrial	Total
Revenue from real estate properties	$33,553	$26,526	$891	**$60,970**
Bad debt expense	865	(554)	(2)	**309**
% of revenue from real estate properties	**3%**	**(2%)**	**—%**	**1%**

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

Three months ended March 31, 2020	Retail	Office	Industrial	Total
Revenue from real estate properties	$36,361	$29,198	$814	**$66,373**
Bad debt expense	278	7	—	**285**
% of revenue from real estate properties	**1%**	**—%**	**—%**	**—%**

Property operating expenses include costs related to interior and exterior maintenance, insurance and utilities. Property operating expenses (excluding bad debt expense) for the three months ended March 31, 2021, decreased 10.1% to $14.8 million from $16.5 million for the same period in 2020. This decrease is primarily due to lower operating and repair and maintenance expenses in 2021 due to less traffic in the retail and office assets during the COVID-19 pandemic.

Net operating income for the three months ended March 31, 2021, declined 10.8% as compared to 2020. This decline was the result of COVID-19 related tenant failures in the enclosed regional centre asset class.

Interest expense for the three months ended March 31, 2021, decreased 8.9% to $13.3 million from $14.6 million for the same period in 2020. This decline is primarily due to the decline in the Trust's weighted average interest rate on mortgages to 3.7% from 4.1% in the first quarter of 2020.

The increase of $2.0 million in other items for the three months ended March 31, 2021, is the result of bankruptcy proceeds received from Sears regarding their former occupancy in three of the Trust's properties.

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 three months ended March 31,	2021	2020
Retail – enclosed regional centres	**($7,109)**	($96,814)
Retail – community strip centres	**730**	(934)
Office	**(11,089)**	(23,552)
Industrial	**3,019**	183
	($14,449)	($121,117)

Reported net income for three months ended March 31, 2021, was $4.9 million as compared to loss of $102.6 million in 2020. This change is due to the fair value losses recorded in 2020, as described above.

NET OPERATING INCOME BY ASSET TYPE AND LOCATION

The following is a geographical breakdown of the net operating income for the three months ended March 31, 2021.

	Retail		Office		Industrial		Total		
Location	Number of Properties	NOI (000s)	Number of Properties	NOI (000s)	Number of Properties	NOI (000s)	Number of Properties	NOI (000s)	%
British Columbia	2	$4,073	3	$3,397	—	$—	5	$7,470	24%
Alberta	5	2,296	9	5,869	—	—	14	8,165	27%
Saskatchewan	1	1,652	—	—	—	—	1	1,652	5%
Manitoba	3	2,881	—	—	—	—	3	2,881	9%
Ontario	8	4,370	8	3,776	4	514	20	8,660	29%
Quebec	—	—	1	1,834	—	—	1	1,834	6%
	19	15,272	21	14,876	4	514	44	30,662	**100%**
IPP held for development	1	267	1	148	—	(19)	2	396	
Income producing properties	**20**	**15,539**	**22**	**15,024**	**4**	**495**	**46**	**31,058**	
Properties held for sale/sold	—	—	—	—	—	—	—	—	
Total real estate properties	**20**	**15,539**	**22**	**15,024**	**4**	**495**	**46**	**31,058**	
Equity-accounted investment	—	—	1	747	—	—	1	747	
Grand Total	**20**	**$15,539**	**23**	**$15,771**	**4**	**$495**	**47**	**$31,805**	
% [1]		**49%**		**49%**		**2%**		**100%**	

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

COMPARATIVE NET OPERATING INCOME BY ASSET TYPE

For the three months ended March 31,	2021	2020	%
Enclosed regional centres	**$9,711**	$12,408	(21.7%)
Community strip centres	**5,828**	5,868	(0.7%)
Subtotal – retail	**15,539**	18,276	(15.0%)
Single-/dual-tenant buildings	**12,129**	12,447	(2.6%)
Multi-tenant buildings	**2,895**	3,614	(19.9%)
Subtotal – office	**15,024**	16,061	(6.5%)
Industrial	**495**	491	0.8%
Net operating income	**$31,058**	$34,828	(10.8%)

RETAIL PROPERTIES – NET OPERATING INCOME

For the three months ended March 31,	2021	2020	%
Revenue from real estate properties	**$33,553**	$36,361	(7.7%)
Bad debt expense	**(865)**	(278)	211.2%
Property operating expenses	**(7,932)**	(8,636)	(8.2%)
Property taxes	**(8,072)**	(7,904)	2.1%
Property management fees	**(1,145)**	(1,267)	(9.6%)
Net operating income	**$15,539**	$18,276	(15.0%)

The Trust's retail properties' NOI for the three months ended March 31, 2021, was $15.5 million versus $18.3 million for the same period ended 2020, a decrease of $2.7 million. The decrease was mainly the result of bad debt expense of $0.9 million, stemming from the rent arrears and failed tenants as a result of the economic impact of COVID-19, increased vacancy costs of $2.0 million and decreases in basic rent of $1.2 million. The decrease in NOI was partially offset by $2.3 million in lease cancellation fees received as a part of an agreement with Lowe's at Pine Centre to facilitate the Save-On-Foods development.

RETAIL PROPERTIES TOP TENANTS

The following is a breakdown of the Trust's 20 largest retail tenants by rental revenue as at March 31, 2021:

	Tenant	Percentage of Total Retail Revenue	# of Locations	GLA (000s)	% of Total Retail GLA	Weighted Average Remaining Lease Term
1	Canadian chartered banks – Tier 1	5.6 %	16	115	2.5 %	2.8
2	Canadian Tire Corporation Ltd.	4.3 %	7	285	6.1 %	2.2
3	Loblaw Companies Ltd.	3.5 %	8	107	2.3 %	5.8
4	Goodlife Fitness	3.0 %	5	192	4.1 %	10.7
5	Sobeys Inc.	2.7 %	3	161	3.5 %	7.2
6	Dollarama	2.4 %	11	103	2.2 %	2.9
7	Cineplex Odeon	2.3 %	3	110	2.4 %	8.0
8	TJX	1.7 %	4	101	2.2 %	8.2
9	Walmart	1.4 %	2	241	5.2 %	3.2
10	The Childrens Place	1.2 %	6	23	0.5 %	1.7
11	HBC	1.2 %	2	290	6.2 %	2.9
12	L Brands	1.2 %	6	22	0.5 %	1.8
13	Indigo	0.8 %	2	40	0.9 %	7.8
14	A&W	0.8 %	9	8	0.2 %	6.5
15	Co-Op Grocery Store	0.8 %	1	45	1.0 %	9.6
16	YM Inc.	0.8 %	7	70	1.5 %	2.3
17	Subway	0.7 %	12	8	0.2 %	1.9
18	Telus	0.7 %	6	9	0.2 %	5.5
19	Toys R Us	0.7 %	1	35	0.8 %	0.8
20	Intact Financial Corporation	0.7 %	1	34	0.7 %	2.0
		36.5 %	**112**	**1,999**	**43.2 %**	**4.8**

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

For the three months ended March 31,	2021	2020	%
Revenue from real estate properties	**$26,526**	$29,198	(9.2%)
Bad debt recovery/(expense)	**554**	(7)	(8,014.3%)
Property operating expenses	**(6,663)**	(7,619)	(12.5%)
Property taxes	**(4,512)**	(4,560)	(1.1%)
Property management fees	**(881)**	(951)	(7.4%)
Net operating income	**$15,024**	$16,061	(6.5%)

The Trust has a strong government presence in its office tenancy which helps mitigate the risk of non-payment of rent for this asset class. Approximately 30% of the Trust's office contracted gross revenue is attributable to government tenants.

The Trust's office properties' NOI for the three months ended March 31, 2021, was $15.0 million versus $16.1 million for the same period ended 2020. The unfavourable variance of $1.0 million is mainly the result of the rent forgiveness agreement with Obsidian Energy Ltd., coupled with an increase in vacancy costs.

OFFICE PROPERTIES TOP TENANTS

The following is a breakdown of the Trust's 20 largest office tenants by rental revenue as at March 31, 2021:

	Tenant	Percentage of Total Office Revenue	# of Locations	GLA (000s)	% of Total Office GLA	Weighted Average Remaining Lease Term
1	Federal and provincial governments	30.5 %	9	858	25.3 %	3.3
2	Obsidian Energy Ltd.	9.4 %	1	215	6.3 %	3.8
3	Bombardier Inc.	8.5 %	1	265	7.8 %	10.1
4	Athabasca Oil Corporation	6.6 %	1	149	4.4 %	3.8
5	Wood Canada Limited	6.1 %	1	127	3.7 %	4.8
6	Canadian chartered banks – Tier 1	5.8 %	3	107	3.2 %	4.5
7	Stantec Consulting	3.7 %	2	82	2.4 %	4.7
8	National Bank of Canada	2.7 %	1	43	1.3 %	7.8
9	CH2M Hill Canada Limited	2.4 %	1	78	2.3 %	7.4
10	Western Energy Services Corp.	2.3 %	1	43	1.3 %	3.8
11	AJW Technique Inc.	2.3 %	1	75	2.2 %	1.8
12	Sephora	1.8 %	1	4	0.1 %	5.8
13	Bonavista Energy Corporation	1.0 %	1	50	1.5 %	4.2
14	Ciena	0.8 %	1	27	0.8 %	2.2
15	The Ottawa Hospital	0.7 %	1	28	0.8 %	4.0
16	Realstar Holdings Partnership	0.7 %	1	14	0.4 %	4.4
17	Harry Rosen	0.7 %	1	14	0.4 %	11.3
18	Vertex Data L.P.	0.6 %	1	14	0.4 %	1.4
19	AMDOCS Canadian Managed Services Inc.	0.6 %	1	15	0.4 %	3.7
20	The Ottawa Fertility Centre Inc.	0.6 %	1	24	0.7 %	4.9
		87.8 %	**31**	**2,232**	**65.7 %**	**4.7**

INDUSTRIAL PROPERTIES – NET OPERATING INCOME

For the three months ended March 31,	2021	2020	%
Revenue from real estate properties	**$891**	$814	9.5%
Bad debt recovery	**2**	—	—%
Property operating expenses	**(203)**	(211)	(3.8%)
Property taxes	**(165)**	(87)	89.7%
Property management fees	**(30)**	(25)	20.0%
Net operating income	**$495**	$491	0.8%

The Trust's industrial properties' NOI remained stable at $0.5 million for the three months ended March 31, 2021, versus the same period ended 2020.

NET OPERATING INCOME – SAME ASSETS

The components of net operating income – same assets are displayed in the table below. For comparability in this section, the NOI is focused on same assets which is a non-IFRS measure. Assets acquired, disposed of and developed/redeveloped/intensified over the comparable periods are removed, along with the impact of stepped rents, bad debt expense related to COVID-19, lease cancellation fees and area either held for, or under, development and other non-recurring adjustments, collectively; the adjustments for same assets. Lease cancellation fees relate to payments received from tenants where the Trust and the tenant agreed to terminate a lease prior to the contractual expiry date. Lease cancellation fees are unpredictable and period-over-period changes are not indicative of trends.

For the three months ended March 31,	2021	2020	Variance	%
Enclosed regional centres (retail)	**$7,104**	$12,247	($5,143)	(42.0%)
Community strip centres (retail)	**5,383**	5,493	(110)	(2.0%)
Single-/dual-tenant buildings (office)	**12,068**	11,847	221	1.9%
Multi-tenant buildings (office)	**2,839**	3,527	(688)	(19.5%)
Industrial properties	**516**	507	9	1.8%
Net operating income – same assets	**27,910**	33,621	(5,711)	(17.0%)
Area under development	**117**	146	(29)	(19.9%)
Real estate properties held for development/held for sale/sold	**396**	476	(80)	(16.8%)
Lease cancellation fees	**2,647**	11	2,636	23,963.6%
Stepped rents	**(12)**	(6)	(6)	100.0%
Other (primarily Obsidian amendment)	**—**	580	(580)	(100.0%)
Net operating income per the statement of income	**$31,058**	$34,828	($3,770)	(10.8%)

LEASING ACTIVITY

The Trust places a high value on tenant retention as the cost of retention is typically lower than the cost of securing new tenants. When retention is neither possible nor desirable, the Trust strives to secure high-quality replacement tenants. The table below provides a summary of the leasing activity for the three months ended March 31, 2021:

For the three months ended March 31, 2021	Enclosed Regional Centres	Community Strip Centres	Single-/ Dual-Tenant Buildings	Multi-Tenant Buildings	Industrial Properties	Total Portfolio
Opening vacancy (SF)	212,441	20,439	102,090	260,817	19,618	615,405
Opening occupancy	93.1%	98.3%	95.4%	73.9%	93.3%	92.1%
EXPIRING LEASES:						
Square feet	556,485	134,530	137,368	37,137	35,258	900,778
Average contract rent per SF	$13.71	$16.76	$23.80	$16.08	$4.63	$15.46
EARLY TERMINATIONS:						
Square feet	133,548	2,581	26,447	4,655	—	167,231
Average contract rent per SF	$7.81	$18.56	$—	$15.76	$—	$6.96
RENEWALS:						
Square feet	(480,682)	(89,282)	(136,067)	(17,171)	(35,165)	(758,367)
Average contract rent per SF	$9.91	$20.06	$31.29	$15.88	$7.25	$14.95
Retention rate	86%	66%	99%	46%	100%	84%
NEW LEASING:						
Square feet	(36,823)	(2,684)	(26,447)	(10,779)	—	(76,733)
Average contract rent per SF	$8.55	$31.00	$4.00	$12.00	$—	$8.25
OTHER ADJUSTMENTS:						
Square feet	(129,549)	—	—	—	—	(129,549)
Ending vacancy (SF)	255,420	65,584	103,391	274,659	19,711	718,765
Ending occupancy	91.3%	94.6%	95.3%	72.4%	93.3%	90.6%

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

The early termination of 133,548 square feet for enclosed regional centres represents primarily the lease cancellation arrangement with Lowe's at Pine Centre to allow the Save-On-Foods development to proceed.

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	343,493	$21.52	—	$—	—	$—	343,493	$21.52
(remainder of the year) 2021	474,568	15.86	155,817	16.92	38,891	10.94	669,276	15.92
2022	572,650	25.44	287,110	21.92	16,580	10.42	876,340	23.93
2023	277,490	37.25	335,768	15.96	42,091	6.75	655,349	23.88
2024	199,488	32.31	158,717	31.26	74,577	5.68	432,782	27.29
2025	359,090	28.89	802,525	32.90	14,656	5.50	1,176,271	31.15
Thereafter	1,606,827	19.56	1,080,414	22.28	85,916	8.94	2,773,157	20.30
Current vacancy	321,004	—	378,050	—	19,711	—	718,765	—
Total	**4,154,610**	**$22.92**	**3,198,401**	**$24.27**	**292,422**	**$7.90**	**7,645,433**	**$22.84**
Weighted average remaining lease term (years)		4.43		4.51		3.54		4.43

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

MONTH TO MONTH AND REMAINING 2021 EXPIRIES BY PROVINCE

	Retail		Office		Industrial		
Province	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	Total SF
Alberta	109,890	$23.72	56,795	$12.26	—	$—	166,685
British Columbia	1,910	36.35	3,739	35.86	—	—	5,649
Manitoba	70,071	27.62	—	—	—	—	70,071
Ontario	596,034	14.93	93,712	18.91	38,891	10.94	728,637
Quebec	—	—	1,571	22.50	—	—	1,571
Saskatchewan	40,156	27.14	—	—	—	—	40,156
	818,061	**$17.77**	**155,817**	**$16.92**	**38,891**	**$10.94**	**1,012,769**

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

Not included in the above 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, and expired January 1, 2021. The contract rent on the expired lease was $27.00. The Trust expects the tenant to renew at market rates. Due to the priority of attending to the COVID-19 pandemic by the Alberta government, the Trust has been advised that the tenant will attend to the lease renewal when time allows in the second half of 2021.

CHANGES IN GLA

The table below provides a summary of the changes in GLA for the three months ended March 31, 2021.

In thousands of SF	Retail	Office	Industrial	Total Portfolio
GLA – opening balance – January 1, 2021	**4,642**	**3,240**	**292**	**8,174**
Changes due to re-measurement	**3**	**—**	**—**	**3**
GLA – closing balance – March 31, 2021	**4,645**	**3,240**	**292**	**8,177**
Area under/held for development/sale	**(489)**	**(43)**	**—**	**(532)**
GLA for purposes of occupancy	**4,156**	**3,197**	**292**	**7,645**
Occupied GLA	**3,835**	**2,819**	**272**	**6,926**
Occupied GLA (%)	**92.3 %**	**88.2 %**	**93.3 %**	**90.6 %**

OFFICE OCCUPANCY BY PROVINCE

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

Province	March 31, 2021	March 31, 2020
Alberta	**88.2%**	89.9%
British Columbia	**97.0%**	100.0%
Ontario	**80.4%**	85.2%
Quebec	**93.4%**	93.4%
	88.2%	90.8%

CORPORATE ITEMS

INTEREST EXPENSE

Interest expense totalled $13.3 million for the three months ended March 31, 2021, compared to $14.6 million for the same period in 2020. The components of interest expense are as follows:

INTEREST EXPENSE

For the three months ended March 31,	2021	2020	%
Mortgages payable	**$10,323**	$10,718	(3.7%)
Amortization of deferred financing costs – mortgages	**184**	183	0.5%
Convertible debentures	**1,942**	1,942	—%
Accretion on convertible debentures, net	**267**	253	5.5%
Amortization of deferred financing costs – convertible debentures	**282**	266	6.0%
Lease liabilities	**171**	173	(1.2%)
Bank indebtedness	**151**	753	(79.9%)
Morguard loan payable and other	**110**	447	(75.4%)
Capitalized interest	**(158)**	(163)	(3.1%)
	$13,272	**$14,572**	**(8.9%)**

Interest expense has decreased primarily due to the decrease in weighted average interest rate on mortgages to 3.7% in 2021 as compared to 4.1% in the first quarter of 2020.

FAIR VALUE (LOSSES)/GAINS ON REAL ESTATE PROPERTIES

For the three months ended March 31, 2021, the Trust recorded fair value losses on real estate properties of $14.4 million, versus $121.1 million of fair value losses on real estate properties for 2020.

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

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

FAIR VALUE (LOSSES)/GAINS ON REAL ESTATE PROPERTIES

For the three months ended March 31,	2021	2020
Retail – enclosed regional centres	**($7,109)**	($96,814)
Retail – community strip centres	**730**	(934)
Office	**(11,089)**	(23,552)
Industrial	**3,019**	183
	($14,449)	**($121,117)**

APPRAISAL CAPITALIZATION AND DISCOUNT RATES

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

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

Using the direct capitalization income approach to corroborate the discounted cash flow method, the properties were valued using capitalization rates in the range of 4.3% to 7.8% applied to a stabilized net operating income (2020 – 4.3% to 8.5%), resulting in an overall weighted average capitalization rate of 6.63% (2020 – 6.60%).

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

STABILIZED CAPITALIZATION RATES

	March 31, 2021					December 31, 2020				
	Stabilized Occupancy		**Capitalization Rates**			Stabilized Occupancy		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Retail	**97.0%**	**90.0%**	**7.3%**	**5.3%**	**7.0%**	97.0%	90.0%	7.3%	5.3%	6.8%
Office	**100.0%**	**90.0%**	**7.8%**	**4.3%**	**6.3%**	100.0%	90.0%	8.5%	4.3%	6.5%
Industrial	**100.0%**	**95.0%**	**5.5%**	**5.3%**	**5.4%**	100.0%	95.0%	5.5%	5.3%	5.5%

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

DISCOUNT AND TERMINAL CAPITALIZATION RATES

	March 31, 2021			December 31, 2020		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
RETAIL						
Discount rate	**8.3 %**	**6.0 %**	**7.3 %**	8.3 %	6.0 %	7.3 %
Terminal cap rate	**7.3 %**	**5.3 %**	**6.4 %**	7.3 %	5.3 %	6.4 %
OFFICE						
Discount rate	**8.0 %**	**5.3 %**	**6.4 %**	8.0 %	5.3 %	6.4 %
Terminal cap rate	**7.5 %**	**4.3 %**	**5.5 %**	7.5 %	4.3 %	5.5 %
INDUSTRIAL						
Discount rate	**6.3 %**	**6.0 %**	**6.2 %**	6.5 %	6.0 %	6.2 %
Terminal cap rate	**5.5 %**	**5.5 %**	**5.5 %**	5.8 %	5.5 %	5.5 %

Excluded from the above analysis is a retail property located in British Columbia where the highest and best use is a redevelopment to mixed residential and commercial use. As at March 31, 2021, the value of the property is in the underlying land value with minimal holding income, and it has been valued using recent land sales with comparable redevelopment potential.

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in net operating income, with a lower capitalization rate resulting in a greater impact to the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rate were to increase or decrease by 25 basis points, the value of the income producing properties as at March 31, 2021, would decrease by $83,632 or increase by $90,233, respectively.

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

SENSITIVITY ANALYSIS

For the three months ended March 31, 2021		
Change in capitalization rate	**0.25%**	**(0.25%)**
Retail	**($41,376)**	**$44,461**
Office	**(40,421)**	**43,757**
Industrial	**(1,835)**	**2,015**
	($83,632)	**$90,233**

NET INCOME/(LOSS) FROM EQUITY-ACCOUNTED INVESTMENT

For the three months ended March 31, 2021, the Trust generated $0.5 million of income from its equity-accounted investment compared to $0.6 million in losses for the same three months ended March 31, 2020. The favourable variance of $1.1 million is largely the result of the recorded loss from fair value on the investment of $1.4 million in 2020.

PRODUCTIVE CAPACITY MAINTENANCE EXPENDITURES

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

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

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

The Trust uses normalized PCME to calculate AFFO. Normalized PCME are an estimate made by management of the amount of ongoing capital investment required to maintain the condition of the physical property and current rental revenues. Management considers a number of factors in estimating normalized PCME relative to the growth in age and size of the Trust's property portfolio. Such factors include, but are not limited to, review and analysis of three years of historical capital spending, comparison of each quarter's annualized actual spending activity to annual budgeted capital expenditures as approved by the Trustees and management's expectations and/or plans for the properties. A purposeful decline in spending brought about by the economic impact of COVID-19 has resulted in a decline in the annual normalized PCME to be expected. This has led management to conclude that as of April 1, 2020, normalized PCME had decreased from $25.0 million per annum to $12.5 million (or $3.125 million per quarter) for the remainder of 2020. This metric has been set at $4,625 per quarter in 2021, or $18,500 on an annualized basis.

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

The following table provides a breakdown of actual PCME for the three months ended March 31, 2021, and 2020.

ACTUAL PRODUCTIVE CAPACITY MAINTENANCE EXPENDITURES

For the three months ended March 31,	2021	2020
Leasing commissions	**$659**	$605
Tenant allowances	**1,000**	2,041
Total leasing costs	**1,659**	2,646
Capital expenditures recoverable from tenants	**451**	1,321
Capital expenditures non-recoverable from tenants	**5**	17
Total capital expenditures	**456**	1,338
Total PCME	**2,115**	3,984
Discretionary capital expenditures	**—**	—
Total leasing costs and capital expenditures	**$2,115**	$3,984
Total PCME (above)	**$2,115**	$3,984
Normalized PCME	**4,625**	6,250
Shortfall between total PCME and normalized PCME	**$2,510**	$2,266

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

	Three Months Ended March 31,		
In thousands of dollars, except per unit amounts	**2021**	2020	%
Net income/(loss)	**$4,850**	($102,555)	(104.7%)
Adjustments:			
Fair value losses on real estate properties [1]	**14,494**	122,523	(88.2%)
Amortization of right-of-use assets	**21**	20	5.0%
Payment of lease liabilities, net	**(32)**	(30)	6.7%
Funds from operations – basic	**19,333**	19,958	(3.1%)
Interest expense on convertible debentures	**1,942**	1,942	—%
Funds from operations – diluted	**$21,275**	$21,900	(2.9%)
Funds from operations – basic	**$19,333**	$19,958	(3.1%)
Adjustments:			
Amortized stepped rents [1]	**42**	23	82.6%
Normalized PCME	**(4,625)**	(6,250)	(26.0%)
Adjusted funds from operations – basic	**14,750**	13,731	7.4%
Interest expense on convertible debentures	**1,942**	1,942	—%
Adjusted funds from operations – diluted	**$16,692**	$15,673	6.5%

FUNDS FROM OPERATIONS PER UNIT			
Basic	**$0.30**	$0.33	(9.1%)
Diluted [2]	**$0.29**	$0.32	(9.4%)
ADJUSTED FUNDS FROM OPERATIONS PER UNIT			
Basic	**$0.23**	$0.23	—%
Diluted [2]	**$0.23**	$0.23	—%
DISTRIBUTIONS			
Distributions declared per unit	**$0.08**	$0.24	(66.7%)
Distributions as a percentage of AFFO per unit – basic	**34.8%**	104.3%	(66.6%)
WEIGHTED AVERAGE UNITS OUTSTANDING (IN THOUSANDS)			
Basic	**64,128**	60,738	5.6%
Diluted [2]	**72,707**	69,316	4.9%

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

ADJUSTED CASH FLOW FROM OPERATIONS

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

ADJUSTED CASH FLOW FROM OPERATIONS

For the three months ended March 31,	2021	2020	%
Cash provided by operating activities	**$19,811**	$20,818	(4.8%)
Adjustments:			
Adjustment to working capital changes for ACFO [1]	**3,126**	(3,638)	(185.9%)
Normalized PCME	**(4,625)**	(6,250)	(26.0%)
Actual additions to tenant incentives and leasing commissions	**680**	690	(1.4%)
Amortization of deferred financing costs	**(466)**	(449)	3.8%
Payment of lease liabilities, net	**(32)**	(30)	6.7%
ACFO from equity-accounted investment	**253**	525	(51.8%)
Adjusted cash flow from operations – basic	**18,747**	11,666	60.7%
Interest expense on convertible debentures	**1,942**	1,942	—%
Adjusted cash flow from operations – diluted	**$20,689**	$13,608	52.0%

Adjusted cash flow from operations – basic	**$18,747**	$11,666	60.7%
Distributions declared	**5,132**	14,578	(64.8%)
Excess/(shortfall) adjusted cash flow from operations over distributions declared	**$13,615**	($2,912)	(567.5%)

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

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

ADJUSTMENT TO WORKING CAPITAL CHANGES FOR ACFO

For the three months ended March 31,	2021	2020	%
Development accruals	**$892**	($22)	(4,154.5%)
Prepaid realty taxes and insurance	**4,209**	4,465	(5.7%)
Interest payable and receivable	**(1,808)**	(1,897)	(4.7%)
Insurance claims	**(167)**	293	(157.0%)
Deferrals related to COVID-19 (primarily realty taxes)	**—**	(6,477)	(100.0%)
Adjustment to working capital changes for ACFO	**3,126**	(3,638)	(185.9%)
Net change in non-cash operating assets and liabilities as per the financial statements	**698**	946	(26.2%)
Net working capital changes included in ACFO	**$3,824**	($2,692)	(242.1%)

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

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

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

DISTRIBUTIONS TO UNITHOLDERS

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

The Trust expects to distribute to its unitholders in each year an amount not less than the Trust's taxable income for the year, as calculated in accordance with the *Income Tax Act* (Canada) ("the Act"). The Trust's monthly distribution to unitholders in 2021 was $0.04 per unit for January, and reduced to $0.02 per unit starting with the February distribution payable in March.

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

The following is an analysis of 2021 monthly distributions:

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

PART IV

REAL ESTATE OVERVIEW

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

Income producing properties were affected by additions from the Trust's capital investment programs (including PCME and completed development), which were offset by property dispositions and fair value changes.

PROPERTIES UNDER DEVELOPMENT

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

The following is a list of development projects:

DEVELOPMENT PROJECTS

	Portfolio	Estimated GLA	Est. Project Cost	Spend to Date	Completion Date	Comments
RETAIL						
Pine Centre Mall	Enclosed regional centres	27,400	5,981	3,043	Q1 2022	Anchor tenant remerchandising of former Sears space
Pine Centre Mall	Enclosed regional centres	38,850	15,000	354	Q3 2022	Anchor tenant remerchandising of former Lowe's space for Save-On-Foods
St. Laurent Centre	Enclosed regional centres	76,000	TBD	—	TBD	Anchor tenant remerchandising of portion of former Sears space
Cambridge Centre	Enclosed regional centres	69,000	TBD	—	TBD	Anchor tenant remerchandising of former Sears space
Development projects		**211,250**	**$20,981**	**$3,397**		

The Trust has recently reached an agreement with Save-On-Foods to convert the empty former Lowe's space at Pine Centre into a 38,850 square foot grocery store. The Trust will be providing a turnkey building which will cost approximately $15.0 million and is expected to be completed by Q3 2022. This will be a reduced footprint as compared to the current space which is approximately 119,000 square feet.

DEVELOPMENT PROJECTS – COMPLETED IN 2021 & 2020

		GLA						
	Portfolio	Re-developed	Adjustment [1]	Income Producing	Completion Date	Total Project Cost	Occupancy % [2]	Comments
RETAIL								
Pine Centre Mall	Enclosed regional centres	84,750	(36,000)	48,750	Q2 2020	$10,045	100.0%	Anchor tenant remerchandising of former Sears space
The Centre	Enclosed regional centres	—	—	—	Q1 2021	19,699	N/A	Full-scale mall renovation
		84,750	**(36,000)**	**48,750**		**$29,744**		

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

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

PART V

LIQUIDITY AND CAPITAL RESOURCES

DEBT AND LEVERAGE METRICS

	For the three months ended March 31, 2021	For the twelve months ended December 31, 2020	For the three months ended March 31, 2020
Interest coverage ratio [1]	**2.52**	2.24	2.42
Debt service coverage ratio [1]	**1.45**	1.32	1.46
Debt to assets ratio [2]	**52.6 %**	53.0 %	47.5 %
Weighted average rates on mortgages	**3.7 %**	3.8 %	4.1 %
Average term to maturity on mortgages (years)	**3.5**	3.7	3.5
Distributions as a percentage of AFFO – basic	**34.8 %**	77.1 %	104.3 %
Unencumbered assets to unsecured debt	**169.2 %**	166.8 %	148.8 %
Unencumbered assets	**$326,630**	$321,880	$313,147
Unsecured debt	**$193,000**	$193,000	$210,500
Line of credit availability	**$124,179**	$133,264	$74,601

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 three months ended March 31, 2021	For the twelve months ended December 31, 2020	For the three months ended March 31, 2020
Net operating income	**$31,805**	$127,975	$35,879
General and administrative expenses	**(915)**	(3,596)	(1,078)
Other income	**1,983**	—	—
Net operating income adjusted for items noted above (A)	**32,873**	124,379	34,801
Interest expense	**13,508**	57,332	14,813
Less amortization of deferred financing costs – mortgages	**(184)**	(656)	(183)
Less amortization of deferred financing costs – convertible debentures	**(282)**	(1,053)	(266)
Interest expense net of deferred financing costs (B)	**$13,042**	$55,623	$14,364
Interest coverage ratio (A)/(B)	**2.52**	2.24	2.42
Principal instalment repayments	**$9,579**	$38,420	$9,498
Interest expense net of deferred financing costs	**13,042**	55,623	14,364
Debt service (C)	**$22,621**	$94,043	$23,862
Debt service coverage ratio (A)/(C)	**1.45**	1.32	1.46

1. Calculated on a proportionate share basis.

DEBT TO ASSETS RATIO

	For the three months ended March 31, 2021	For the twelve months ended December 31, 2020	For the three months ended March 31, 2020
Total assets as per financial statements	**$2,550,122**	$2,557,733	$2,837,293
Plus accumulated amortization of furniture, fixtures and equipment	**1,256**	1,256	1,256
Plus accumulated amortization of right of use asset	**186**	165	104
Gross book value of total assets (A)	**2,551,564**	2,559,154	2,838,653
Mortgages payable	**1,113,598**	1,122,720	1,059,297
Convertible debentures	**173,354**	172,805	171,272
Lease liabilities	**10,961**	10,993	11,086
Bank indebtedness	**26,602**	29,417	73,632
Morguard loan payable	**18,000**	18,000	35,500
Total net debt (B)	**1,342,515**	1,353,935	1,350,787
Debt to assets ratio (B)/(A)	**52.6%**	53.0%	47.5%

CASH FLOWS

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

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

For the three months ended March 31,	**2021**	2020	%
Cash provided by operating activities	**$19,811**	$20,818	(4.8%)
Cash used in financing activities	**(15,958)**	(7,420)	115.1%
Cash used in investing activities	**(3,259)**	(12,018)	(72.9%)
Net change in cash	**594**	1,380	(57.0%)
Cash, beginning of period	**8,647**	5,783	49.5%
Cash, end of period	**$9,241**	$7,163	29.0%

Cash provided by operating activities for the three months ended March 31, 2021, decreased 4.8% to $19.8 million in 2021 from $20.8 million in 2020 mainly due to changes in net operating income.

Cash used in financing activities increased to $16.0 million in 2021 from $7.4 million in 2020 mainly due to changes in borrowing on bank lines payable.

Cash used in investing activities decreased to $3.3 million in 2021 from $12.0 million in 2020 due to reduced capital and development expenditures in 2021 compared to the same period in 2020.

DEBT STRATEGY

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

The Trust is limited by its Declaration of Trust to an overall indebtedness ratio of 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	March 31, 2021	%	December 31, 2020	%	March 31, 2020	%
Conventional secured mortgages payable	**$1,116,031**	**83.0 %**	$1,125,337	82.9 %	$1,061,604	78.4 %
Unsecured convertible debentures	**174,199**	**12.9 %**	173,932	12.8 %	173,186	12.8 %
Secured floating rate bank financing	**26,602**	**2.0 %**	29,417	2.2 %	73,632	5.4 %
Lease liabilities	**10,961**	**0.8 %**	10,993	0.8 %	11,086	0.8 %
Unsecured floating rate loan payable	**18,000**	**1.3 %**	18,000	1.3 %	35,500	2.6 %
Gross debt	**1,345,793**	**100.0 %**	1,357,679	100.0 %	1,355,008	100.0 %
Less deferred financing costs:						
Mortgages	**(2,433)**		(2,617)		(2,307)	
Convertible debentures	**(845)**		(1,127)		(1,914)	
Net debt	**$1,342,515**		$1,353,935		$1,350,787	

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 March 31, 2021, together with the weighted average contractual rate on debt maturing in the years indicated. Also highlighted is the Trust's up-financing opportunity in relation to the fair value of encumbered properties relative to their respective maturing debt.

AGGREGATE MATURITIES

Year	Mortgage Maturity Payments	Scheduled Principal Repayments	Total Mortgages Payable	Debentures Payable	Bank Indebtedness	Revolving Loan	Lease Liabilities	Total Debt
2021	$169,271	$26,596	$195,867	$175,000	$26,602	$18,000	$99	$415,568
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
	$970,896	**$145,135**	**$1,116,031**	**$175,000**	**$26,602**	**$18,000**	**$10,961**	**$1,346,594**

INTEREST RATES

Year	Mortgages Payable	Debentures Payable	Bank Indebtedness	Revolving Loan	Lease Liabilities	Total Debt
2021	3.59 %	4.50 %	3.04 %	2.47 %	— %	3.91 %
2022	3.84 %	— %	— %	— %	— %	3.84 %
2023	3.74 %	— %	— %	— %	7.25 %	3.74 %
2024	4.08 %	— %	— %	— %	— %	4.08 %
2025	3.21 %	— %	— %	— %	— %	3.21 %
Thereafter	3.69 %	— %	— %	— %	6.22 %	3.81 %
	3.72 %	**4.50 %**	**3.04 %**	**2.47 %**	**6.24 %**	**3.81 %**

FAIR VALUE OF ENCUMBERED PROPERTIES RELATIVE TO MATURING DEBT

Year	Mortgage Maturity Payments	Scheduled Principal Repayments	Total	Fair Value of Encumbered Assets	Leverage
2021	$169,271	$2,027	$171,298	$438,600	39.1%
2022	171,560	12,928	184,488	235,590	78.3%
2023	208,194	17,636	225,830	350,700	64.4%
2024	172,224	22,672	194,896	341,630	57.0%
2025	115,653	21,047	136,700	311,000	44.0%
Thereafter	133,994	68,825	202,819	394,650	51.4%
	$970,896	**$145,135**	**$1,116,031**	**$2,072,170**	**53.9%**

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

CREDIT FACILITIES

As at March 31, 2021, the Trust has secured floating rate bank financing availability totalling $110.0 million, which renews annually and is secured by fixed charges on specific properties owned by the Trust. The bank credit agreements include certain restrictive covenants and undertakings by the Trust. As at March 31, 2021, the Trust was in compliance with all covenants and undertakings.

LIQUIDITY

As at	March 31, 2021	December 31, 2020
Availability of bank lines of credit	**$110,000**	$110,000
Availability of Morguard loan payable	**75,000**	75,000
Availability	**185,000**	185,000
Other deductions and adjustments	**(16,219)**	(4,319)
Bank indebtedness outstanding	**(26,602)**	(29,417)
Morguard loan payable outstanding	**(18,000)**	(18,000)
Subtotal	**124,179**	**133,264**
Cash	**9,241**	8,647
Liquidity	**$133,420**	**$141,911**

PART VI

ACCOUNTING POLICIES AND OTHER ITEMS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Trust's condensed consolidated financial statements for the three months ended March 31, 2021, and 2020, have been prepared in accordance with IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual consolidated financial statements, except for the adoption of current accounting policies as described below, and should be read in conjunction with the most recent annual audited consolidated financial statements.

The MD&A for the year ended December 31, 2020, contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being primarily the accounting policies relating to estimates of fair value of real estate properties. Management determined that as at March 31, 2021, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the MD&A for the year ended December 31, 2020.

RISKS AND UNCERTAINTIES

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

RELATED PARTY TRANSACTIONS

Related party transactions are summarized as follows:

(a) Agreement with Morguard Investments Limited

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

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

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

For the three months ended March 31,	2021	2020
Property management fees [1]	**$2,077**	$2,269
Appraisal/valuation fees	**88**	89
Information services	**55**	55
Leasing fees	**708**	564
Project administration fees	**52**	80
Project management fees	**18**	72
Risk management fees	**89**	93
Internal audit fees	**31**	36
Off-site administrative charges	**471**	461
Rental revenue	**(49)**	(51)
	$3,540	$3,668

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

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

As at	March 31, 2021	December 31, 2020
Amounts payable to/(receivable from) MIL, net	**$491**	($1,294)

(b) Revolving Loan with Morguard

The Trust has a revolving loan agreement with Morguard that provides for borrowings or advances of up to $75,000. The promissory notes are interest bearing at the lender's borrowing rate and are due on demand subject to available funds.

Morguard Loan Payable

During the three months ended March 31, 2021, there were no advances or repayments, and as at March 31, 2021, $18,000 remains payable to Morguard (December 31, 2020 – $18,000). For the three months ended March 31, 2021, the Trust incurred interest expense in the amount of $110 (2020 – $409) at an average interest rate of 2.47% (2020 – 4.49%).

Morguard Loan Receivable

During the three months ended March 31, 2021, there were no advances or repayments, and as at March 31, 2021, there was no loan receivable from Morguard (December 31, 2020 – $nil). For the three months ended March 31, 2021, and 2020, the Trust did not earn interest income on loans receivable from Morguard. The interest income earned from Morguard is included with other income on the statements of income/(loss) and comprehensive income/(loss).

(c) Sublease with Morguard (Excluding MIL)

The Trust subleases office space from Morguard. For the three months ended March 31, 2021, the Trust incurred rent expense in the amount of $56 (2020 – $56).

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

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

As at	March 31, 2021	December 31, 2020
Amounts receivable	**$113**	$68
Accounts payable and accrued liabilities	**$56**	$38

(e) Rental Revenue from Morguard (Excluding MIL)

Morguard is a tenant in one of the Trust's properties. For the three months ended March 31, 2021, the Trust earned rental revenue in the amount of $29 (2020 – $28).

FINANCIAL INSTRUMENTS

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

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

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

(a) Mortgages Payable

Mortgages payable are carried at amortized cost using the effective interest rate method of amortization. The estimated fair values of long-term borrowings are based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the Trust as at March 31, 2021.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using March 31, 2021, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2021, of the mortgages payable has been estimated at $1,148,186 (December 31, 2020 – $1,177,633) compared with the carrying value before deferred financing costs of $1,116,031 (December 31, 2020 – $1,125,337). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(b) Convertible Debentures

The fair value of the Convertible Debentures is based on their market trading price (TSX: MRT.DB) (Level 1). The fair value as at March 31, 2021, of the Convertible Debentures has been estimated at $174,563 (December 31, 2020 – $171,500) compared with the carrying value before deferred financing costs of $174,199 (December 31, 2020 – $173,932).

PART VII

CONTROLS AND PROCEDURES CONCERNING FINANCIAL INFORMATION

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

The Trust's management has evaluated the effectiveness of the Trust's disclosure controls and procedures and, based on such evaluation, has concluded that their design is adequate and effective for the three months ended March 31, 2021. The Trust's management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that the design is effective for the three months ended March 31, 2021.

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

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

PART VIII

FINANCIAL STATEMENTS AT THE TRUST'S OWNERSHIP SHARE

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

BALANCE SHEETS – AT THE TRUST'S OWNERSHIP SHARE

As at March 31, 2021	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
ASSETS			
Non-current assets			
Real estate properties	**$2,489,994**	**$44,500**	**$2,534,494**
Right-of-use asset	**221**	**—**	**221**
Equity-accounted investment	**20,207**	**(20,207)**	**—**
	2,510,422	**24,293**	**2,534,715**
Current assets			
Amounts receivable	**22,184**	**4**	**22,188**
Prepaid expenses and other	**8,275**	**57**	**8,332**
Cash	**9,241**	**332**	**9,573**
	39,700	**393**	**40,093**
Total assets	**$2,550,122**	**$24,686**	**$2,574,808**
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	**$900,683**	**$—**	**$900,683**
Lease liabilities	**10,827**	**—**	**10,827**
Accounts payable and accrued liabilities	**4,851**	**4**	**4,855**
	916,361	**4**	**916,365**
Current liabilities			
Mortgages payable	**212,915**	**23,980**	**236,895**
Convertible debentures	**173,354**	**—**	**173,354**
Lease liabilities	**134**	**—**	**134**
Accounts payable and accrued liabilities	**45,338**	**702**	**46,040**
Morguard Loan payable	**18,000**	**—**	**18,000**
Bank indebtedness	**26,602**	**—**	**26,602**
	476,343	**24,682**	**501,025**
Total liabilities	**1,392,704**	**24,686**	**1,417,390**
Unitholders' equity	**1,157,418**	**—**	**1,157,418**
	$2,550,122	**$24,686**	**$2,574,808**

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

For the three months ended March 31, 2021	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
Revenue from real estate properties	**$60,970**	**$1,267**	**$62,237**
Property operating costs			
Property operating expenses	**(15,107)**	**(317)**	**(15,424)**
Property taxes	**(12,749)**	**(158)**	**(12,907)**
Property management fees	**(2,056)**	**(45)**	**(2,101)**
	31,058	**747**	**31,805**
Interest expense	**(13,272)**	**(236)**	**(13,508)**
General and administrative	**(915)**	**—**	**(915)**
Amortization expense	**(21)**	**—**	**(21)**
Other income	**1,983**	**—**	**1,983**
Fair value losses on real estate properties	**(14,449)**	**(45)**	**(14,494)**
Net income from equity-accounted investment	**466**	**(466)**	**—**
Net income and comprehensive income	**$4,850**	**$—**	**$4,850**

For the three months ended March 31, 2020	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
Revenue from real estate properties	$66,373	$1,628	$68,001
Property operating costs			
Property operating expenses	(16,751)	(357)	(17,108)
Property taxes	(12,551)	(174)	(12,725)
Property management fees	(2,243)	(46)	(2,289)
	34,828	**1,051**	**35,879**
Interest expense	(14,572)	(241)	(14,813)
General and administrative	(1,080)	2	(1,078)
Amortization expense	(20)	—	(20)
Fair value losses on real estate properties	(121,117)	(1,406)	(122,523)
Net loss from equity-accounted investment	(594)	594	—
Net loss and comprehensive loss	**($102,555)**	**$—**	**($102,555)**

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

For the three months ended March 31, 2021	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
OPERATING ACTIVITIES			
Net income	**$4,850**	**$—**	**$4,850**
Add items not affecting cash	**14,188**	**511**	**14,699**
Distributions from equity-accounted investment, net	**755**	**(755)**	**—**
Additions to tenant incentives and leasing commissions	**(680)**	**—**	**(680)**
Net change in non-cash operating assets and liabilities	**698**	**461**	**1,159**
Cash provided by operating activities	**19,811**	**217**	**20,028**
FINANCING ACTIVITIES			
Repayment of mortgages			
Principal instalment repayments	**(9,306)**	**(273)**	**(9,579)**
Payment of lease liabilities, net	**(32)**	**—**	**(32)**
Repayment of bank indebtedness, net	**(2,815)**	**—**	**(2,815)**
Distributions to unitholders	**(3,805)**	**—**	**(3,805)**
Cash used in financing activities	**(15,958)**	**(273)**	**(16,231)**
INVESTING ACTIVITIES			
Capital expenditures on real estate properties	**(1,390)**	**(45)**	**(1,435)**
Expenditures on properties under development	**(1,869)**	**—**	**(1,869)**
Cash used in investing activities	**(3,259)**	**(45)**	**(3,304)**
Net change in cash	**594**	**(101)**	**493**
Cash, beginning of period	**8,647**	**433**	**9,080**
Cash, end of period	**$9,241**	**$332**	**$9,573**

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

For the three months ended March 31, 2020	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
OPERATING ACTIVITIES			
Net loss	($102,555)	$—	($102,555)
Add items not affecting cash	122,662	918	123,580
Distributions from equity-accounted investment, net	455	(455)	—
Additions to tenant incentives and leasing commissions	(690)	—	(690)
Net change in non-cash operating assets and liabilities	946	18	964
Cash provided by operating activities	**20,818**	**481**	**21,299**
FINANCING ACTIVITIES			
Repayment of mortgages			
Principal instalment repayments	(9,234)	(264)	(9,498)
Payment of lease liabilities, net	(30)	—	(30)
Proceeds from bank indebtedness, net	8,474	—	8,474
Proceeds from Morguard loan payable, net	3,000	—	3,000
Distributions to unitholders	(9,630)	—	(9,630)
Cash used in financing activities	**(7,420)**	**(264)**	**(7,684)**
INVESTING ACTIVITIES			
Capital expenditures on real estate properties	(3,187)	(107)	(3,294)
Expenditures on properties under development	(8,831)	—	(8,831)
Cash used in investing activities	**(12,018)**	**(107)**	**(12,125)**
Net change in cash	**1,380**	**110**	**1,490**
Cash, beginning of period	5,783	573	6,356
Cash, end of period	**$7,163**	**$683**	**$7,846**

PART IX

SUMMARY OF QUARTERLY RESULTS

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

SUMMARY OF SELECTED QUARTERLY INFORMATION

In thousands of dollars, except per unit amounts	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenue from real estate properties	**$60,970**	$67,495	$60,596	$59,300	$66,373	$69,249	$66,363	$67,008
Net operating income	**31,058**	33,253	28,497	27,200	34,828	38,757	36,387	36,957
Fair value losses on real estate properties	**(14,449)**	(85,804)	(101,415)	(111,430)	(121,117)	(28,640)	(14,928)	(24,602)
Net income/(loss)	**4,850**	(67,934)	(88,116)	(98,814)	(102,555)	(3,628)	6,254	(4,701)
Funds from operations	**19,333**	19,447	14,367	13,152	19,958	24,088	21,721	21,999
Adjusted funds from operations [3]	**14,750**	16,350	11,451	10,032	13,731	17,570	15,796	15,838
Net income/(loss) – basic	**$0.08**	($1.07)	($1.41)	($1.60)	($1.69)	($0.06)	$0.10	($0.08)
Net income/(loss) – diluted	**$0.08**	($1.07)	($1.41)	($1.60)	($1.69)	($0.06)	$0.10	($0.08)
Funds from operations – basic	**$0.30**	$0.31	$0.23	$0.21	$0.33	$0.40	$0.36	$0.36
Funds from operations – diluted	**$0.29**	$0.30	$0.23	$0.21	$0.32	$0.38	$0.34	$0.35
Adjusted funds from operations – basic [3]	**$0.23**	$0.26	$0.18	$0.16	$0.23	$0.29	$0.26	$0.26
Adjusted funds from operations – diluted [3]	**$0.23**	$0.25	$0.18	$0.16	$0.23	$0.28	$0.26	$0.26
Cash distributions per unit	**$0.08**	$0.12	$0.12	$0.16	$0.24	$0.24	$0.24	$0.24
Payout ratio – Adjusted funds from operations	**34.8%**	46.2%	66.7%	100.0%	104.3%	82.8%	92.3%	92.3%
Weighted average number of units as at quarter-end (in thousands)								
Basic	**64,128**	63,499	62,606	61,567	60,738	60,727	60,715	60,705
Balance sheets								
Total assets	**$2,550,122**	$2,557,733	$2,647,128	$2,750,019	$2,837,293	$2,937,341	$2,955,425	$2,983,511
Total gross debt	**$1,345,793**	$1,357,679	$1,362,838	$1,372,814	$1,355,008	$1,352,545	$1,347,772	$1,351,807
Total equity	**$1,157,418**	$1,157,658	$1,227,973	$1,319,042	$1,420,423	$1,537,468	$1,555,501	$1,563,684
Gross leasable area as at quarter-end (in thousands of square feet) [1]								
Retail	**4,645**	4,642	4,642	4,652	4,716	4,778	4,752	4,749
Office	**3,240**	3,240	3,240	3,240	3,240	3,240	3,240	3,240
Industrial	**292**	292	292	292	292	292	292	534
Total	**8,177**	8,174	8,174	8,184	8,248	8,310	8,284	8,523
Occupancy as at quarter-end (%) [2]								
Retail	**92.3%**	94.6%	94.0%	94.5%	94.2%	95.1%	94.6%	94.2%
Office	**88.2%**	88.7%	89.9%	90.6%	90.8%	91.6%	91.7%	91.7%
Industrial	**93.3%**	93.3%	94.2%	94.9%	96.5%	90.7%	90.3%	90.3%
Total	**90.6%**	92.1%	92.3%	92.9%	92.9%	93.5%	93.3%	93.0%

1. Excludes equity-accounted investment.
2. Excludes properties held for sale, area either held for, or under, development and equity-accounted investment.
3. The Trust uses normalized productive capacity maintenance expenditures to calculate adjusted funds from operations.

PART X

PROPERTY LISTING

RETAIL PROPERTIES

Property	City	Province	Ownership Interest (%)	Gross Area (SF)	Ownership Area (SF)
Burquitlam Plaza	Coquitlam	BC	100	68,000	68,000
Pine Centre Mall	Prince George	BC	100	446,500	446,500
Shelbourne Plaza	Victoria	BC	100	57,000	57,000
Airdrie Co-op Centre	Airdrie	AB	100	70,000	70,000
2649 Main Street South	Airdrie	AB	100	44,000	44,000
Heritage Towne Centre	Calgary	AB	100	131,000	131,000
Prairie Mall	Grande Prairie	AB	50	263,000	131,500
Parkland Mall	Red Deer	AB	100	444,500	444,500
The Centre	Saskatoon	SK	100	498,500	498,500
Shoppers Mall	Brandon	MB	100	361,000	361,000
Charleswood Centre	Winnipeg	MB	100	123,000	123,000
Southdale Centre	Winnipeg	MB	100	175,500	175,500
Aurora Centre	Aurora	ON	100	304,000	304,000
Cambridge Centre	Cambridge	ON	100	650,000	650,000
Market Square	Kanata	ON	100	68,000	68,000
Wonderland Corners	London	ON	100	46,500	46,500
Kingsbury Centre	Mississauga	ON	100	70,000	70,000
Hampton Park Plaza	Ottawa	ON	100	102,000	102,000
St. Laurent	Ottawa	ON	100	797,500	797,500
Woodbridge Square	Vaughan	ON	50	112,000	56,000
Total Retail (20)				**4,832,000**	**4,644,500**

OFFICE PROPERTIES

Property	City	Province	Ownership Interest (%)	Gross Area (SF)	Ownership Area (SF)
111 Dunsmuir	Vancouver	BC	100	222,000	222,000
Chancery Place	Vancouver	BC	100	142,500	142,500
Seymour Place	Victoria	BC	100	235,500	235,500
505 3rd Street SW	Calgary	AB	50	142,000	71,000
7315 8th Street NE	Calgary	AB	100	19,500	19,500
Centre 810	Calgary	AB	100	77,500	77,500
Citadel West	Calgary	AB	100	78,500	78,500
Deerport Centre	Calgary	AB	100	49,000	49,000
Duncan Building	Calgary	AB	100	81,000	81,000
National Bank Building	Calgary	AB	100	43,500	43,500
207 and 215 9th Avenue SW	Calgary	AB	100	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	377,000	188,500
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)				**5,024,000**	**3,393,000**

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**

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BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	March 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
Real estate properties	3	**$2,489,994**	$2,499,955
Right-of-use asset	4	**221**	242
Equity-accounted investment	5	**20,207**	20,496
		2,510,422	2,520,693
Current assets			
Amounts receivable	6	**22,184**	27,756
Prepaid expenses and other		**8,275**	637
Cash		**9,241**	8,647
		39,700	37,040
Total assets		**$2,550,122**	$2,557,733
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	8	**$900,683**	$918,256
Lease liabilities	10	**10,827**	10,862
Accounts payable and accrued liabilities		**4,851**	5,230
		916,361	934,348
Current liabilities			
Mortgages payable	8	**212,915**	204,464
Convertible debentures	9	**173,354**	172,805
Lease liabilities	10	**134**	131
Accounts payable and accrued liabilities		**45,338**	40,910
Morguard loan payable	15(b)	**18,000**	18,000
Bank indebtedness	11	**26,602**	29,417
		476,343	465,727
Total liabilities		**1,392,704**	1,400,075
Unitholders' equity		**1,157,418**	1,157,658
		$2,550,122	$2,557,733
Commitments and contingencies	18		

See accompanying notes to the condensed consolidated financial statements.

On behalf of the Trustees:

(Signed) "K. Rai Sahi"

K. Rai Sahi,
Chairman of the Board of Trustees

(Signed) "Bart S. Munn"

Bart S. Munn,
Trustee

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

In thousands of Canadian dollars, except per unit amounts

For the three months ended March 31,	Note	2021	2020
Revenue from real estate properties	12	**$60,970**	$66,373
Property operating costs			
Property operating expenses	13(a)	**(15,107)**	(16,751)
Property taxes		**(12,749)**	(12,551)
Property management fees		**(2,056)**	(2,243)
		31,058	34,828
Interest expense	14	**(13,272)**	(14,572)
General and administrative	13(b)	**(915)**	(1,080)
Amortization expense		**(21)**	(20)
Other income		**1,983**	—
Fair value losses on real estate properties	3	**(14,449)**	(121,117)
Net income/(loss) from equity-accounted investment	5	**466**	(594)
Net income/(loss) and comprehensive income/(loss)		**$4,850**	($102,555)
NET INCOME/(LOSS) PER UNIT	16(d)		
Basic		**$0.08**	($1.69)
Diluted		**$0.08**	($1.69)

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF UNITHOLDERS' EQUITY

In thousands of Canadian dollars, except number of units

	Number of Units	Issue of Units	Retained Earnings	Equity Component of Convertible Debentures	Contributed Surplus	Total Unitholders' Equity
Unitholders' equity, January 1, 2020	60,735,539	$612,680	$918,330	$4,594	$1,864	$1,537,468
Net loss	—	—	(102,555)	—	—	(102,555)
Distributions to unitholders	—	—	(14,490)	—	—	(14,490)
Issue of units – DRIP [1]	7,391	88	(88)	—	—	—
Unitholders' equity, March 31, 2020	60,742,930	612,768	801,197	4,594	1,864	1,420,423
Repurchase of units	(197,300)	(1,944)	991	—	—	(953)
Net loss	—	—	(254,864)	—	—	(254,864)
Distributions to unitholders	—	—	(6,948)	—	—	(6,948)
Issue of units – DRIP [1]	3,579,585	18,086	(18,086)	—	—	—
Unitholders' equity, December 31, 2020	64,125,215	628,910	522,290	4,594	1,864	1,157,658
Net income	**—**	**—**	**4,850**	**—**	**—**	**4,850**
Distributions to unitholders	**—**	**—**	**(5,090)**	**—**	**—**	**(5,090)**
Issue of units – DRIP [1]	**7,915**	**42**	**(42)**	**—**	**—**	**—**
Unitholders' equity, March 31, 2021	**64,133,130**	**$628,952**	**$522,008**	**$4,594**	**$1,864**	**$1,157,418**

1. Distribution Reinvestment Plan ("DRIP").

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

For the three months ended March 31,	Note	2021	2020
OPERATING ACTIVITIES			
Net income/(loss)		**$4,850**	($102,555)
Add items not affecting cash	17(a)	**14,188**	122,662
Distributions from equity-accounted investment, net	5	**755**	455
Additions to tenant incentives and leasing commissions		**(680)**	(690)
Net change in non-cash operating assets and liabilities	17(b)	**698**	946
Cash provided by operating activities		**19,811**	20,818
FINANCING ACTIVITIES			
Repayment of mortgages			
Principal instalment repayments		**(9,306)**	(9,234)
Payment of lease liabilities, net		**(32)**	(30)
(Repayment of)/proceeds from bank indebtedness, net	11	**(2,815)**	8,474
Proceeds from Morguard loan payable, net	15(b)	**—**	3,000
Distributions to unitholders		**(3,805)**	(9,630)
Cash used in financing activities		**(15,958)**	(7,420)
INVESTING ACTIVITIES			
Capital expenditures on real estate properties		**(1,390)**	(3,187)
Expenditures on properties under development		**(1,869)**	(8,831)
Cash used in investing activities		**(3,259)**	(12,018)
Net change in cash		**594**	1,380
Cash, beginning of period		**8,647**	5,783
Cash, end of period		**$9,241**	$7,163

See accompanying notes to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

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

NOTE 1

NATURE AND FORMATION OF THE TRUST

Morguard Real Estate Investment Trust (the "Trust") is a "closed-end" real estate investment trust governed pursuant to an amended and restated declaration of trust dated February 17, 2021 ("the Declaration of Trust"), under, and governed by, the laws of the Province of Ontario. The Trust commenced active operations on October 14, 1997. The Trust units trade on the Toronto Stock Exchange ("TSX") under the symbol "MRT.UN". The Trust owns a diverse portfolio of retail, office and industrial properties located in six Canadian provinces. The Trust's head office is located at 55 City Centre Drive, Suite 1000, Mississauga, Ontario, L5B 1M3.

The Trust has a property management agreement with Morguard Investments Limited ("MIL"), a subsidiary of Morguard Corporation ("Morguard"). Morguard is the parent company of the Trust, owning 60.9% of the outstanding units as at March 31, 2021. Morguard is a real estate company that owns a diversified portfolio of multi-suite residential, retail, hotel, office and industrial properties. Morguard also provides advisory and management services to institutional and other investors.

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

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

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

The condensed consolidated financial statements were approved and authorized for issue by the Trustees on April 28, 2021.

The Trust has incorporated the potential impact of the coronavirus ("COVID-19") into its significant estimates and assumptions that affect the reported amounts of its assets, liabilities, net income/(loss) and related disclosures using available information as at March 31, 2021.

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 to determine fair value.

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

NOTE 3

REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at	March 31, 2021	December 31, 2020
Income producing properties	**$2,440,722**	$2,433,856
Properties under development	**11,422**	29,299
Held for development	**37,850**	36,800
	$2,489,994	$2,499,955

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

	Income Producing Properties	Properties Under Development	Held for Development	Total Real Estate Properties
Balance as at December 31, 2019	$2,834,394	$18,909	$38,800	$2,892,103
Additions:				
Capital expenditures/capitalized costs	6,649	22,166	—	28,815
Tenant improvements, tenant incentives and commissions	6,491	—	—	6,491
Transfers	11,776	(11,776)	—	—
Disposition	(1,608)	—	(5,192)	(6,800)
Fair value (losses)/gains	(422,958)	—	3,192	(419,766)
Other changes	(888)	—	—	(888)
Balance as at December 31, 2020	**2,433,856**	**29,299**	**36,800**	**2,499,955**
Additions:				
Capital expenditures/capitalized costs	411	1,869	—	2,280
Tenant improvements, tenant incentives and commissions	1,659	—	—	1,659
Transfers	19,746	(19,746)	—	—
Fair value (losses)/gains	(15,499)	—	1,050	(14,449)
Other changes	549	—	—	549
Balance as at March 31, 2021	**$2,440,722**	**$11,422**	**$37,850**	**$2,489,994**

APPRAISAL CAPITALIZATION AND DISCOUNT RATES

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

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

Using the direct capitalization income approach to corroborate the discounted cash flow method, the properties were valued using capitalization rates in the range of 4.3% to 7.8% applied to a stabilized net operating income (December 31, 2020 – 4.3% to 8.5%), resulting in an overall weighted average capitalization rate of 6.63% (December 31, 2020 – 6.60%).

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

	March 31, 2021					December 31, 2020				
	Stabilized Occupancy		**Capitalization Rates**			Stabilized Occupancy		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Retail	**97.0%**	**90.0%**	**7.3%**	**5.3%**	**7.0%**	97.0%	90.0%	7.3%	5.3%	6.8%
Office	**100.0%**	**90.0%**	**7.8%**	**4.3%**	**6.3%**	100.0%	90.0%	8.5%	4.3%	6.5%
Industrial	**100.0%**	**95.0%**	**5.5%**	**5.3%**	**5.4%**	100.0%	95.0%	5.5%	5.3%	5.5%

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

	March 31, 2021			December 31, 2020		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
RETAIL						
Discount rate	**8.3 %**	**6.0 %**	**7.3 %**	8.3 %	6.0 %	7.3 %
Terminal cap rate	**7.3 %**	**5.3 %**	**6.4 %**	7.3 %	5.3 %	6.4 %
OFFICE						
Discount rate	**8.0 %**	**5.3 %**	**6.4 %**	8.0 %	5.3 %	6.4 %
Terminal cap rate	**7.5 %**	**4.3 %**	**5.5 %**	7.5 %	4.3 %	5.5 %
INDUSTRIAL						
Discount rate	**6.3 %**	**6.0 %**	**6.2 %**	6.5 %	6.0 %	6.2 %
Terminal cap rate	**5.5 %**	**5.5 %**	**5.5 %**	5.8 %	5.5 %	5.5 %

Excluded from the above analysis is a retail property located in British Columbia where the highest and best use is a redevelopment to mixed residential and commercial use. As at March 31, 2021, the value of the property is in the underlying land value with minimal holding income, and it has been valued using recent land sales with comparable redevelopment potential.

Fair values are most sensitive to changes in discount rates, capitalization rates and stabilized or forecast net operating income. Generally, an increase in net operating income will result in an increase in the fair value of the income producing properties, and an increase in capitalization rates will result in a decrease in the fair value of the properties. The capitalization rate magnifies the effect of a change in net operating income, with a lower capitalization rate resulting in a greater impact to the fair value of the property than a higher capitalization rate. If the weighted average stabilized capitalization rate were to increase or decrease by 25 basis points, the value of the income producing properties as at March 31, 2021, would decrease by $83,632 or increase by $90,233, respectively.

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

For the three months ended March 31, 2021		
Change in capitalization rate	**0.25%**	**(0.25%)**
Retail	**($41,376)**	**$44,461**
Office	**(40,421)**	**43,757**
Industrial	**(1,835)**	**2,015**
	($83,632)	**$90,233**

NOTE 4
RIGHT-OF-USE ASSET

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

As at	March 31, 2021	December 31, 2020
Balance, beginning of period	**$242**	$324
Amortization expense	**(21)**	(82)
Balance, end of period	**$221**	$242

NOTE 5
EQUITY-ACCOUNTED INVESTMENT

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

As at	March 31, 2021	December 31, 2020
Balance, beginning of period	**$20,496**	$23,705
Equity income/(loss)	**466**	(1,386)
Distributions to partners	**(755)**	(2,480)
Contributions from partners	**—**	657
Balance, end of period	**$20,207**	$20,496

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

As at	March 31, 2021	December 31, 2020
Real estate property	**$44,500**	$44,500
Current assets	**393**	576
Total assets	**44,893**	45,076
Non-current liabilities	**(4)**	—
Current liabilities	**(24,682)**	(24,580)
Net equity	**$20,207**	$20,496

For the three months ended March 31,	2021	2020
Revenue from real estate property	**$1,267**	$1,628
Property operating expenses	**(520)**	(577)
Net operating income	**747**	1,051
Interest and other	**(236)**	(239)
Fair value losses on real estate property	**(45)**	(1,406)
Net income/(loss)	**$466**	($594)

The real estate property included above in the Trust's equity-accounted investment is appraised using a number of approaches that typically include a discounted cash flow analysis, a direct capitalization approach and a direct comparison approach. As at March 31, 2021, the property was valued using a discount rate of 7.3% (December 31, 2020 – 7.3%), a terminal cap rate of 6.5% (December 31, 2020 – 6.5%) and a stabilized cap rate of 6.3% (December 31, 2020 – 6.5%). The stabilized annual net operating income as at March 31, 2021, was $3,217 (December 31, 2020 – $2,927).

NOTE 6
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at	March 31, 2021	December 31, 2020
Tenant receivables (including deferrals)	**$20,334**	$22,147
Unbilled other tenant receivables	**2,668**	2,991
Receivables from related parties	**2,278**	2,498
Other	**5,778**	8,939
Allowance for expected credit loss	**(8,874)**	(8,819)
	$22,184	$27,756

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 March 31, 2021, includes estimates of the uncertainty of the recoverability of rents related to tenants, of the uncertainty of the recoverability on short-term rent deferrals, of rent reductions provided to tenants related to rents already recognized as a receivable when the tenant made a request for financial assistance and of the uncertainty of the recoverability of all other receivables.

NOTE 7
CO-OWNERSHIP INTERESTS

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

			Trust's Ownership Share	
Jointly Controlled Operations	**Location**	**Property Type**	**2021**	2020
505 Third Street	Calgary, AB	Office	**50%**	50%
Scotia Place	Edmonton, AB	Office	**20%**	20%
Prairie Mall	Grande Prairie, AB	Retail	**50%**	50%
Heritage Place	Ottawa, ON	Office	**50%**	50%
Standard Life Centre	Ottawa, ON	Office	**50%**	50%
77 Bloor	Toronto, ON	Office	**50%**	50%
Woodbridge Square	Woodbridge, ON	Retail	**50%**	50%
Place Innovation	Saint-Laurent, QC	Office	**50%**	50%

The following amounts, included in these condensed consolidated financial statements, represent the Trust's proportionate share of the assets and liabilities of its co-ownerships as at March 31, 2021 and December 31, 2020, and the results of operations for the three months ended March 31, 2021 and 2020:

As at	**March 31, 2021**	December 31, 2020
Assets	**$472,861**	$475,679
Liabilities	**$233,339**	$233,725

For the three months ended March 31,	**2021**	2020
Revenue	**$11,361**	$12,767
Expenses	**(7,023)**	(7,990)
Income before fair value adjustments	**4,338**	4,777
Fair value losses on real estate properties	**(3,410)**	(10,726)
Net income/(loss)	**$928**	($5,949)

NOTE 8
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	March 31, 2021	December 31, 2020
Mortgages payable before deferred financing costs	**$1,116,031**	$1,125,337
Deferred financing costs	**(2,433)**	(2,617)
Mortgages payable	**$1,113,598**	$1,122,720
Mortgages payable – non-current	**$900,683**	$918,256
Mortgages payable – current	**212,915**	204,464
Mortgages payable	**$1,113,598**	$1,122,720
Range of interest rates	**2.7% to 4.9%**	2.7% to 5.5%
Weighted average term to maturity (years)	**3.5**	3.7

The aggregate principal repayments and balances maturing on the mortgages payable as at March 31, 2021, together with the weighted average contractual rate on debt maturing in the year indicated, are as follows:

	Principal Instalment Repayments	Balances Maturing	Total	Weighted Average Contractual Rate on Balance Maturing
2021 (remainder of year)	$26,596	$169,271	$195,867	3.6 %
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 %
	$145,135	**$970,896**	**$1,116,031**	**3.7 %**

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

NOTE 9
CONVERTIBLE DEBENTURES
Debentures

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

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

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

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

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

The Convertible Debentures payable consist of the following:

As at	March 31, 2021	December 31, 2020
Convertible debentures – liability	**$170,267**	$170,267
Convertible debentures – accretion	**3,932**	3,665
Convertible debentures before issue costs	**174,199**	173,932
Issue costs	**(845)**	(1,127)
Convertible debentures	**$173,354**	$172,805

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	March 31, 2021	December 31, 2020
Balance, beginning of period	**$10,993**	$11,116
Lease payments	**(203)**	(812)
Interest	**171**	689
Balance, end of period	**$10,961**	$10,993
Current	**$134**	$131
Non-current	**10,827**	10,862
	$10,961	$10,993
Weighted average borrowing rate	**6.2 %**	6.2 %

NOTE 11

BANK INDEBTEDNESS

The Trust has operating lines of credit totalling $110,000 (December 31, 2020 – $110,000), which renew annually and are secured by fixed charges on specific properties owned by the Trust. One of these lines is subject to cash flow tests based on the operating results of the secured properties. As at March 31, 2021, there is a maximum of $95,000 available.

As at March 31, 2021, the Trust had borrowed $26,602 (December 31, 2020 – $29,417) on its credit facilities and issued letters of credit in the amount of $1,219 (December 31, 2020 – $1,219) related to these facilities.

The bank credit agreements include certain restrictive covenants and undertakings by the Trust. As at March 31, 2021, and December 31, 2020, the Trust was in compliance with all covenants and undertakings. As the bank indebtedness is current and at prevailing market rates, the carrying value of the debt as at March 31, 2021, approximates fair value.

NOTE 12

REVENUE FROM REAL ESTATE PROPERTIES

Revenue from real estate properties consists of the following:

For the three months ended March 31, 2021	Retail	Office	Industrial	Total
Rental revenue	**$21,941**	**$15,029**	**$514**	**$37,484**
CAM recoveries	**3,091**	**5,749**	**214**	**9,054**
Property tax and insurance recoveries	**5,315**	**4,004**	**154**	**9,473**
Other revenue and lease cancellation fees	**3,165**	**291**	**—**	**3,456**
Parking revenue	**6**	**948**	**—**	**954**
Amortized rents	**35**	**505**	**9**	**549**
	$33,553	**$26,526**	**$891**	**$60,970**

For the three months ended March 31, 2020	Retail	Office	Industrial	Total
Rental revenue	$23,122	$16,219	$535	$39,876
CAM recoveries	5,986	7,480	203	13,669
Property tax and insurance recoveries	6,355	4,245	82	10,682
Other revenue and lease cancellation fees	893	193	—	1,086
Parking revenue	—	1,289	—	1,289
Amortized rents	5	(228)	(6)	(229)
	$36,361	$29,198	$814	$66,373

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

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

For the three months ended March 31,	2021	2020
Repairs and maintenance	**$6,018**	$7,559
Utilities	**3,961**	4,061
Bad debt expense	**309**	286
Other operating expenses	**4,819**	4,845
	$15,107	$16,751

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

For the three months ended March 31,	2021	2020
Trustees' fees and expenses	**$71**	$78
Professional and compliance fees	**319**	412
Payroll and other administrative expenses	**525**	590
	$915	$1,080

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

For the three months ended March 31,	2021	2020
Mortgages payable	**$10,323**	$10,718
Amortization of deferred financing costs – mortgages	**184**	183
Convertible debentures	**1,942**	1,942
Accretion on convertible debentures, net	**267**	253
Amortization of deferred financing costs – convertible debentures	**282**	266
Lease liabilities	**171**	173
Bank indebtedness	**151**	753
Morguard loan payable and other	**110**	447
Capitalized interest	**(158)**	(163)
	$13,272	$14,572

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 three months ended March 31,	2021	2020
Property management fees [1]	**$2,077**	$2,269
Appraisal/valuation fees	**88**	89
Information services	**55**	55
Leasing fees	**708**	564
Project administration fees	**52**	80
Project management fees	**18**	72
Risk management fees	**89**	93
Internal audit fees	**31**	36
Off-site administrative charges	**471**	461
Rental revenue	**(49)**	(51)
	$3,540	$3,668

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

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

As at	March 31, 2021	December 31, 2020
Amounts payable to/(receivable from) MIL, net	**$491**	($1,294)

(b) Revolving Loan with Morguard

The Trust has a revolving loan agreement with Morguard that provides for borrowings or advances of up to $75,000 (December 31, 2020 – $75,000), which is interest bearing at the lender's borrowing rate and due on demand subject to available funds.

Morguard Loan Payable

During the three months ended March 31, 2021, there were no advances or repayments, and as at March 31, 2021, $18,000 remains payable to Morguard (December 31, 2020 – $18,000). For the three months ended March 31, 2021, the Trust incurred interest expense in the amount of $110 (2020 – $409) at an average interest rate of 2.47% (2020 – 4.49%).

Morguard Loan Receivable

During the three months ended March 31, 2021, there were no advances or repayments, and as at March 31, 2021, there was no loan receivable from Morguard (December 31, 2020 – $nil). For the three months ended March 31, 2021, and 2020, the Trust did not earn interest income on loans receivable from Morguard. The interest income earned from Morguard is included with other income on the statements of income/(loss) and comprehensive income/(loss).

(c) Sublease with Morguard (Excluding MIL)

The Trust subleases office space from Morguard. For the three months ended March 31, 2021, the Trust incurred rent expense in the amount of $56 (2020 – $56).

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

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

As at	**March 31, 2021**	December 31, 2020
Amounts receivable	**$113**	$68
Accounts payable and accrued liabilities	**$56**	$38

(e) Rental Revenue from Morguard (Excluding MIL)

Morguard is a tenant in one of the Trust's properties. For the three months ended March 31, 2021, the Trust earned rental revenue in the amount of $29 (2020 – $28).

NOTE 16

UNITHOLDERS' EQUITY

(a) Units Outstanding

The Trust is authorized to issue an unlimited number of units. These units have no par value. The following table summarizes the changes in units from January 1, 2020 to March 31, 2021:

As at	**Three months ended March 31, 2021**	Year ended December 31, 2020
Balance, beginning of period	**64,125,215**	60,735,539
Distribution Reinvestment Plan – Morguard	**—**	3,520,153
Distribution Reinvestment Plan – other unitholders	**7,915**	66,823
Repurchase of units	**—**	(197,300)
Balance, end of period	**64,133,130**	64,125,215

Total distributions recorded during the three months ended March 31, 2021, amounted to $5,132 or $0.08 per unit (2020 – $14,578 or $0.24 per unit). Included in this amount is a distribution declared on March 15, 2021, in the amount of $0.02 per unit for the month of March 2021, payable on April 15, 2021. On April 15, 2021, the Trust declared a distribution of $0.02 per unit payable on May 14, 2021.

(b) Normal Course Issuer Bid

On February 4, 2021, the Trust announced that the TSX had accepted notice filed by the Trust of its intention to make a normal course issuer bid. The notice provided that during the 12-month period commencing February 7, 2021, and ending February 6, 2022, the Trust may purchase for cancellation on the TSX up to 3,206,260 units in total, being approximately 5% of the outstanding units. Additionally, the Trust may purchase for cancellation up to $11,495 principal amount of the Convertible Debentures due on the Maturity Date, 10% of the public float of outstanding Convertible Debentures. The price that the Trust would pay for any such units or debentures would be the market price at the time of acquisition.

During the three months ended March 31, 2021, the Trust did not purchase any units for cancellation.

(c) Distribution Reinvestment Plan

Under the Trust's Distribution Reinvestment Plan, unitholders can elect to reinvest cash distributions into additional units at a weighted average trading price of the units on the TSX for the 20 trading days immediately preceding the applicable date of distribution. During the three months ended March 31, 2021, the Trust issued 7,915 units under the DRIP (2020 – 7,391 units).

(d) Net Income/(Loss) Per Unit

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

For the three months ended March 31,	2021	2020
Net income/(loss) – basic	**$4,850**	($102,555)
Net income/(loss) – diluted	**$4,850**	($102,555)
Weighted average number of units outstanding – basic	**64,128**	60,738
Weighted average number of units outstanding – diluted	**64,128**	60,738
Net income/(loss) per unit – basic	**$0.08**	($1.69)
Net income/(loss) per unit – diluted	**$0.08**	($1.69)

To calculate net income/(loss) – diluted, interest, accretion and the amortization of financing costs on convertible debentures outstanding that were expensed during the year are added back to net income/(loss) – basic. The weighted average number of units outstanding – diluted is calculated as if all convertible debentures outstanding as at March 31, 2021, and 2020, had been converted into units of the Trust at the beginning of the year. The calculation of net (loss)/income per unit – diluted excludes the impact of the convertible debentures for the three months ended March 31, 2021, and 2020 as their inclusion would be anti-dilutive.

NOTE 17

STATEMENTS OF CASH FLOWS

(a) Items Not Affecting Cash

For the three months ended March 31,	2021	2020
Fair value losses on real estate properties	**$14,449**	$121,117
Net (income)/loss from equity-accounted investment	**(466)**	594
Amortized stepped rent	**42**	5
Amortized free rent	**(692)**	151
Amortization of deferred financing costs – mortgages	**184**	183
Amortization of tenant incentives	**101**	73
Amortization of right-of-use asset	**21**	20
Amortization of deferred financing costs – convertible debentures	**282**	266
Accretion on convertible debentures	**267**	253
	$14,188	$122,662

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

For the three months ended March 31,	2021	2020
Amounts receivable	**$5,572**	($577)
Prepaid expenses and other	**(7,638)**	(7,702)
Accounts payable and accrued liabilities	**2,764**	9,225
	$698	$946

Other supplemental cash flow information consists of the following:		
Interest paid	**$10,889**	$12,137
Issue of units – DRIP	**$42**	$88

NOTE 18

COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Trust has entered into various agreements relating to capital expenditures for its properties. These expenditures include development of new space, redevelopment or retrofit of existing space, and other capital expenditures. Should all conditions be met, as at March 31, 2021, committed capital expenditures in the next 12 months are estimated at $9,269.

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

(b) Contingencies

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

NOTE 19

MANAGEMENT OF CAPITAL

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

The Trust is subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favourable terms or with interest rates as favourable as those of the existing debt. The Trust mitigates these risks by its continued efforts to stagger the maturity profile of its long-term debt, to enhance the value of its real estate properties and to maintain high occupancy levels. The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The total managed capital for the Trust is summarized below:

As at	Note	**March 31, 2021**	December 31, 2020
Mortgages payable	8	**$1,113,598**	$1,122,720
Convertible debentures	9	**173,354**	172,805
Bank indebtedness	11	**26,602**	29,417
Morguard loan payable	15(b)	**18,000**	18,000
Lease liabilities	10	**10,961**	10,993
Cash		**(9,241)**	(8,647)
Unitholders' equity		**1,157,418**	1,157,658
		$2,490,692	$2,502,946

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

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

As at	Borrowing Limits	**March 31, 2021**	December 31, 2020
Fixed-rate debt to gross book value of total assets	N/A	**50.9 %**	51.1 %
Floating-rate debt to gross book value of total assets	15 %	**1.7 %**	1.9 %
	60 %	**52.6 %**	53.0 %

As at March 31, 2021, the Trust met all externally imposed ratios and minimum equity requirements.

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

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

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

NOTE 20
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
The Trust's financial assets and liabilities comprise cash, amounts receivable, accounts payable and accrued liabilities, bank indebtedness, Morguard loan payable, mortgages payable and convertible debentures. Fair values of financial assets and liabilities and discussion of risks associated with financial assets and liabilities are presented as follows.

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

(a) Mortgages Payable
Mortgages payable are carried at amortized cost using the effective interest rate method of amortization. The estimated fair values of long-term borrowings are based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the Trust as at March 31, 2021.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using March 31, 2021, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2021, of the mortgages payable has been estimated at $1,148,186 (December 31, 2020 – $1,177,633) compared with the carrying value before deferred financing costs of $1,116,031 (December 31, 2020 – $1,125,337). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(b) Convertible Debentures
The fair value of the Convertible Debentures is based on their market trading price (TSX: MRT.DB) (Level 1). The fair value as at March 31, 2021, of the Convertible Debentures has been estimated at $174,563 (December 31, 2020 – $171,500) compared with the carrying value before deferred financing costs of $174,199 (December 31, 2020 – $173,932).

(c) Fair Value Hierarchy of Real Estate Properties
The fair value hierarchy of income producing properties, properties under development and held for development measured at fair value in the balance sheets is as follows:

	March 31, 2021			December 31, 2020		
As at	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Income producing properties	**$—**	**$—**	**$2,440,722**	$—	$—	$2,433,856
Properties under development	**$—**	**$—**	**$11,422**	$—	$—	$29,299
Held for development	**$—**	**$—**	**$37,850**	$—	$—	$36,800

Risks Associated with Financial Assets and Liabilities
The Trust is exposed to financial risks arising from its financial assets and liabilities. The financial risks include interest

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

NOTE 21
SEGMENTED INFORMATION

IFRS 8, "Operating Segments", requires operating segments to be determined based on internal reports that are regularly reviewed by the chief operating decision-makers for the purpose of allocating resources to the segment and assessing its performance. The Trust has applied judgment by aggregating its operating segments according to the nature of the property operations. Such judgment considers the nature of operations, types of customers and an expectation that operating segments within a reportable segment have similar long-term economic characteristics. As at March 31, 2021, the Trust has the following three reportable segments: retail, office and industrial.

Business Segments

For the three months ended March 31, 2021	**Retail**	**Office**	**Industrial**	**Total**
Revenue from real estate properties	**$33,553**	**$26,526**	**$891**	**$60,970**
Property operating expenses	**(8,797)**	**(6,109)**	**(201)**	**(15,107)**
Property taxes	**(8,072)**	**(4,512)**	**(165)**	**(12,749)**
Property management fees	**(1,145)**	**(881)**	**(30)**	**(2,056)**
	$15,539	**$15,024**	**$495**	**$31,058**

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

	Retail	**Office**	**Industrial**	**Total**
As at March 31, 2021				
Real estate properties	**$1,365,274**	**$1,078,520**	**$46,200**	**$2,489,994**
Mortgages payable (based on collateral)	**$605,878**	**$507,720**	**$—**	**$1,113,598**
For the three months ended March 31, 2021				
Additions to real estate properties	**$2,867**	**$949**	**$123**	**$3,939**
Fair value (losses)/gains on real estate properties	**($6,379)**	**($11,089)**	**$3,019**	**($14,449)**

	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 three months ended March 31, 2020				
Additions to real estate properties	$11,389	$1,276	$43	$12,708
Fair value (losses)/gains on real estate properties	($97,748)	($23,552)	$183	($121,117)