

MORGUARD CORPORATION

2018 ANNUAL REPORT

TAKING ACTION.
GETTING RESULTS.



Morguard



ON THE COVER (LEFT TO RIGHT)

123 COMMERCE VALLEY DRIVE EAST
MARKHAM, ON

THE FENESTRA AT ROCKVILLE TOWN SQUARE
ROCKVILLE, MD

JEAN EDMONDS TOWERS
OTTAWA, ON

The selected annual financial information in the 2018 Annual Report highlights certain key metrics for the Company. As a result, this report should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2018, related Management's Discussion and Analysis (MD&A) and the Annual Information Form. These documents are available on the Company's website at www.morguard.com. All continuous disclosure documents required by securities regulators are also filed on the System for Electronic Document Analysis and Retrieval (SEDAR) and can be accessed electronically at www.sedar.com.

NON-IFRS MEASURES

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The following measures, NOI and FFO (collectively, the "non-IFRS measures") as well as other measures discussed elsewhere in the 2018 Annual Report, do not have a standardized meaning prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other reporting issuers in similar or different industries. The Company uses these measures to better assess the Company's underlying performance and financial position and provides these additional measures so that investors may do the same. Details on non-IFRS measures are set out in the Company's MD&A for the year ended December 31, 2018 and available on the Company's profile on SEDAR at www.sedar.com.

FELLOW SHAREHOLDERS



Morguard once again achieved very strong financial results in 2018. There are many reasons for our continued success, but if I were to choose just one, it would be our ability to take action. The collective expertise of our team of real estate professionals, often working in concert with our joint venture partners, has enabled Morguard to find and take action on dozens of highly advantageous opportunities. Over the last two years alone, our acquisitions have totalled \$1.1 billion.

Our knowledge in the discipline of real estate investment has resulted in a widely diverse portfolio representing virtually all real estate asset classes – residential, office, retail, hotel and industrial – throughout North America. This diversified portfolio of properties provides a stable cash flow, which in turn translates into greater financial flexibility and stability.

While our commitment to diversification remains constant, so too does our commitment to reinvestment in our properties through ongoing capital improvements, enhanced property management, environmental sustainability initiatives and enhanced tenant services. These commitments lead to increased tenant occupancy as well as increased rental income, which in turn help us to meet our goal of growing shareholder value.

With Morguard's talented management team, remarkable employees, and highly accomplished Directors, we remain on a course to achieve continued success in 2019. As always, I extend my sincere gratitude to each and every one of them, and to you, our loyal shareholders, for allowing Morguard to take action – and get results.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Rai Sahi', written in a cursive style.

K. RAI SAHI
Chairman and Chief Executive Officer

MORGUARD ACTIVELY CREATES OPPORTUNITIES TO ACQUIRE, ENHANCE AND DEVELOP PROPERTIES



In real estate, nothing takes the place of persistence.

At Morguard, we never stop seeking ways to increase our portfolio value through diversification. Our interdisciplinary teams of forward-thinking real estate professionals are always poised to take action on new acquisitions, undertake large-scale development

projects, thoughtfully invest in our properties by making capital improvements, and provide enhanced tenant services to help sustain long-term value. We believe this persistence drives greater value for our shareholders year over year.

BRAMALEA CITY CENTRE
BRAMPTON, ON



SECTION 1

REAL ESTATE PORTFOLIO

MORGUARD'S PORTFOLIO REMAINS STRONG BECAUSE OF ITS DIVERSIFICATION

A DIVERSE PORTFOLIO

Morguard Corporation is a real estate investment company listed on the Toronto Stock Exchange (TSX: MRC) with a directly owned real estate portfolio and ownership in three public companies: Morguard REIT (TSX: MRT.UN), Morguard North American Residential REIT (TSX: MRG.UN) and Temple Hotels Inc. (TSX: TPH).

Additionally, Morguard derives income from real estate advisory services offered to major institutional clients, private investors, and its public company investments and receives revenue from managing equities, fixed income and balanced investment portfolios offered to major institutional clients, and private investors under the Lincluden Investment Management Limited (Lincluden) brand.

The total value of owned and managed assets was \$21.0 billion as of December 31, 2018.

Owned Real Estate	\$10.5B
Managed Real Estate	\$5.4B
Managed Equities and Fixed Income	\$5.1B
Total	\$21.0B

PERFORMANCE FROM A DIVERSIFIED REAL ESTATE PORTFOLIO

The strength of the Morguard owned and managed real estate portfolio is its diversification. Comprising a wide range of multi-suite residences, enclosed regional and unenclosed shopping centres, single- and multi-tenant office buildings, industrial buildings, and hotels, the properties are located within suburban and urban centres across Canada and the United States.

Such a wide variety of asset classes allow greater stability in our financial performance.

Our management team has an active, current, and in-depth knowledge of real estate markets across North America in all asset classes. We work in concert with an exclusive group of joint venture partners, giving us greater access to new investment opportunities for development or acquisition. Our experience in real estate investment management has contributed to Morguard's consistent growth and strong performance.

Revenue from real estate is earned through proactive leasing of our properties, as well as fees from our advisory and management services. We have been able to further optimize our profitability through our exceptional abilities in operational management. We continually focus on strict control of our operating costs, capital improvements to enhance portfolio value, sustainable



PERFORMANCE COURT
OTTAWA, ON



property management, and enhancing the tenant experience.

Our residential properties continue to experience high occupancy in Canada and the U.S. Rental rates in Canada are achieving significant increases with suite turnover, while in

the U.S., rental rate increases continue a positive trend, particularly in our core markets.

Office revenue in most urban markets is strong, with low vacancy rates, and rental rate growth for our properties in Toronto, Ottawa, and Vancouver. Suburban office revenue was

slightly challenged by higher vacancy rates and lower rent increases overall. Income from our office portfolio was up due to the strength of our acquisition program, having acquired office properties valued at \$418 million over the past two years.

The majority of our enclosed regional shopping centres have had stable occupancy and those that had vacancies left by the departure of Target and Sears are starting to see returns from development and remerchandising activities. Our unenclosed shopping centres continue to perform exceptionally well.

DIVERSIFICATION

Morguard Corporation owns and manages a diversified portfolio of multi-suite residential, office, retail, hotel and industrial properties in Canada and the United States. This diversification has helped make our financial performance more reliable over time, providing insulation from downturns in any given asset class or region.

1 COUNTRY AND REGION

8

CANADIAN
PROVINCES

10

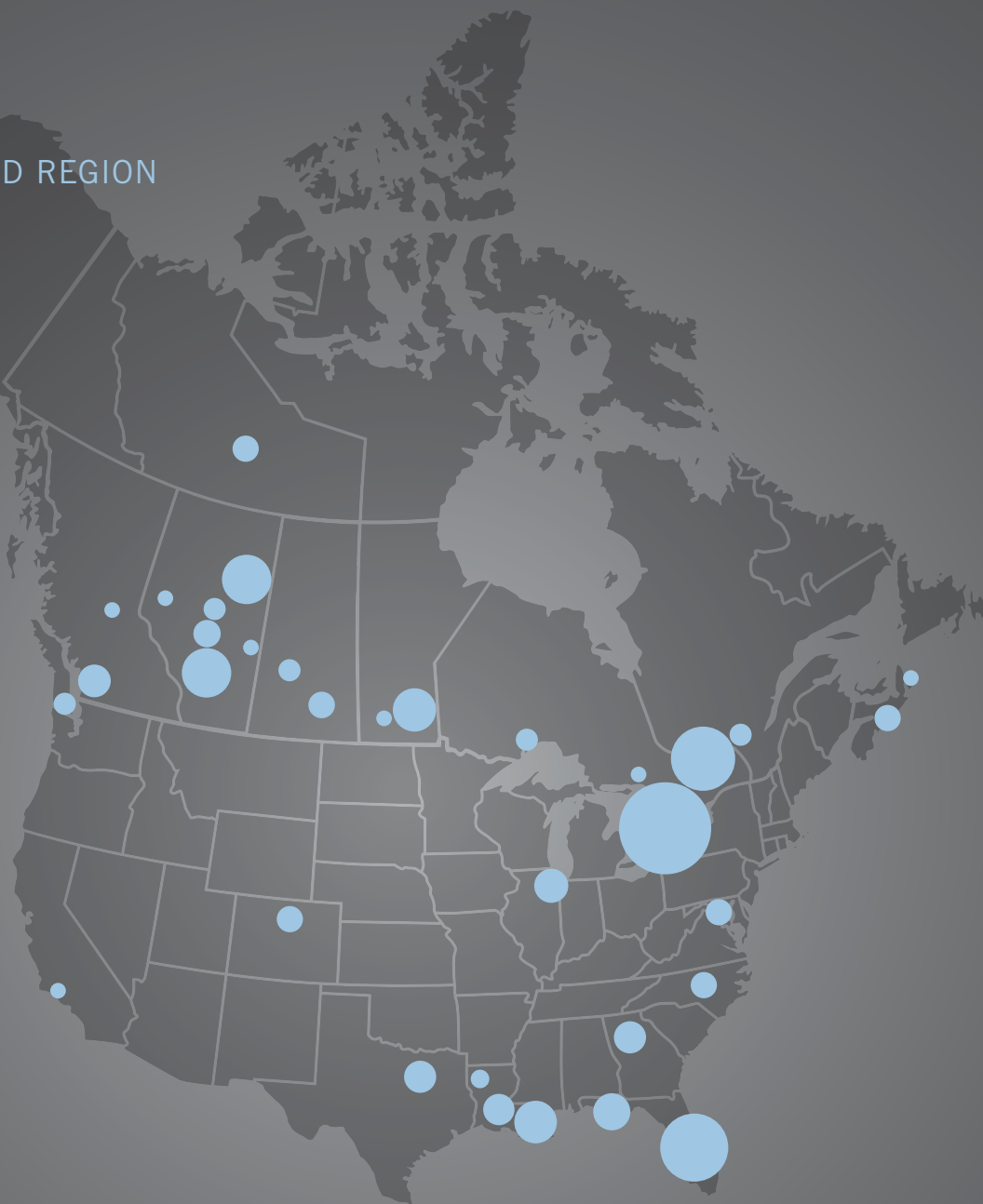
U.S.
STATES

75%

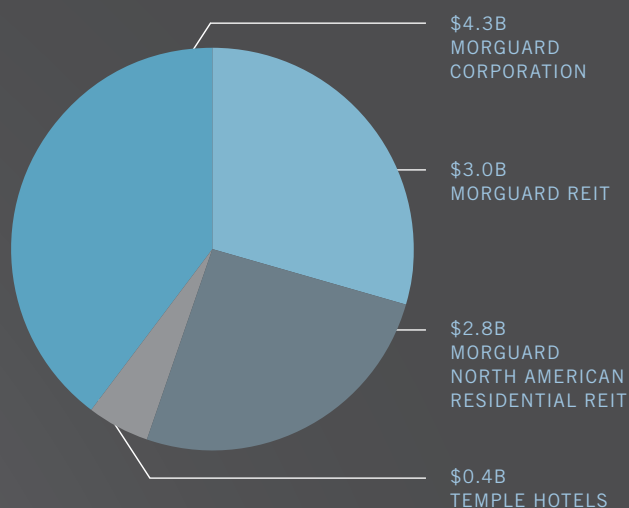
OF PROPERTIES
IN CANADA

25%

OF PROPERTIES
IN U.S.



2 OWNERSHIP



\$10.5

BILLION IN OWNED ASSETS

214

TOTAL PROPERTIES

3 ASSET CLASS AND USE



4 NET OPERATING INCOME

38%

MULTI-SUITE RESIDENTIAL

24%

OFFICE

25%

RETAIL

11%

HOTEL

2%

INDUSTRIAL



MARQUEE AT BLOCK 37
CHICAGO, IL

IN THE PAST TWO YEARS, THE MORGUARD TEAM HAS ENERGETICALLY SOUGHT NEW OPPORTUNITIES TO EXPAND IT'S REAL ESTATE PORTFOLIO.

TAKING ACTION IN VITAL MARKETS ACROSS NORTH AMERICA

In the past two years, the Morguard team has energetically sought new opportunities to expand its real estate portfolio. 2017 saw acquisitions totalling \$656 million. And in 2018, Morguard spearheaded seven acquisitions for a total value of \$451 million. Our acquisition strategy remains consistent: concentrate on key markets wherein we can leverage our existing management presence, while seeking opportunities in all asset classes to further ensure diversification.

In 2018, Morguard also continued with its dedicated commitment to the ongoing development and upgrades of its real estate assets. We see these initiatives as absolutely essential to growing the value, prolonging the longevity and maintaining the desirability of our portfolio. Through the innovative re-imagining of

select properties, including retail, office, and residential, we help maintain relevance to the tenants and communities we serve throughout Canada and the United States.

At the same time, Morguard's lengthy experience and extensive network of operations within real estate has led to a proven ability to identify and access capital and work closely with joint venture partners in mutually profitable endeavours. In some cases, our partners are experienced real estate developers in specific markets, and in others, Morguard serves as the developer and manager. These relationships enable each partner to provide the most appropriate skills or resources, and to benefit accordingly. Very often, success in one major project leads to other profitable opportunities. By expanding our scope through ventures using different sources of capital, we have grown

stronger, simultaneously expanding our portfolio while reducing risk exposure. We will continue to pursue more strategic relationships as we explore new and innovative ways to grow the Morguard portfolio.

Morguard Corporation works collaboratively with employees, tenants, clients and joint venture partners to define goals and actions in a formal plan comprising environmental, social and governance initiatives. We are committed to using Energy Star Portfolio Manager, and in 2018 we had 159 participating owned and managed Canadian office, retail and industrial properties.

ACQUISITIONS 2018

\$451

MILLION IN
TRANSACTIONS

7

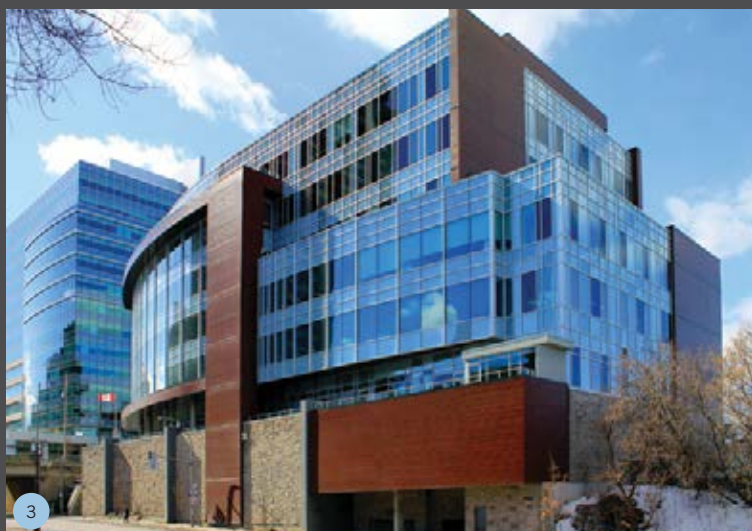
PROPERTIES

468

RESIDENTIAL
SUITES

1.1

MILLION
COMMERCIAL SF





ACQUIRED PROPERTIES

	PROPERTY	ASSET CLASS	PRICE	DESCRIPTION
1	Jean Edmonds Towers Ottawa, ON	Office	\$190.1 million	These twenty-storey towers, linked by a ground level retail atrium, are 98 percent leased to Public Services and Procurement Canada, and located close to Lyon LRT Station on the upcoming O-Train Confederation Line. Purchased in a joint venture, they complete Morguard's operational management of a full city block in Ottawa's central business district.
2	Santorini Apartments Boynton Beach, FL	Residential	\$64.2 million	A newly constructed residential property with 226 suites in a pair of six-storey buildings located in Renaissance Commons, a premier mixed-use planned urban development within 15 minutes of downtown West Palm Beach and Boca Raton.
3	41 Rue Victoria Gatineau, QC	Office	\$60.6 million	This Class A office building is fully occupied on a long-term lease by a global leader in renewable energy. It holds a LEED® Registered designation, and the Association of Registered Interior Designers of Ontario Award of Merit for excellence, innovation and originality in interior design.
4	5985 Explorer Drive Mississauga, ON	Office	\$51.7 million	A 128,000 square foot, Class A office building located in the Airport Corporate Centre, fully occupied by Federal Express Canada, for which it was purpose-built. The building backs onto 12.5 acres with 621 parking stalls, allowing for the potential to further develop the site.
5	1100 and 1101 Polytek Street Ottawa, ON	Industrial	\$43.4 million	This two-building, small-bay industrial building comprises 243,000 square feet on 15.5 acres and was constructed in 2010 and 2015, with minimal capital expenditures forecast for the near future. Ottawa remains one of the strongest and most consistent real estate markets in Canada.
6	Vizcaya Lakes Boynton Beach, FL	Residential	\$25.9 million	Vizcaya Lakes is a newly constructed residential property of which Morguard acquired 126 suites within a Class A, 328-suite condominium complex, consisting of a pair of six-storey buildings. The property is adjacent to Santorini Apartments.
7	1643 Josephine New Orleans, LA	Residential	\$14.9 million	A 116-suite residential property in the city's Garden District, the property is located close to The Georgian, Morguard's 135-suite mid-rise apartment complex, as well as Tulane and Loyola universities. Morguard is completing a significant refurbishment of the building, with leasing expected to commence during summer 2019.

DEVELOPMENTS

In 2018, Morguard Corporation continued with its strong commitment to the ongoing development and upgrades of its real estate assets. We see these initiatives as absolutely essential to growing the value of our portfolio. Through the innovative re-imagining of select properties, we help maintain relevance to the tenants and communities we serve throughout Canada and the United States.



MORGUARD

PROJECT	ASSET CLASS	DESCRIPTION
1 Hilton Hotel Ottawa, ON	Hotel	<ul style="list-style-type: none"> Part of a complete redevelopment employing a modern and sustainable design Includes a 17-storey Hilton Homewood Suites and 10-storey Hilton Garden Inn with 346 rooms, restaurant, fitness centre, pool and meeting facilities Officially opened for business in December 2018
2 Etobicoke Wellness Centre Toronto, ON	Office	<ul style="list-style-type: none"> Class A LEED® Gold medical office building Part of Etobicoke General Hospital's new patient tower Doubled the facility's square footage to provide world-class medical care
3 Heritage Place Ottawa, ON	Office	<ul style="list-style-type: none"> Integrating a new station for Ottawa Light Rail Transit into the lobby of a Class A office building in downtown Ottawa Renovating the curtainwall façade and lobby to accommodate and add new retail New interior connection to Parliament East Station, which is closest to Parliament Hill, has resulted in improved lease up and increased rents
4 Rainbow Square Dunellon, FL	Retail	<ul style="list-style-type: none"> Construction of new Publix Supermarket Continuing redevelopment of retail community centre
5 East York Town Centre Toronto, ON	Retail	<ul style="list-style-type: none"> Continuing redevelopment of mixed use complex Consolidating and adding services that cater to the surrounding communities
Cambridge Shopping Centre Cambridge, ON	Retail	<ul style="list-style-type: none"> Completed repurposing of former Target Canada premises Diversified and enhanced tenant profile with an assortment of entertainment, lifestyle and large format retail
Shoppers Mall Brandon, MB	Retail	<ul style="list-style-type: none"> Completed redevelopment of an anchor vacancy overhaul Strengthened mall profile with grocery, pharmacy, fitness and restaurant pad intensification
Prairie Mall Shopping Centre Grande Prairie, AB	Retail	<ul style="list-style-type: none"> Successful remerchandising and investment in former anchor space has drawn significant activity with its new major tenants Enhanced tenant profile has helped drive overall sales performance to near record levels
6 The Colonnade Toronto, ON	Retail	<ul style="list-style-type: none"> Significant remerchandising and re-investment catering to luxury retail offerings Successful expansion of Prada and new William Ashley and Christian Dior (2019) flagship locations

CLIENT

PROJECT	ASSET CLASS	DESCRIPTION
60 Bloor West Toronto, ON	Office	<ul style="list-style-type: none"> Partnering with Ledcor, Morguard is undertaking a deep retrofit of this 1970s office building, making significant mechanical and electrical upgrades to reduce energy consumption by more than 25% and receive LEED® EB:O&M Gold
7 Connect Bonnie Doon Edmonton, AB	Retail/ Multi-Suite Residential	<ul style="list-style-type: none"> The entitlement process will result in new residential, commercial and community amenities with upwards of four million square feet of new development leveraging the new Valley Line LRT station that connects Bonnie Doon to downtown



THE HEATHVIEW
TORONTO, ON



MULTI-SUITE RESIDENTIAL

CANADA

PROPERTY	CITY	PROV.	OWNERSHIP	OWNERSHIP INTEREST (%)	TOTAL SUITES	OWNERSHIP SUITES	OCCUPANCY (%)
Mayfair Village South	Edmonton	AB	MRC	100	237	237	100
Square 104	Edmonton	AB	MRG	100	277	277	99
Margaret Place ❶	Kitchener	ON	MRG	100	472	472	99
Aspen Grove I ❶	Mississauga	ON	MRC	95	168	160	100
Aspen Grove II ❶	Mississauga	ON	MRC	95	168	160	100
Meadowvale Gardens ❶	Mississauga	ON	MRG	100	325	325	97
The Arista ❶	Mississauga	ON	MRG	100	458	458	100
The Elmwoods ❶	Mississauga	ON	MRG	100	321	321	100
The Forestwoods ❶	Mississauga	ON	MRG	89	300	267	98
The Maplewoods ❶	Mississauga	ON	MRG	87	300	261	98
The Valleywoods ❶	Mississauga	ON	MRG	91	373	339	100
Tomken Place ❶	Mississauga	ON	MRG	100	142	142	100
126 Sparks	Ottawa	ON	MRC	100	36	36	n/a
160 Chapel ❶	Ottawa	ON	MRG	100	370	370	100
Condominium Suites	Toronto	ON	MRC	100	4	4	100
Downsview Park Townhomes	Toronto	ON	MRG	100	60	60	100
Leaside Towers ❶	Toronto	ON	MRC	100	989	989	98
Rideau Towers I ❶	Toronto	ON	MRG	90	287	258	99
Rideau Towers II ❶	Toronto	ON	MRG	100	380	380	99
Rideau Towers III ❶	Toronto	ON	MRG	100	474	474	98
Rideau Towers IV ❶	Toronto	ON	MRG	100	400	400	100
Rouge Valley Residence ❶	Toronto	ON	MRG	100	396	396	100
The Bay Club ❶	Toronto	ON	MRC	100	293	293	95
The Colonnade ❶	Toronto	ON	MRC	100	157	157	97
The Heathview ❷ ❸ (Pending)	Toronto	ON	MRC	100	587	587	98
SUBTOTAL					7,974	7,823	99

CERTIFICATIONS

❶ Certified Rental Building Program ❷ LEED Gold ❸ LEED Silver

U.S.

PROPERTY	CITY	STATE	OWNERSHIP	OWNERSHIP INTEREST (%)	TOTAL SUITES	OWNERSHIP SUITES	OCCUPANCY (%)
Sunset & Gordon ❶	Los Angeles	CA	MRC	59	299	176	N/A
Retreat at City Center ❶	Aurora	CO	MRG	100	225	225	96
Settlers' Creek ❶	Fort Collins	CO	MRG	100	229	229	97
The Retreat at Spring Park ❶	Garland	TX	MRG	100	188	188	97
Grand Venetian at Las Colinas ❶	Irving	TX	MRG	100	514	514	95
Verandah at Valley Ranch ❶	Irving	TX	MRG	100	319	319	97
Garden Lane ❶	Gretna	LA	MRG	100	261	261	97
Colonial Manor Apartment Homes ❶	Harahan	LA	MRG	100	48	48	92
Steeplechase Apartment Homes ❶	Lafayette	LA	MRG	100	192	192	94
Magnolia Place Apartment Homes ❶	New Iberia	LA	MRG	100	148	148	81
1643 Josephine (Under Development)	New Orleans	LA	MRG	100	116	116	–
The Georgian Apartments ❶	New Orleans	LA	MRG	100	135	135	96
Villages of Williamsburg ❶	Shreveport	LA	MRG	100	194	194	90
Greenbrier Estates ❶	Slidell	LA	MRG	100	144	144	88

CERTIFICATIONS

❶ Equal Housing Opportunity ❷ LEED Gold ❸ LEED Silver

Continued on next page

MULTI-SUITE RESIDENTIAL

Continued

U.S.

PROPERTY	CITY	STATE	OWNERSHIP	OWNERSHIP INTEREST (%)	TOTAL SUITES	OWNERSHIP SUITES	OCCUPANCY (%)
Alta at K Station ❶❷	Chicago	IL	MRC	100	848	848	98
Coast at Lakeshore East ❶❸	Chicago	IL	MRG	51	515	263	94
The Marquee at Block 37 ❶	Chicago	IL	MRC	49	691	339	90
Briarhill Apartments ❶	Atlanta	GA	MRG	100	292	292	95
The Savoy Luxury Apartments ❶	Atlanta	GA	MRG	100	232	232	97
Barrett Walk Luxury Apartment Homes ❶	Kennesaw	GA	MRG	100	290	290	95
210 Watermark ❶	Bradenton	FL	MRG	100	216	216	98
Santorini Apartments ❶	Boynton Beach	FL	MRC	100	226	226	77
Vizcaya Lakes ❶	Boynton Beach	FL	MRC	100	126	126	90
Blue Isle Apartment Homes ❶	Coconut Creek	FL	MRG	100	340	340	94
2940 Solano at Monterra ❶	Cooper City	FL	MRG	51	252	129	95
Emerald Lake Apartments ❶	Lake Worth	FL	MRC	100	338	338	95
Governors Gate I ❶	Pensacola	FL	MRG	100	240	240	97
Governors Gate II ❶	Pensacola	FL	MRG	100	204	204	98
Jamestown Estates ❶	Pensacola	FL	MRG	100	177	177	95
Woodcliff Apartment Homes ❶	Pensacola	FL	MRG	100	184	184	93
Woodbine Apartment Homes ❶	Riviera Beach	FL	MRG	100	408	408	97
Mallory Square ❶	Tampa	FL	MRG	100	383	383	94
Village Crossing Apartment Homes ❶	West Palm Beach	FL	MRG	100	189	189	95
The Lodge at Crossroads ❶	Cary	NC	MRG	100	432	432	95
Perry Point Ultimate Apartments ❶	Raleigh	NC	MRG	100	432	432	97
Northgate at Falls Church ❶	Falls Church	VA	MRG	100	104	104	90
The Fenestra at Rockville Town Square	Rockville	MD	MRC/MRG	100	492	492	88
SUBTOTAL					10,623	9,773	93
TOTAL MULTI-SUITE RESIDENTIAL					18,597	17,596	96

CERTIFICATIONS

❶ Equal Housing Opportunity ❷ LEED Gold ❸ LEED Silver

OFFICE

CANADA

PROPERTY	CITY	PROV.	OWNER-SHIP	OWNERSHIP INTEREST (%)	TOTAL AREA (SF)	OWNERSHIP AREA (SF)	OCCUPANCY (%)	TOP TENANTS
111 Dunsmuir ❶	Vancouver	BC	MRT	100	222,000	222,000	100	Stantec Consulting Ltd, Wood Canada Limited
Chancery Place ❷	Vancouver	BC	MRT	100	142,500	142,500	100	Boston Pizza, Victoria's Health Inc
Seymour Place	Victoria	BC	MRT	100	235,500	235,500	100	Province of British Columbia
207 and 215 9th Avenue SW ❷❸	Calgary	AB	MRT	100	636,500	636,500	99	Engel & Volkers, Obsidian Energy Ltd
505 3rd Street SW ❷❸	Calgary	AB	MRT	50	142,000	71,000	70	Bank of China, Morguard Investments Ltd
7315 8th Street NE	Calgary	AB	MRT	100	19,500	19,500	100	Genesis Land Development Corp
Centre 810	Calgary	AB	MRT	100	77,500	77,500	80	CIMA Canada Inc, The MI Group Ltd
Citadel West	Calgary	AB	MRT	100	78,500	78,500	100	CH2M Hill Canada Limited
Deerport Centre ❸	Calgary	AB	MRT	100	48,500	48,500	59	Aerotek ULC, Colleaux Engineering Inc

Continued on next page

CERTIFICATIONS

❶ BOMA Platinum ❷ BOMA Gold ❸ BOMA Silver ❹ BOMA Bronze ❺ BOMA Certified ❻ LEED Gold ❼ LEED Silver ❽ Energy Star ❾ Bullfrog Powered

OFFICE

Continued

CANADA

PROPERTY	CITY	PROV.	OWNER-SHIP	OWNERSHIP INTEREST (%)	TOTAL AREA (SF)	OWNERSHIP AREA (SF)	OCCUPANCY (%)	TOP TENANTS
Duncan Building	Calgary	AB	MRT	100	81,000	81,000	100	RCMP
National Bank Building	Calgary	AB	MRT	100	43,500	43,500	100	National Bank of Canada
Petroleum Plaza	Edmonton	AB	MRT	50	304,000	152,000	99	Alberta Infrastructure, Servus Credit Union Ltd
Scotia Place ②	Edmonton	AB	MRT	20	563,000	112,500	62	Bank of Nova Scotia, Grant Thornton
Keewatin Square	Regina	SK	MRC	100	37,500	37,500	100	Regina Health Region
400 St. Mary ②③*	Winnipeg	MB	MRC	20	137,500	27,500	87	Province of Manitoba, Public Works
444 St. Mary ③	Winnipeg	MB	MRC	20	247,500	49,500	95	Great West Life, Manitoba Superannuation Board
Quinte Consolidated Courthouse ①⑥	Belleville	ON	MRC	50	173,000	86,500	100	Legal Aid Ontario, Superior Court of Justice
Bramalea City Centre (Office)	Brampton	ON	MRC	21	79,500	16,500	100	Access Employment, SPS Commerce Canada Ltd
123 Commerce Valley Drive ②	Markham	ON	MRC	100	203,500	203,500	94	CIBC World Markets Inc, Illumiti Inc
201 City Centre Drive ①③*	Mississauga	ON	MRC	50	215,000	107,500	86	BDC, City of Mississauga, Metrolinx
2920 Matheson East ②	Mississauga	ON	MRC	50	234,000	117,000	78	Bayer Inc, Cogent Canada Inc
33 City Centre Drive ①	Mississauga	ON	MRC	50	214,000	107,000	83	Aviva Canada Inc, CDI College, RBC
55 City Centre Drive ①	Mississauga	ON	MRC	50	174,000	87,000	79	Morguard Corporation, Trios College
5985 Explorer Drive	Mississauga	ON	MRC	100	135,500	135,500	100	Federal Express Canada Ltd
77 City Centre Drive ①	Mississauga	ON	MRC	50	195,000	97,500	85	Economical Mutual Insurance Company
Creekside Corporate Centre	Mississauga	ON	MRC	100	301,500	301,500	100	TD Bank Financial Group
59 Camelot Drive ③	Nepean	ON	MRC	100	106,500	106,500	100	Brando's Toss & Grill Bistro
586 Argus Road	Oakville	ON	MRC	100	74,500	74,500	79	Rockstar Games Toronto ULC, Saviour Drugs Ltd
2794 South Sheridan Way	Oakville	ON	MRC	100	36,500	36,500	0	Vacant
131 Queen Street ③	Ottawa	ON	MRC	100	329,500	329,500	100	Her Majesty The Queen
301 Laurier Avenue	Ottawa	ON	MRT	50	26,000	13,000	19	Moores The Suit People
350 Sparks Street	Ottawa	ON	MRC	100	173,500	173,500	71	Chicken Farmers of Canada, Morguard
525 Coventry	Ottawa	ON	MRT	100	42,500	42,500	100	Assent Compliance Inc
CBC Ottawa Broadcast Centre ③	Ottawa	ON	MRC	100	251,500	251,500	100	CBC
Green Valley Office Park ③	Ottawa	ON	MRT	100	123,000	123,000	84	Canadian Physiotherapy Association
Heritage Place ③	Ottawa	ON	MRT	50	216,000	108,000	91	Modis Canada Inc, PCL, The Dominion
Jean Edmonds Towers	Ottawa	ON	MRC	50	554,500	277,000	100	Her Majesty The Queen
Performance Court ①⑥⑨**	Ottawa	ON	MRC	50	370,000	185,000	100	CIBC World Markets, KPMG, Shopify Inc
St. Laurent Business Centre ③	Ottawa	ON	MRT	100	88,000	88,000	76	Intact Insurance Company, Syglam Inc
Standard Life ③	Ottawa	ON	MRT	50	378,000	189,000	98	Public Works
Time Square ③	Ottawa	ON	MRT	100	111,000	111,000	85	Her Majesty The Queen, Le Droit, The Red Lion
77 Bloor Street West ②⑥	Toronto	ON	MRT	50	396,000	198,000	96	Harry Rosen, TD Waterhouse, TD Bank
200 Yorkland ③	Toronto	ON	MRT	100	150,000	150,000	90	Ferring Inc, Investors Group, Vertex Data LP
945 Wilson Avenue	Toronto	ON	MRC	32	228,000	74,500	100	N/A
Etobicoke Wellness Centre	Toronto	ON	MRC	100	156,000	156,000	100	Etobicoke General Hospital Ancillary Services
Leaside Corporate Centre ③	Toronto	ON	MRC	95	94,000	89,500	87	Ontario Motor Vehicle Industry Council, RBC
41 Rue Victoria (LEED pending)	Gatineau	QC	MRC	100	134,500	134,500	100	Brookfield BRP Holdings Canada Inc
Place Innovation ②③	Saint-Laurent	QC	MRC / MRT	100	896,000	896,000	97	Bombardier Inc, Lockheed Martin Canada Inc
SUBTOTAL					9,877,000	7,101,500	93	

CERTIFICATIONS

① BOMA Platinum ② BOMA Gold ③ BOMA Silver ④ BOMA Bronze ⑤ BOMA Certified ⑥ LEED Gold ⑦ LEED Silver ⑧ Energy Star ⑨ Bullfrog Powered

* Boma Earth

** Boma TOBY

OFFICE

Continued

U.S.

PROPERTY	CITY	STATE	OWNER-SHIP	OWNERSHIP INTEREST (%)	TOTAL AREA (SF)	OWNERSHIP AREA (SF)	OCCUPANCY (%)	TOP TENANTS
Coast at Lakeshore East ⑦	Chicago	IL	MRC	51	20,000	10,200	71	N/A
Palm Aire	Pompano Beach	FL	MRC	100	8,500	8,500	88	N/A
Northgate at Falls Church	Falls Church	VA	MRC	100	12,500	12,500	78	N/A
SUBTOTAL					41,000	31,200	79	
TOTAL OFFICE					9,918,000	7,132,700	93	

INDUSTRIAL

CANADA

PROPERTY	CITY	PROV.	OWNER-SHIP	OWNERSHIP INTEREST (%)	TOTAL AREA (SF)	OWNERSHIP AREA (SF)	OCCUPANCY (%)	TOP TENANTS
1100 Polytek Street	Ottawa	ON	MRC	100	121,000	121,000	100	LCBO, National Gallery of Canada
1101 Polytek Street	Ottawa	ON	MRC	100	122,000	122,000	89	Sleep Country Canada, Tire Discounter Group
Maple Leaf Foods Dist. Centre ⑥	Puslinch	ON	MRC	59	284,000	167,500	100	Maple Leaf Foods Inc
1875 Leslie	Toronto	ON	MRT	100	52,000	52,000	100	Goose and Firkin, Poolmaster Canada
2041-2151 McCowan	Toronto	ON	MRT	100	197,000	197,000	77	Every Green International Inc, TuxMat
279 Yorkland	Toronto	ON	MRT	100	18,000	18,000	100	Arz Fine Foods Express Ltd
285 Yorkland	Toronto	ON	MRT	100	25,000	25,000	100	The Mitchell Partnership Inc
825 Des Érables	Salaberry-de-Valleyfield	QC	MRT	50	485,000	242,500	100	Diageo
Industrial Portfolio	Various	Various	MRC	100	489,000	489,000	84	Acklands Grainger, Carquest
TOTAL INDUSTRIAL					1,793,000	1,434,000	91	

RETAIL

CANADA

PROPERTY	CITY	PROV.	OWNER-SHIP	OWNERSHIP INTEREST (%)	TOTAL AREA (SF)	OWNERSHIP AREA (SF)	OCCUPANCY (%)	TOP TENANTS
Burquitlam Plaza	Coquitlam	BC	MRT	100	68,000	68,000	89	CIBC, Dollarama, Shoppers Drug Mart
Pine Centre Mall	Prince George	BC	MRT	100	476,500	476,500	99	B.C. Liquor, Dollarama, Lowe's, Sport Chek
Shelbourne Plaza	Victoria	BC	MRT	100	57,000	57,000	100	A&W, Scotiabank, TD Canada Trust
Airdrie Co-op Centre	Airdrie	AB	MRT	100	70,000	70,000	100	Co-Op Grocery Store, Co-Op Liquor Store
Airdrie RONA Centre	Airdrie	AB	MRT	100	44,000	44,000	100	Lubexx, Rona, Tim Hortons
Heritage Towne Centre	Calgary	AB	MRT	100	131,000	131,000	100	Ashley Furniture, Dollarama, Home Outfitters
Prairie Mall	Grande Prairie	AB	MRC/MRT	100	263,000	263,000	95	Ardene, Dollarama, Marshalls, Urban Planet
Parkland Mall ⑤	Red Deer	AB	MRT	100	473,000	473,000	85	Business Depot, Dollarama, GoodLife Fitness, Staples, The Keg Steakhouse, Walmart
The Centre ⑥*	Saskatoon	SK	MRT	100	490,000	490,000	96	Best Buy, GoodLife Fitness Centres, Sport Chek
Shoppers Mall ②	Brandon	MB	MRT	100	361,500	361,500	90	Capitol Theatre, GoodLife Fitness, Sobeys Extra

Continued on next page

CERTIFICATIONS

① BOMA Platinum ② BOMA Gold ③ BOMA Silver ④ BOMA Bronze ⑤ BOMA Certified ⑥ LEED Gold ⑦ LEED Silver ⑧ Energy Star ⑨ Bullfrog Powered

* Maple Leaf Silver

RETAIL

Continued

CANADA

PROPERTY	CITY	PROV.	OWNER-SHIP	OWNERSHIP INTEREST (%)	TOTAL AREA (SF)	OWNERSHIP AREA (SF)	OCCUPANCY (%)	TOP TENANTS
Charleswood Centre	Winnipeg	MB	MRT	100	123,000	123,000	100	Boston Pizza, Dollarama, Liquor Mart, Safeway
Southdale Centre	Winnipeg	MB	MRT	100	175,500	175,500	98	Bank of Montreal, Dollarama, Walmart
Aurora Centre	Aurora	ON	MRT	100	304,000	304,000	100	Canadian Tire, Cineplex Odeon, Sobeys
Bramalea City Centre ^①	Brampton	ON	MRC	21	1,421,500	294,500	93	Best Buy, H&M, Hollister, Metro, Saks Off Fifth
Cambridge Centre ^②	Cambridge	ON	MRT	100	578,500	578,500	91	Cambridge Ice Centre, Indigo, Marshalls
Market Square	Kanata	ON	MRT	100	68,000	68,000	95	Bulk Barn, Farm Boy, LCBO, TD Canada Trust
Wonderland Corners	London	ON	MRT	100	46,000	46,000	86	Swiss Chalet, YMCA of Western Ontario
Kingsbury Centre	Mississauga	ON	MRT	100	70,000	70,000	98	Longo's, Shoppers Drug Mart
Hampton Park Plaza	Ottawa	ON	MRT	100	102,000	102,000	96	East Side Mario's, Food Basics, Scotiabank
Home Base	Ottawa	ON	MRT	100	10,000	10,000	0	Vacant
St. Laurent ^③	Ottawa	ON	MRT	100	795,000	795,000	98	Hudson's Bay, Intact Financial Corp, Sport Chek
100 Cavell Avenue	Toronto	ON	MRC	100	5,500	5,500	84	Frecles Fox Restaurant, Shop N Go
Centerpoint Mall ^④	Toronto	ON	MRC	100	606,000	606,000	98	Canadian Tire, Hudson's Bay, Lowe's, No Frills
Guildwood Village Shopping Centre	Toronto	ON	MRC	100	53,000	53,000	95	BMO, CIBC, Toronto Public Library, Valu-Mart
East York Town Centre ^⑤	Toronto	ON	MRC	100	383,500	383,500	78	Dollarama, Food Basics, St. Michael's Hospital
The Colonnade	Toronto	ON	MRC	100	102,000	102,000	83	Cartier, Christian Dior, Prada, William Ashley
Yonge & McGill	Toronto	ON	MRC	100	7,500	7,500	100	Amato Pizza, Market Place, Toothworks
Woodbridge Square	Vaughan	ON	MRT	50	112,000	56,000	96	Moose & Firkin, Nations Fresh Foods, Scotiabank
SUBTOTAL					7,397,000	6,214,000	94	

U.S.

PROPERTY	CITY	STATE	OWNER-SHIP	OWNERSHIP INTEREST (%)	TOTAL AREA (SF)	OWNERSHIP AREA (SF)	OCCUPANCY (%)	TOP TENANTS
Westgate Shopping Center	Alexandria	LA	MRC	100	167,500	167,500	92	Aaron's, Autozone, Golden Corral, Roses Express
Gonzales Plaza	Gonzales	LA	MRC	100	72,000	72,000	100	Aaron's, Big Lots, Dollar Tree, Mattress Firm
Southland Mall	Houma	LA	MRC	100	446,500	446,500	72	Encore, H&M, J.C. Penny, Unitech Training
Airline Park Shopping Center	Matairie	LA	MRC	100	53,500	53,500	74	Aaron's, Dollar Tree, Harbor Freight Tools
North Shore Square	Slidell	LA	MRC	100	428,500	428,500	48	At Home, Foot Locker, J.C. Penny
Alta at K Station	Chicago	IL	MRC	100	13,500	13,500	100	Fulton River Dental, River North MRI
Boynton Town Center	Boynton Beach	FL	MRC	100	209,000	209,000	94	Best Buy, Michaels, Target, Total Wine & More
Weeki Wachee Village	Brooksville	FL	MRC	100	82,500	82,500	98	Liquor Depot, Snap Fitness, Winn Dixie
Rainbow Square	Dunnellon	FL	MRC	100	124,000	124,000	91	Dollar Tree, Publix, Sherwin Williams
Florida Shores Plaza	Edgewater	FL	MRC	100	79,500	79,500	100	Big B Liquors, Labcorp, Winn Dixie
Lantana Plaza	Lake Worth	FL	MRC	100	245,500	245,500	99	Dollar Tree, Home Depot, Office Depot, Publix
Town & Country Shopping Center	Palatka	FL	MRC	100	196,500	196,500	64	CVS Pharmacy, Dollar Tree, Publix
Westward Shopping Center	West Palm Beach	FL	MRC	100	233,000	233,000	100	Harbor Freight Tools, Office Depot
Northgate at Falls Church	Falls Church	VA	MRG	100	20,500	20,500	90	Café Kindred, Miata C. Jones DDS, Title Boxing
SUBTOTAL					2,372,000	2,372,000	80	
TOTAL RETAIL					9,769,000	8,586,000	90	

CERTIFICATIONS

① BOMA Platinum ② BOMA Gold ③ BOMA Silver ④ BOMA Bronze ⑤ BOMA Certified ⑥ LEED Gold ⑦ LEED Silver ⑧ Energy Star ⑨ Bullfrog Powered

HOTEL

CANADA

PROPERTY	CITY	PROV.	OWNERSHIP	OWNERSHIP INTEREST (%)	TOTAL ROOMS	OWNERSHIP ROOMS
Inn at the Quay ①	New Westminster	BC	TPH	100	126	126
Acclaim Hotel Calgary Airport ①	Calgary	AB	TPH	100	225	225
Hilton Garden Inn ①	Edmonton	AB	TPH	100	160	160
Clearwater Residence Hotel – Timberlea ①	Fort McMurray	AB	TPH	100	66	66
Clearwater Suite Hotel ①	Fort McMurray	AB	TPH	100	150	150
Cortona Residence	Fort McMurray	AB	TPH	100	57	57
Franklin Suite Hotel ①	Fort McMurray	AB	TPH	100	75	75
Merit Hotel & Suites ①	Fort McMurray	AB	TPH	100	160	160
Nomad Hotel & Suites ①	Fort McMurray	AB	TPH	100	164	164
Radisson Hotel & Suites Fort McMurray ①	Fort McMurray	AB	TPH	100	134	134
Vantage Inn and Suites ①	Fort McMurray	AB	TPH	100	83	83
Days Hotel and Suites ①	Lloydminster	AB	TPH	100	128	128
Cambridge Red Deer ①	Red Deer	AB	TPH	100	241	241
Temple Gardens Mineral Spa Resort Hotel ①	Moose Jaw	SK	TPH	100	181	181
Wingate by Wyndham Regina ①	Regina	SK	TPH	100	118	118
Saskatoon Inn & Conference Centre ①	Saskatoon	SK	TPH	100	257	257
Holiday Inn Winnipeg South ①	Winnipeg	MB	TPH	100	170	170
Residence Inn ①	London	ON	TPH	50	116	58
Courtyard Marriott Markham	Markham	ON	MRC	100	144	144
Residence Inn Marriott	Markham	ON	MRC	100	100	100
Courtyard Marriott Mississauga	Mississauga	ON	MRC	100	144	144
Hilton Garden Inn Toronto Airport West ①	Mississauga	ON	TPH	100	152	152
Residence Inn Marriott	Mississauga	ON	MRC	100	100	100
Courtyard Marriott ①	Ottawa	ON	TPH	50	183	91.5
Hilton Garden Inn and Homewood Suites	Ottawa	ON	MRC	100	346	346
Holiday Inn Express ①	Ottawa	ON	TPH	100	115	115
Towne Place Suites by Marriott ①	Sudbury	ON	TPH	100	105	105
Days Inn & Suites ①	Thunder Bay	ON	TPH	100	92	92
Days Inn North ①	Thunder Bay	ON	TPH	100	92	92
Courtyard by Marriott Toronto Airport ①	Toronto	ON	MRC	100	168	168
Hotel Carlingview Toronto Airport ①	Toronto	ON	MRC	100	112	112
Residence Inn by Marriott Toronto Airport ①	Toronto	ON	MRC	100	137	137
Toronto Airport Marriott	Toronto	ON	MRC	95	424	403
Courtyard Marriott Vaughan	Vaughan	ON	MRC	100	144	144
Cambridge Suites Hotel Halifax ①	Halifax	NS	TPH	100	200	200
The Prince George Hotel ①	Halifax	NS	TPH	100	203	203
Cambridge Suites Hotel Sydney ①	Sydney	NS	TPH	100	145	145
Days Inn and Suites ①	Yellowknife	NT	TPH	100	80	80
Stanton Suites Hotel ①	Yellowknife	NT	TPH	100	106	106
TOTAL HOTEL					5,903	5,733

CERTIFICATIONS

① Green Key

TORONTO AIRPORT MARRIOTT
TORONTO, ON





EXCEEDING OUR PROJECTIONS IN 2018

The Morguard real estate team works in collaboration, focused on enhancing and expanding the Morguard portfolio and providing greater returns for our shareholders. Ever perceptive, always alert, we constantly study North American real estate markets, particularly within major economic hubs, and work with select joint

venture and valued strategic partners to identify opportunities with the greatest potential. This thorough, thoughtful approach means that Morguard is always poised to take action, garnering the positive results that follow – and in 2018, we exceeded our revenue and overall earnings.

SECTION 2

MORGUARD CORPORATION FINANCIAL HIGHLIGHTS

PRUDENT CAPITAL MANAGEMENT REMAINS A CORE PRINCIPLE OF MORGUARD CORPORATION, WITH GOOD CASH FLOW AND CONTINUED ACCESS TO CAPITAL

REVENUE AND OVERALL EARNINGS

In 2018, Morguard Corporation's revenue and overall earnings, exceeded management's projections – the result of increases in net operating income (NOI) and funds from operations (FFO) coming from our acquisitions, completed developments and asset management initiatives.

Total revenue increased by \$44.1 million to \$1.16 billion for 2018. NOI increased by \$34.1 million (or 6.6%), to \$548.0 million for 2018. FFO increased by \$7.3 million to \$232.4 million for 2018, representing a 3.3% increase, and FFO per share increased by \$1.38 per share to \$20.32 per share, for 2018 compared to \$18.94 per share, for 2017, representing a 7.3% increase.

Fair value gain on real estate properties was \$239.0 million for 2018, compared to \$189.1 million for 2017, an increase of \$49.9 million.

CAPITAL MANAGEMENT

Prudent capital management remains a core principle of Morguard, and in 2018 the Company maintained a strong, long-term store of value, with good cash flow and continued access to capital. A strong balance sheet starts with having the right proportion of debt to equity, with a view to reducing interest costs through alternative financing. During 2018, Morguard refinanced \$292.0 million of first-mortgage debt at a weighted average interest rate of 4.22%, resulting in additional mortgage

proceeds of \$134.0 million. Morguard continues to be institutionally rated (DBRS: BBB (low) with a stable trend) and used this rating during 2018 to issue \$200 million, three-year unsecured debentures at an interest rate of 4.085% and subsequent to December 31, 2018, Morguard issued \$225 million, five-year unsecured debentures at an interest rate of 4.715%.

RESULTS FOR SHAREHOLDERS

Over the past 10 years, the compound annual growth rate of Morguard's stock has been 26%. In 2018, we continued our annual dividend of \$0.60 per share, paying \$6.8 million to Shareholders.

FINANCIAL HIGHLIGHTS

IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER COMMON SHARE AMOUNTS

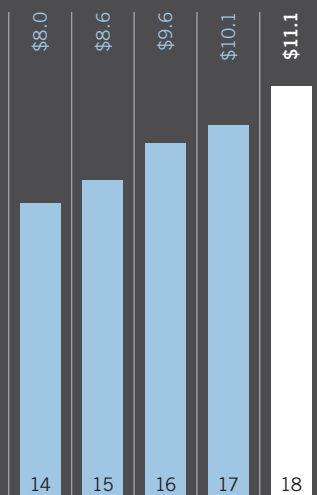
AS AT DECEMBER 31	2014	2015	2016	2017	2018
1 Total assets	\$7,993,684	\$8,602,132	\$9,588,078	\$10,111,986	\$11,082,758
Indebtedness	\$3,808,296	\$4,183,810	\$4,778,750	\$4,935,454	\$5,498,668
Indebtedness to total assets	47.6%	48.6%	49.8%	48.8%	49.6%
Shareholders' equity	\$2,498,605	\$2,697,724	\$2,862,812	\$3,082,673	\$3,431,366
Number of common shares (in thousands)	12,353	11,993	11,929	11,842	11,294
6 TSX price	\$150.00	\$133.00	\$175.90	\$179.48	\$176.01
5 Shareholders' equity, per common share	\$202.27	\$224.94	\$239.98	\$260.32	\$303.84
Equity market capitalization	\$1,852,950	\$1,595,069	\$2,098,311	\$2,125,402	\$1,987,857

FOR THE YEARS ENDED DECEMBER 31	2014	2015	2016	2017	2018
Revenue from real estate properties	\$426,667	\$762,033	\$775,746	\$790,535	\$841,497
Revenue from hotel properties	\$46,141	\$46,562	\$66,567	\$237,116	\$237,938
2 Total revenue	\$566,326	\$883,559	\$921,976	\$1,113,774	\$1,157,878
3 Net operating income	\$241,193	\$435,899	\$453,398	\$513,867	\$547,975
Net income	\$137,257	\$103,520	\$209,924	\$344,367	\$344,058
4 Funds from operations – basic	\$152,053	\$183,139	\$213,282	\$225,072	\$232,396
Funds from operations per share – basic	\$12.14	\$14.96	\$17.86	\$18.94	\$20.32

1

TOTAL ASSETS

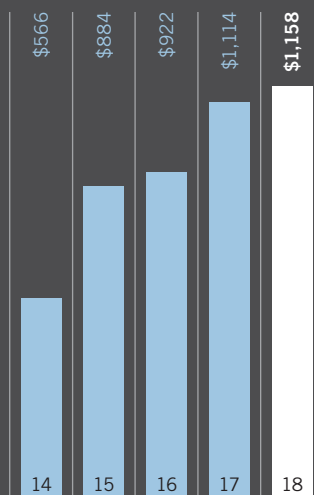
IN BILLIONS OF DOLLARS



2

TOTAL REVENUE

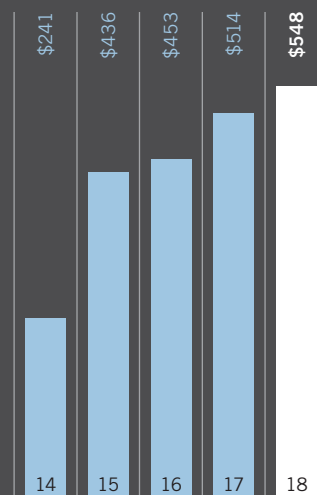
IN MILLIONS OF DOLLARS



3

NET OPERATING INCOME

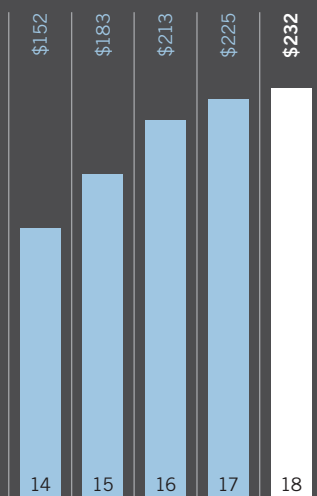
IN MILLIONS OF DOLLARS



4

FUNDS FROM OPERATIONS – BASIC

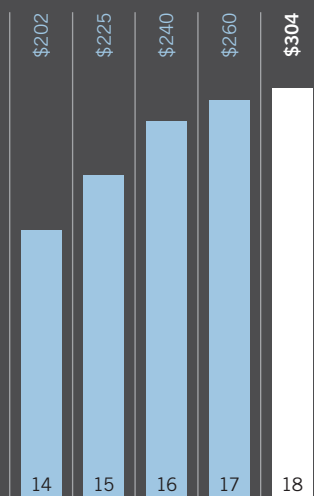
IN MILLIONS OF DOLLARS



5

SHAREHOLDERS' EQUITY

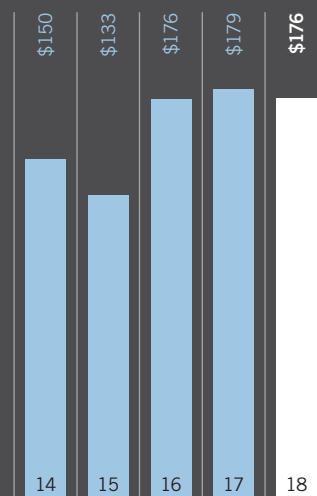
PER COMMON SHARE



6

TSX PRICE

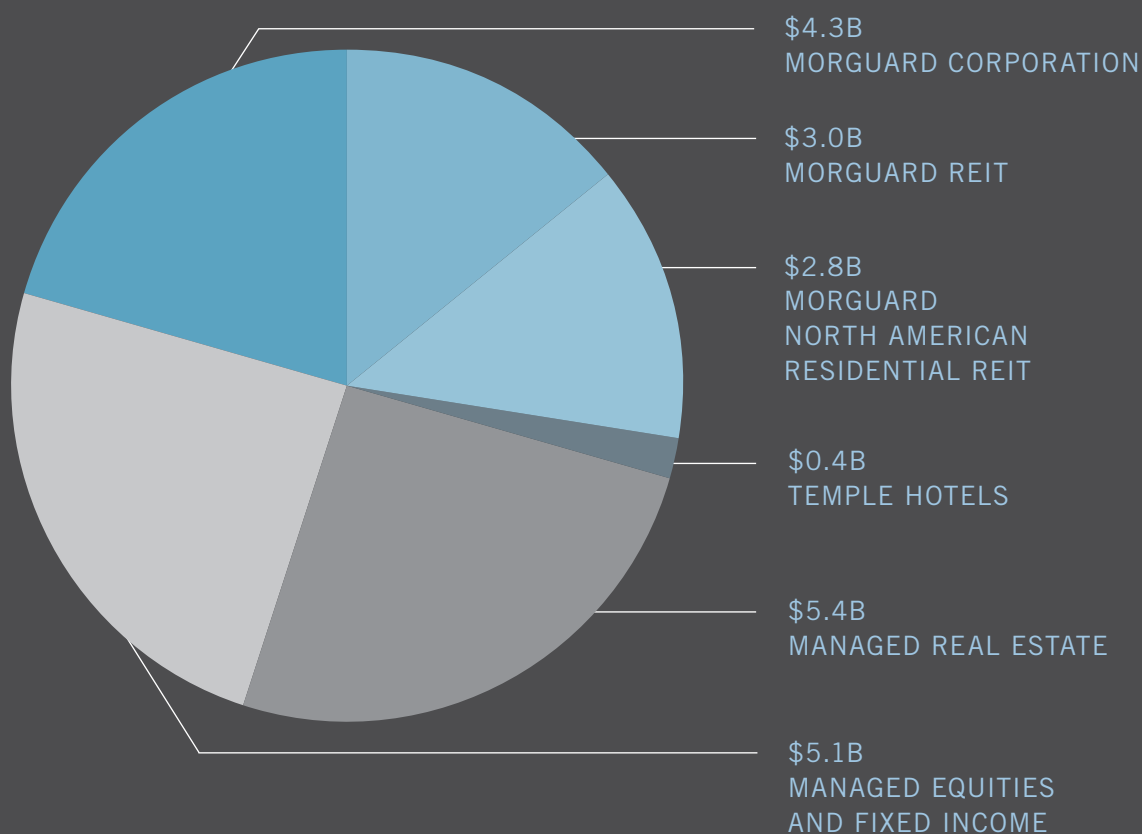
PER COMMON SHARE



DIVERSE HOLDINGS

Morguard Corporation has investments in a diverse group of companies, enabling the Corporation to realize revenue from distributions as well as the management services we provide.

\$21.0 BILLION ASSETS UNDER MANAGEMENT



1 MORGUARD REIT

Morguard has a 57.6% interest in Morguard Real Estate Investment Trust (MRT). MRT is diversified with holdings in six Canadian provinces comprising retail, office, and industrial properties with a total of 8.6 million square feet of GLA.

49

COMMERCIAL PROPERTIES

\$152

MILLION NET
OPERATING INCOME

2 MORGUARD NORTH AMERICAN RESIDENTIAL REIT

Morguard owns 46.9% of Morguard North American Residential Real Estate Investment Trust (MRG), and has exclusive service agreements with the Trust that include property management, asset management, debt financing and acquisitions.

13,430

RESIDENTIAL SUITES

\$132

MILLION NET
OPERATING INCOME

3 TEMPLE HOTELS INC.

Morguard has a 58.7% ownership interest in Temple Hotels Inc. (Temple). A relatively small investment for Morguard, the ownership in Temple has enabled us to expand our array of management expertise, and gain deeper insight into the communities in which Temple's hotels are located.

4,084

HOTEL ROOMS

\$40

MILLION NET
OPERATING INCOME

4 MANAGEMENT SERVICES

Morguard provides real estate investment and management services to major institutional clients, private investors and our public investments. In 2018, Morguard earned fees of \$62.1 million from its third-party advisory services offered by Morguard and through our subsidiary, Lincluden Investment Management Limited.

\$10.5

BILLION THIRD-PARTY
ASSETS UNDER
MANAGEMENT

\$62.1

MILLION EARNED
FROM ADVISORY

BALANCE SHEETS

IN THOUSANDS OF CANADIAN DOLLARS

AS AT DECEMBER 31	2018	2017
ASSETS		
Non-current assets		
Real estate properties	\$9,645,596	\$8,655,651
Hotel properties	666,078	669,026
Equity-accounted and other fund investments	281,464	280,853
Other assets	285,103	246,440
	10,878,241	9,851,970
Current assets		
Mortgages and loans receivable	1,686	27,257
Amounts receivable	76,879	77,227
Prepaid expenses and other	15,551	21,082
Cash	110,401	134,450
	204,517	260,016
	\$11,082,758	\$10,111,986
LIABILITIES AND EQUITY		
Non-current liabilities		
Mortgages payable	\$3,573,185	\$3,440,069
Unsecured debentures	597,697	398,152
Convertible debentures	225,936	147,701
Morguard Residential REIT Units	417,481	365,438
Deferred income tax liabilities	717,943	646,884
	5,532,242	4,998,244
Current liabilities		
Mortgages payable	789,516	615,959
Unsecured debentures	—	134,755
Convertible debentures	2,063	88,674
Construction financing payable	—	36,476
Loans payable	60,309	—
Accounts payable and accrued liabilities	244,670	253,859
Bank indebtedness	225,160	49,650
	1,321,718	1,179,373
Total liabilities	6,853,960	6,177,617
EQUITY		
Shareholders' equity	3,431,366	3,082,673
Non-controlling interest	797,432	851,696
Total equity	4,228,798	3,934,369
	\$11,082,758	\$10,111,986

STATEMENTS OF INCOME

IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER COMMON SHARE AMOUNTS

FOR THE YEARS ENDED DECEMBER 31	2018	2017
Revenue from real estate properties	\$841,497	\$790,535
Revenue from hotel properties	237,938	237,116
Land rent arbitration settlement	17,250	—
Property operating expenses		
Property operating costs	(184,986)	(174,440)
Utilities	(57,160)	(52,986)
Realty taxes	(126,076)	(110,644)
Hotel operating expenses	(180,488)	(175,714)
Net operating income	547,975	513,867
OTHER REVENUE		
Management and advisory fees	62,096	71,786
Interest and other income	10,947	8,907
Sales of product and land	5,400	5,430
	78,443	86,123
EXPENSES		
Interest	210,464	191,965
Property management and corporate	92,665	82,862
Cost of sales of product and land	3,698	3,524
Amortization of hotel properties	25,342	26,640
Amortization of capital assets and other	6,518	4,228
Provision for impairment	29,668	24,590
	368,355	333,809
OTHER INCOME (EXPENSE)		
Fair value gain, net	167,235	139,898
Equity loss from investments	(22,654)	(10,227)
Other income	13,424	3,885
	158,005	133,556
Income before income taxes	416,068	399,737
Provision for income taxes		
Current	15,216	21,187
Deferred	56,794	34,183
	72,010	55,370
Net income for the year	\$344,058	\$344,367
Net income attributable to:		
Common shareholders	\$319,851	\$310,120
Non-controlling interest	24,207	34,247
	\$344,058	\$344,367
Net income per common share attributable to:		
Common shareholders – basic and diluted	\$27.96	\$26.10

STATEMENTS OF COMPREHENSIVE INCOME

IN THOUSANDS OF CANADIAN DOLLARS

FOR THE YEARS ENDED DECEMBER 31	2018	2017
Net income for the year	\$344,058	\$344,367
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified subsequently to net income:		
Unrealized gain on investments in real estate funds	—	194
Unrealized foreign currency translation gain (loss)	112,621	(81,432)
Gain on interest rate swap agreement	161	665
	112,782	(80,573)
Deferred income tax recovery	467	2,429
	113,249	(78,144)
Items that will not be reclassified subsequently to net income:		
Actuarial loss on defined benefit pension plans	(6,721)	(2,174)
Deferred income tax recovery	1,796	283
	(4,925)	(1,891)
Other comprehensive income (loss)	108,324	(80,035)
Total comprehensive income for the year	\$452,382	\$264,332
Total comprehensive income attributable to:		
Common shareholders	\$420,538	\$232,383
Non-controlling interest	31,844	31,949
	\$452,382	\$264,332

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

IN THOUSANDS OF CANADIAN DOLLARS

	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	SHARE CAPITAL	TOTAL SHAREHOLDERS' EQUITY	NON- CONTROLLING INTEREST	TOTAL
Shareholders' equity, January 1, 2017	\$2,487,492	\$267,719	\$107,601	\$2,862,812	\$808,319	\$3,671,131
Changes during the year:						
Net income	310,120	—	—	310,120	34,247	344,367
Other comprehensive loss	—	(77,737)	—	(77,737)	(2,298)	(80,035)
Dividends	(7,127)	—	—	(7,127)	—	(7,127)
Distributions	—	—	—	—	(27,032)	(27,032)
Equity component of convertible debentures	—	—	—	—	2,120	2,120
Decrease in subsidiary ownership interest	—	—	—	—	63,410	63,410
Issuance of common shares	—	—	148	148	—	148
Repurchase of common shares	(15,037)	—	(797)	(15,834)	—	(15,834)
Change in ownership of Morguard REIT	10,291	—	—	10,291	(27,070)	(16,779)
Shareholders' equity, December 31, 2017	2,785,739	189,982	106,952	3,082,673	851,696	3,934,369
Changes during the year:						
Net income	319,851	—	—	319,851	24,207	344,058
Other comprehensive income	—	100,687	—	100,687	7,637	108,324
Dividends	(6,842)	—	—	(6,842)	—	(6,842)
Distributions	—	—	—	—	(29,778)	(29,778)
Issuance of common shares	—	—	139	139	—	139
Repurchase of common shares	(87,720)	—	(4,655)	(92,375)	—	(92,375)
Adjustment on adoption of IFRS 9	17,315	(17,315)	—	—	—	—
Change in ownership of Temple Hotels Inc.	312	—	—	312	(2,480)	(2,168)
Change in ownership of Morguard REIT	26,921	—	—	26,921	(53,850)	(26,929)
Shareholders' equity, December 31, 2018	\$3,055,576	\$273,354	\$102,436	\$3,431,366	\$797,432	\$4,228,798

STATEMENTS OF CASH FLOWS

IN THOUSANDS OF CANADIAN DOLLARS

FOR THE YEARS ENDED DECEMBER 31	2018	2017
OPERATING ACTIVITIES		
Net income for the year	\$344,058	\$344,367
Add (deduct) items not affecting cash	(46,610)	(56,321)
Distributions from equity-accounted investments	4,472	79,961
Land held for residential development and sale	(13)	(310)
Additions to development property – inventory	(3,930)	(36,073)
Additions to tenant incentives and leasing commissions	(8,170)	(6,886)
Net change in operating assets and liabilities	1,597	(9,210)
Cash provided by operating activities	291,404	315,528
INVESTING ACTIVITIES		
Additions to real estate properties and tenant improvements	(425,643)	(713,279)
Additions to hotel properties	(17,029)	(16,786)
Additions to capital and intangible assets	(5,923)	(18,107)
Proceeds from sale of real estate properties	7,214	88,685
Proceeds from the sale of hotel properties	—	9,399
Investment in properties under development	(94,498)	(66,701)
Investment in equity-accounted and other fund investments, net	(7,786)	(10,400)
Investment in marketable securities	(41,510)	—
Increase in mortgages and loans receivable	(82,783)	(41,070)
Decrease in mortgages and loans receivable	108,244	78,406
Cash used in investing activities	(559,714)	(689,853)
FINANCING ACTIVITIES		
Proceeds from new mortgages	477,769	711,961
Financing costs on new mortgages	(2,797)	(6,342)
Repayment of mortgages		
Repayments on maturity	(196,704)	(388,307)
Principal instalment repayments	(109,578)	(112,212)
Proceeds from bank indebtedness	705,255	464,765
Repayment of bank indebtedness	(529,745)	(419,757)
Proceeds from issuance of Morguard Residential REIT Units, net of cost	—	40,998
Proceeds from issuance of unsecured debentures, net of costs	198,805	198,800
Redemption of unsecured debentures	(135,000)	—
Proceeds from issuance of convertible debentures, net of costs	77,125	—
Redemption of convertible debentures	(90,998)	(157,218)
Proceeds from construction financing	1,481	36,476
Repayment of construction financing	(37,957)	(93,000)
Proceeds from (repayment of) loans payable, net	55,772	—
Dividends paid	(6,703)	(6,979)
Contribution from non-controlling interest	—	63,410
Distributions to non-controlling interest	(29,242)	(26,742)
Common shares repurchased for cancellation	(92,375)	(15,834)
Investment in Morguard REIT	(26,929)	(26,797)
Investment in Temple Hotels Inc.	(2,168)	—
Decrease (increase) in restricted cash	(7,733)	778
Cash provided by financing activities	248,278	264,000
Net decrease in cash during the year	(20,032)	(110,325)
Net effect of foreign currency translation on cash balance	(4,017)	3,253
Cash, beginning of year	134,450	241,522
Cash, end of year	\$110,401	\$134,450

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chris J. Cahill³
Chief Executive Officer
Deputy, Accor Hotels

David A. King^{2, 4}
Vice Chairman
Corporate Director

Timothy J. Murphy^{2, 3}
Partner, McMillan LLP

Michael S. Robb^{1, 3}
Corporate Director

Bruce K. Robertson^{1, 2, 4}
Vice President, Investments
The Woodbridge Company Limited

K. Rai Sahi⁴
Chairman and
Chief Executive Officer

L. Peter Sharpe^{1, 3, 4}
Corporate Director

Angela Sahi
Senior Vice President,
Corporate Development

¹ Audit Committee

² Human Resources,
Compensation and
Pension Committee

³ Corporate Governance and
Nominating Committee

⁴ Investment Committee

EXECUTIVE DIRECTORY

K. Rai Sahi
Chairman and
Chief Executive Officer

Paul Miatello
Senior Vice President,
Chief Financial Officer

Beverley G. Flynn
Senior Vice President,
General Counsel
and Secretary

Angela Sahi
Senior Vice President,
Corporate Development

Christopher A. Newman
Chief Financial Officer
Morguard North American
Residential REIT

Andrew Tamlin
Chief Financial Officer
Morguard REIT

Gordon Vollmer
Executive Vice President,
Office and Industrial
Morguard Investments Limited

W. Scott MacDonald
Executive Vice President, Retail
Morguard Investments Limited

Margaret Knowles
Senior Vice President, Development
Morguard Investments Limited

Pamela McLean
Senior Vice President, Finance,
and Chief Financial Officer, Services
Morguard Investments Limited

Sanjay Rateja
Vice President, Operations
Temple Hotels Inc.

John Talano
Senior Vice President,
Operations (U.S.)
Morguard North American
Residential REIT

Robert McFarlane
Vice President,
Internal Audit

Brian Athey
Vice President,
Development

Patrick Seward
Vice President,
Planning and Corporate
Development

Robert Wright
Vice President

INVESTOR INFORMATION

Registered Office
55 City Centre Drive
Suite 1000
Mississauga, ON
L5B 1M3
T 905-281-3800
info@morguard.com

Transfer Agent
Computershare Trust
Company of Canada
1-800-564-6253
www.computershare.com

Auditors
Ernst & Young LLP

Principal Bankers
Royal Bank of Canada
Toronto-Dominion Bank

Share Listing
Toronto Stock Exchange

Symbol
MRC

Investor Relations
Visit our website at
www.morguard.com or view
our filings on SEDAR at
www.sedar.com.

Annual Shareholder Meeting
Wednesday May 8, 2019
at 10:30 a.m.
Rattlesnake Point Golf Club
5407 Regional Road 25
Milton, ON
L9T 2X5

**For additional information,
please contact:**

Paul Miatello
Senior Vice President,
Chief Financial Officer

Beverley G. Flynn
Senior Vice President,
General Counsel
and Secretary

T 905-281-3800
info@morguard.com

MORGUARD CORPORATION

55 City Centre Drive
Suite 1000
Mississauga, ON
L5B 1M3
905-281-3800

MORGUARD.COM

