Real Estate Potential. Realized.

MORGUARD REAL ESTATE INVESTMENT TRUST

MARCH 31, 2022

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

TABLE OF CONTENTS

BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	March 31, 2022	December 31, 2021
ASSETS			
Non-current assets			
Real estate properties	3	**$2,480,363**	$2,451,301
Right-of-use asset	4	**138**	159
Equity-accounted investment	5	**18,624**	18,578
		2,499,125	2,470,038
Current assets			
Amounts receivable	6	**10,127**	12,269
Prepaid expenses and other		**9,615**	365
Cash		**11,450**	11,270
		31,192	23,904
Total assets		**$2,530,317**	$2,493,942
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	8	**$874,250**	$920,089
Convertible debentures	9	**148,399**	147,908
Lease liabilities	10	**16,507**	16,550
Accounts payable and accrued liabilities		**5,337**	5,258
		1,044,493	1,089,805
Current liabilities			
Mortgages payable	8	**242,674**	205,568
Lease liabilities	10	**171**	168
Accounts payable and accrued liabilities		**45,239**	38,887
Bank indebtedness	11	**9,656**	7,526
		297,740	252,149
Total liabilities		**1,342,233**	1,341,954
Unitholders' equity		**1,188,084**	1,151,988
		$2,530,317	$2,493,942
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 AND COMPREHENSIVE INCOME

In thousands of Canadian dollars, except per unit amounts

For the three months ended March 31,	Note	2022	2021
Revenue from real estate properties	12	**$61,326**	$60,970
Property operating costs			
Property operating expenses	13(a)	**(18,096)**	(15,107)
Property taxes		**(12,614)**	(12,749)
Property management fees		**(2,072)**	(2,056)
Net operating income		**28,544**	31,058
Interest expense	14	**(12,991)**	(13,272)
General and administrative	13(b)	**(1,094)**	(915)
Amortization expense		**(21)**	(21)
Other income		**—**	1,983
Fair value gains/(losses) on real estate properties	3	**24,965**	(14,449)
Net income from equity-accounted investment	5	**506**	466
Net income and comprehensive income		**$39,909**	$4,850
NET INCOME PER UNIT	16(d)		
Basic		**$0.62**	$0.08
Diluted		**$0.44**	$0.08

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF UNITHOLDERS' EQUITY

In thousands of Canadian dollars, except number of units

	Note	Number of Units	Issue of Units	Retained Earnings	Equity Component of Convertible Debentures	Contributed Surplus	Total Unitholders' Equity
Unitholders' equity, January 1, 2021		64,125,215	$628,910	$522,290	$4,594	$1,864	$1,157,658
Net income		—	—	4,850	—	—	4,850
Distributions to unitholders	16(a)	—	—	(5,090)	—	—	(5,090)
Issue of units – DRIP [1]	16(c)	7,915	42	(42)	—	—	—
Unitholders' equity, March 31, 2021		64,133,130	628,952	522,008	4,594	1,864	1,157,418
2016 Debentures redeemed	9	—	—	—	(4,594)	4,594	—
2021 Debentures issued	9	—	—	—	6,879	—	6,879
Net income		—	—	35	—	—	35
Distributions to unitholders	16(a)	—	—	(12,344)	—	—	(12,344)
Distribution in units	16(e)	1,183,784	6,416	(6,416)	—	—	—
Consolidation of units	16(e)	(1,183,784)	—	—	—	—	—
Issue of units – DRIP [1]	16(c)	27,967	163	(163)	—	—	—
Unitholders' equity, December 31, 2021		64,161,097	635,531	503,120	6,879	6,458	1,151,988
Net income		**—**	**—**	**39,909**	**—**	**—**	**39,909**
Distributions to unitholders	**16(a)**	**—**	**—**	**(3,813)**	**—**	**—**	**(3,813)**
Issue of units – DRIP [1]	**16(c)**	**6,145**	**33**	**(33)**	**—**	**—**	**—**
Unitholders' equity, March 31, 2022		**64,167,242**	**$635,564**	**$539,183**	**$6,879**	**$6,458**	**$1,188,084**

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	2022	2021
OPERATING ACTIVITIES			
Net income		**$39,909**	$4,850
Add items not affecting cash	17(a)	**(24,295)**	14,188
Distributions from equity-accounted investment, net	5	**460**	755
Additions to tenant incentives and leasing commissions		**(772)**	(680)
Net change in non-cash operating assets and liabilities	17(b)	**(995)**	698
Cash provided by operating activities		**14,307**	19,811
FINANCING ACTIVITIES			
Repayment of mortgages			
Principal instalment repayments		**(8,950)**	(9,306)
Payment of lease liabilities, net		**(40)**	(32)
Repayment of bank indebtedness, net	11	**2,130**	(2,815)
Distributions to unitholders		**(3,495)**	(3,805)
Cash used in financing activities		**(10,355)**	(15,958)
INVESTING ACTIVITIES			
Capital expenditures on real estate properties		**(1,781)**	(1,390)
Expenditures on properties under development		**(1,991)**	(1,869)
Cash used in investing activities		**(3,772)**	(3,259)
Net change in cash		**180**	594
Cash, beginning of period		**11,270**	8,647
Cash, end of period		**$11,450**	$9,241

See accompanying notes to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

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

NOTE 1

NATURE AND FORMATION OF THE TRUST

Morguard Real Estate Investment Trust (the "Trust") is a "closed-end" real estate investment trust governed pursuant to an amended and restated declaration of trust dated May 5, 2021 ("the Declaration of Trust"), under, and governed by, the laws of the Province of Ontario. The Trust commenced active operations on October 14, 1997. The Trust units trade on the Toronto Stock Exchange ("TSX") under the symbol "MRT.UN". The Trust owns a diverse portfolio of retail, office and industrial properties located in six Canadian provinces. The Trust's head office is located at 55 City Centre Drive, Suite 1000, Mississauga, Ontario, L5B 1M3.

The Trust has a property management agreement with Morguard Investments Limited ("MIL"), a subsidiary of Morguard Corporation ("Morguard"). Morguard is the parent company of the Trust, owning 60.8% of the outstanding units as at March 31, 2022. Morguard is a real estate company that owns a diversified portfolio of multi-suite residential, retail, hotel, office and industrial properties. Morguard also provides advisory and management services to institutional and other investors.

NOTE 2

STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

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

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

The condensed consolidated financial statements were approved and authorized for issue by the Trustees on April 27, 2022.

At this time, the duration and impact of the coronavirus pandemic ("COVID-19") is unknown. Any estimate of the length and severity of COVID-19 is 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 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 impacts 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, 2022	December 31, 2021
Income producing properties	**$2,417,726**	$2,395,750
Properties under development	**15,837**	15,401
Held for development	**46,800**	40,150
	$2,480,363	$2,451,301

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, 2020	$2,433,856	$29,299	$36,800	$2,499,955
Additions:				
Acquisitions	395	—	—	395
Capital expenditures/capitalized costs	7,895	5,964	—	13,859
Tenant improvements, tenant incentives and commissions	7,441	—	—	7,441
Right-of-use asset (Note 10)	5,878	—	—	5,878
Transfers	19,862	(19,862)	—	—
Disposition	(14,500)	—	—	(14,500)
Fair value (losses)/gains	(64,324)	—	3,350	(60,974)
Other changes	(753)	—	—	(753)
Balance as at December 31, 2021	**2,395,750**	**15,401**	**40,150**	**2,451,301**
Additions:				
Capital expenditures/capitalized costs	716	1,991	—	2,707
Tenant improvements, tenant incentives and commissions	1,837	—	—	1,837
Transfers	1,555	(1,555)	—	—
Fair value gains	18,315	—	6,650	24,965
Other changes	(447)	—	—	(447)
Balance as at March 31, 2022	**$2,417,726**	**$15,837**	**$46,800**	**$2,480,363**

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 4.0% to 7.8% applied to a stabilized net operating income (December 31, 2021 – 4.3% to 7.8%), resulting in an overall weighted average capitalization rate of 6.60% (December 31, 2021 – 6.70%).

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

	March 31, 2022					December 31, 2021				
	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%**	**7.1%**	97.0%	90.0%	7.3%	5.3%	7.1%
Office	**100.0%**	**90.0%**	**7.8%**	**4.0%**	**6.2%**	100.0%	90.0%	7.8%	4.3%	6.3%
Industrial	**100.0%**	**95.0%**	**5.3%**	**5.0%**	**5.3%**	100.0%	95.0%	5.3%	5.0%	5.4%

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

	March 31, 2022			December 31, 2021		
	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	**8.5 %**	**5.0 %**	**6.2 %**	8.5 %	5.3 %	6.3 %
Terminal cap rate	**7.5 %**	**4.0 %**	**5.3 %**	7.5 %	4.3 %	5.4 %
INDUSTRIAL						
Discount rate	**6.3 %**	**5.8 %**	**6.0 %**	6.3 %	5.8 %	6.0 %
Terminal cap rate	**5.5 %**	**5.3 %**	**5.3 %**	5.5 %	5.3 %	5.3 %

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, 2022, 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, 2022, would decrease by $82,996 or increase by $89,588, 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, 2022		
Change in capitalization rate	**0.25%**	**(0.25%)**
Retail	**($39,526)**	**$42,409**
Office	**(41,081)**	**44,554**
Industrial	**(2,389)**	**2,625**
	($82,996)	**$89,588**

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, 2022	December 31, 2021
Balance, beginning of period	**$159**	$242
Amortization expense	**(21)**	(83)
Balance, end of period	**$138**	$159

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, 2022	December 31, 2021
Balance, beginning of period	**$18,578**	$20,496
Equity income/(loss)	**506**	(1,078)
Distributions to partners, net	**(460)**	(840)
Balance, end of period	**$18,624**	$18,578

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, 2022	December 31, 2021
Real estate property	**$41,500**	$41,500
Current assets	**2,073**	2,540
Total assets	**43,573**	44,040
Non-current liabilities	**(4)**	(4)
Current liabilities	**(24,945)**	(25,458)
Net equity	**$18,624**	$18,578

For the three months ended March 31,	2022	2021
Revenue from real estate property	**$1,346**	$1,267
Property operating expenses	**(583)**	(520)
Net operating income	**763**	747
Interest and other	**(221)**	(236)
Fair value losses on real estate property	**(36)**	(45)
Net income	**$506**	$466

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, 2022, the property was valued using a discount rate of 7.3% (December 31, 2021 – 7.3%), a terminal cap rate of 6.8% (December 31, 2021 – 6.8%) and a stabilized cap rate of 6.5% (December 31, 2021 – 6.5%). The stabilized annual net operating income as at March 31, 2022, was $3,228 (December 31, 2021 – $2,920).

NOTE 6
AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

As at	March 31, 2022	December 31, 2021
Tenant receivables (including deferrals)	**$9,215**	$9,204
Unbilled other tenant receivables	**3,370**	2,760
Receivables from related parties	**167**	384
Other	**2,657**	5,042
Allowance for expected credit loss	**(5,282)**	(5,121)
	$10,127	$12,269

Allowance for expected credit loss ("ECL")

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

The Trust's expected credit loss as of March 31, 2022, 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**	**2022**	2021
505 Third Street	Calgary, AB	Office	**50%**	50%
Rice Howard Place	Edmonton, AB	Office	**20%**	20%
Prairie Mall	Grande Prairie, AB	Retail	**50%**	50%
Heritage Place	Ottawa, ON	Office	**50%**	50%
Standard Life Centre	Ottawa, ON	Office	**50%**	50%
77 Bloor	Toronto, ON	Office	**50%**	50%
Woodbridge Square	Woodbridge, ON	Retail	**50%**	50%
Place Innovation	Saint-Laurent, QC	Office	**50%**	50%

The following amounts, included in these condensed consolidated financial statements, represent the Trust's proportionate share of the assets and liabilities of its co-ownerships as at March 31, 2022 and December 31, 2021, and the results of operations for the three months ended March 31, 2022 and 2021:

As at	**March 31, 2022**	December 31, 2021
Assets	**$471,513**	$469,775
Liabilities	**$226,519**	$227,838

For the three months ended March 31,	**2022**	2021
Revenue	**$12,351**	$11,361
Expenses	**(8,189)**	(7,023)
Income before fair value adjustments	**4,162**	4,338
Fair value gains/(losses) on real estate properties	**2,253**	(3,410)
Net income	**$6,415**	$928

NOTE 8
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	**March 31, 2022**	December 31, 2021
Mortgages payable before deferred financing costs	**$1,119,395**	$1,128,344
Deferred financing costs	**(2,471)**	(2,687)
Mortgages payable	**$1,116,924**	$1,125,657
Mortgages payable – non-current	**$874,250**	$920,089
Mortgages payable – current	**242,674**	205,568
Mortgages payable	**$1,116,924**	$1,125,657
Range of interest rates	**2.7% to 4.6%**	2.6% to 4.6%
Weighted average interest rate	**3.6%**	3.6%
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, 2022, 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
2022 (remainder of year)	$26,165	$171,299	$197,464	3.8 %
2023	24,920	273,292	298,212	3.5 %
2024	16,793	184,224	201,017	4.0 %
2025	14,998	115,653	130,651	3.2 %
2026	10,161	54,756	64,917	3.0 %
Thereafter	42,238	184,896	227,134	3.5 %
	$135,275	**$984,120**	**$1,119,395**	**3.6 %**

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
2021 Debentures

On December 7, 2021, the Trust issued a $159,000 principal amount of 5.25% convertible unsecured subordinated debentures ("2021 Debentures") maturing on December 31, 2026 (the "2021 Debenture Maturity Date"). As at March 31, 2022, Morguard held a total of $60,000 principal amount of the 2021 Debentures (December 31, 2021 – $60,000).

Interest is payable semi-annually, not in advance, on June 30 and December 31 of each year, commencing on June 30, 2022. The stub period of 2021 interest is payable on June 30, 2022.

The 2021 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 2021 Debentures at the date of original issue. The portion of issue costs attributable to the liability of $4,026 was capitalized and will be amortized over the term to maturity, while the remaining amount of $187 was charged to equity.

	Liability	Equity	Principal Amount Issued
Transaction date – December 7, 2021	$151,934	$7,066	$159,000
Issue costs	(4,026)	(187)	(4,213)
	$147,908	**$6,879**	**$154,787**

Each 2021 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 2021 Debenture Maturity Date at a conversion price of $7.80 per unit, being a rate of approximately 128.2 units per thousand principal amount of 2021 Debentures, subject to adjustment.

The 2021 Debentures payable consist of the following:

As at	**March 31, 2022**	December 31, 2021
Convertible debentures – liability	**$151,934**	$151,934
Convertible debentures – accretion	**311**	—
Convertible debentures before issue costs	**152,245**	151,934
Issue costs	**(3,846)**	(4,026)
Convertible debentures	**$148,399**	$147,908

Remaining interest and principal payments on the 2021 Debentures are as follows:

	Interest	Principal	Total
2022	$8,919	$—	$8,919
2023	8,348	—	8,348
2024	8,348	—	8,348
2025	8,348	—	8,348
2026	8,348	159,000	167,348
	$42,311	**$159,000**	**$201,311**

Redemption Rights

Each 2021 Debenture is redeemable any time from January 1, 2025, to the close of business on December 31, 2025, in whole or in part, on at least 30 days' prior notice at a redemption price equal to par plus accrued and unpaid interest at the Trust's sole option, provided that the weighted average trading price of the units on the TSX for the 20 consecutive trading days ending five trading days prior to the date on which the notice of redemption is given is not less than 125% of the Conversion Price.

From January 1, 2026, to the close of business on December 31, 2026, the 2021 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 2021 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 2021 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 2021 Debenture 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 2021 Debentures, in which event the holders of the 2021 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, 2022	December 31, 2021
Balance, beginning of period	**$16,718**	$10,993
Additions	**—**	5,878
Lease payments	**(300)**	(1,138)
Interest	**260**	985
Balance, end of period	**$16,678**	$16,718
Current	**$171**	$168
Non-current	**16,507**	16,550
	$16,678	$16,718
Weighted average borrowing rate	**6.2 %**	6.2 %

Under the Trust's ground lease, with a term until 2065, land rent is required to be reset every 10 years. During the year ended December 31, 2021, the fair market value of the land was reset which resulted in a $5,878 adjustment to the lease liability and corresponding right-of-use asset, as reflected above.

NOTE 11
BANK INDEBTEDNESS
The Trust has operating lines of credit totalling $110,000 (December 31, 2021 – $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 along with prevailing bond yields. As at March 31, 2022, there is a maximum of $99,200 available (December 31, 2021 – $107,400).

As at March 31, 2022, the Trust had borrowed $9,656 (December 31, 2021 – $7,526) on its credit facilities and issued letters of credit in the amount of $1,310 (December 31, 2021 – $1,333) related to these facilities. The net availability remaining on the Trust's credit facilities is $88,234 (December 31, 2021 – $98,541).

The bank credit agreements include certain restrictive covenants and undertakings by the Trust. As at March 31, 2022, and December 31, 2021, 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, 2022, 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, 2022	Retail	Office	Industrial	Total
Rental revenue	**$21,474**	**$15,555**	**$545**	**$37,574**
CAM recoveries	**4,981**	**6,857**	**272**	**12,110**
Property tax and insurance recoveries	**5,604**	**4,036**	**158**	**9,798**
Other revenue and lease cancellation fees	**642**	**582**	**59**	**1,283**
Parking revenue	**1**	**1,007**	**—**	**1,008**
Amortized rents	**14**	**(463)**	**2**	**(447)**
	$32,716	**$27,574**	**$1,036**	**$61,326**

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

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,	2022	2021
Repairs and maintenance	**$7,759**	$6,018
Utilities	**4,657**	3,961
Bad debt expense	**638**	309
Other operating expenses	**5,042**	4,819
	$18,096	$15,107

(b) General and Administrative

General and administrative expenses consist of the following:

For the three months ended March 31,	2022	2021
Trustees' fees and expenses	**$60**	$71
Professional and compliance fees	**376**	319
Payroll and other administrative expenses	**658**	525
	$1,094	$915

NOTE 14
INTEREST EXPENSE

The components of interest expense are as follows:

For the three months ended March 31,	2022	2021
Mortgages payable	**$10,004**	$10,323
Amortization of deferred financing costs – mortgages	**217**	184
Convertible debentures	**2,058**	1,942
Accretion on convertible debentures, net	**311**	267
Amortization of deferred financing costs – convertible debentures	**180**	282
Lease liabilities	**260**	171
Bank indebtedness	**35**	151
Morguard loan payable and other	**—**	110
Capitalized interest	**(74)**	(158)
	$12,991	$13,272

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,	2022	2021
Property management fees [1]	**$2,097**	$2,077
Appraisal/valuation fees	**81**	88
Information services	**55**	55
Leasing fees	**484**	708
Project administration fees	**34**	52
Project management fees	**—**	18
Risk management fees	**78**	89
Internal audit fees	**31**	31
Off-site administrative charges	**476**	471
Rental revenue	**(50)**	(49)
	$3,286	$3,540

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, 2022	December 31, 2021
Amounts payable to MIL, net	**$490**	$698

(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, 2021 – $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, 2022, there were no advances or repayments. As at March 31, 2022 and December 31, 2021, there was no loan payable to Morguard. For the three months ended March 31, 2022, the Trust incurred no interest expense (2021 – $110) at an average interest rate of n/a (2021 – 2.47%).

Morguard Loan Receivable

During the three months ended March 31, 2022, there were no advances or repayments. As at March 31, 2022, and 2021, there was no loan receivable from Morguard. For the three months ended March 31, 2022, and 2021, 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 and comprehensive income.

(c) Sublease with Morguard (Excluding MIL)

The Trust subleases office space from Morguard. For the three months ended March 31, 2022, the Trust incurred rent expense in the amount of $48 (2021 – $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, 2022	December 31, 2021
Amounts receivable	**$67**	$67
Accounts payable and accrued liabilities	**$34**	$133

(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, 2022, the Trust earned rental revenue in the amount of $29 (2021 – $29).

NOTE 16

UNITHOLDERS' EQUITY

(a) Units Outstanding

The Trust is authorized to issue an unlimited number of units. These units have no par value. The following table summarizes the changes in units from January 1, 2021 to March 31, 2022:

As at	Three months ended March 31, 2022	Year ended December 31, 2021
Balance, beginning of period	**64,161,097**	64,125,215
Distribution Reinvestment Plan	**6,145**	35,882
Special distribution in units	**—**	1,183,784
Consolidation of units	**—**	(1,183,784)
Balance, end of period	**64,167,242**	64,161,097

Total distributions recorded during the three months ended March 31, 2022, amounted to $3,846 or $0.06 per unit (2021 – $5,132 or $0.08 per unit). Included in this amount is a distribution declared on March 15, 2022, in the amount of $0.02 per unit for the month of March 2022, payable on April 14, 2022.

(b) Normal Course Issuer Bid

On February 3, 2022, 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, 2022, and ending February 6, 2023, the Trust may purchase for cancellation on the TSX up to 3,208,054 units in total, being approximately 5% of the outstanding units. Additionally, the Trust may purchase for cancellation up to $9,800 principal amount of the Convertible Debentures due on the Maturity Date, 10% of the public float of outstanding Convertible Debentures. The price that the Trust would pay for any such units or debentures would be the market price at the time of acquisition.

During three months ended March 31, 2022 , the Trust did not purchase any units or debentures 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, 2022, the Trust issued 6,145 units under the DRIP (2021 – 7,915 units).

(d) Net Income 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,	2022	2021
Net income – basic	**$39,909**	$4,850
Net income – diluted	**$42,458**	$4,850
Weighted average number of units outstanding – basic	**64,163**	64,128
Weighted average number of units outstanding – diluted	**96,496**	64,128
Net income per unit – basic	**$0.62**	$0.08
Net income per unit – diluted	**$0.44**	$0.08

To calculate net income – diluted, interest, accretion and the amortization of financing costs on convertible debentures outstanding that were expensed during the year are added back to net income – basic. The weighted average number of units outstanding – diluted is calculated as if all convertible debentures outstanding as at March 31, 2022, and 2021, had been converted into units of the Trust at the beginning of the year. The calculation of net income per unit – diluted excludes the impact of the convertible debentures for three months ended March 31, 2021 as their inclusion would be anti-dilutive.

(e) Special Distribution and Consolidation

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). As a result of the increase in 2021 taxable income generated primarily from the sale of Wonderland Corners, the Trustees declared a special distribution of $0.115 per unit. The distribution was payable in units ($0.10 per unit) and cash ($0.015 per unit) to all unitholders of record as at December 31, 2021. On the 64,161,097 units outstanding as at December 31, 2021, the Trust distributed 1,183,784 units valued at $6,416, and accrued $962 at December 31, 2021, payable in cash on January 14, 2022.

Immediately following the issuance of the special distribution units, the units were consolidated such that each Unitholder held the same number of units after the consolidation as each Unitholder held prior to the issuance of the special distribution units.

NOTE 17

STATEMENTS OF CASH FLOWS

(a) Items Not Affecting Cash

For the three months ended March 31,	2022	2021
Fair value (gains)/losses on real estate properties	**($24,965)**	$14,449
Net income from equity-accounted investment	**(506)**	(466)
Amortized stepped rent	**394**	42
Amortized free rent	**(62)**	(692)
Amortization of deferred financing costs – mortgages	**217**	184
Amortization of tenant incentives	**115**	101
Amortization of right-of-use asset	**21**	21
Amortization of deferred financing costs – convertible debentures	**180**	282
Accretion on convertible debentures	**311**	267
	($24,295)	$14,188

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

For the three months ended March 31,	2022	2021
Amounts receivable	**$2,142**	$5,572
Prepaid expenses and other	**(9,250)**	(7,638)
Accounts payable and accrued liabilities	**6,113**	2,764
	($995)	$698

Other supplemental cash flow information consists of the following:		
Interest paid	**$10,242**	$10,889
Issue of units – DRIP	**$33**	$42

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, 2022, committed capital expenditures in the next 12 months are estimated at $15,349.

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, 2022	December 31, 2021
Mortgages payable	8	**$1,116,924**	$1,125,657
Convertible debentures	9	**148,399**	147,908
Bank indebtedness	11	**9,656**	7,526
Lease liabilities	10	**16,678**	16,718
Cash		**(11,450)**	(11,270)
Unitholders' equity		**1,188,084**	1,151,988
		$2,468,291	$2,438,527

The Declaration of Trust permits the Trust to incur indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of all indebtedness of the Trust is not more than 65% of the gross book value of the Trust's total assets as defined in the Declaration of Trust. The Declaration of Trust also permits the Trust to incur floating-rate debt, provided that the total amount of all floating-rate debt of the Trust is not more than 15% of the gross book value of the Trust's total assets.

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

As at	Borrowing Limits	March 31, 2022	December 31, 2021
Fixed-rate debt to gross book value of total assets	N/A	**48.1 %**	49.1 %
Floating-rate debt to gross book value of total assets	15 %	**2.9 %**	2.9 %
	65 %	**51.0 %**	52.0 %

As at March 31, 2022, the Trust met all externally imposed ratios and minimum equity requirements.

Mortgages Payable
The Trust has mortgages payable that include financial covenants such as coverage and leverage ratios, on a property and consolidated basis, as defined in the respective agreements. These ratios are evaluated by the Trust on an ongoing basis to ensure compliance. The Trust was in compliance with each of the financial covenants as at March 31, 2022 and December 31, 2021.

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, 2022.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using March 31, 2022, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2022, of the mortgages payable has been estimated at $1,104,126 (December 31, 2021 – $1,148,909) compared with the carrying value before deferred financing costs of $1,119,395 (December 31, 2021 – $1,128,344). 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 2021 Debentures is based on their market trading price (TSX: MRT.DB.A) (Level 1). The fair value as at March 31, 2022, of the 2021 Debentures has been estimated at $158,364 (December 31, 2021 – $158,841) compared with the carrying value before deferred financing costs of $152,245 (December 31, 2021 – $151,934).

(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, 2022			December 31, 2021		
As at	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Income producing properties	**$—**	**$—**	**$2,417,726**	$—	$—	$2,395,750
Properties under development	**$—**	**$—**	**$15,837**	$—	$—	$15,401
Held for development	**$—**	**$—**	**$46,800**	$—	$—	$40,150

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, 2022, the Trust has the following three reportable segments: retail, office and industrial.

Business Segments

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

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)
Net operating income	$15,539	$15,024	$495	$31,058

	Retail	Office	Industrial	Total
As at March 31, 2022				
Real estate properties	**$1,345,890**	**$1,074,473**	**$60,000**	**$2,480,363**
Mortgages payable (based on collateral)	**$587,421**	**$529,503**	**$—**	**$1,116,924**
For the three months ended March 31, 2022				
Additions to real estate properties	**$2,601**	**$1,932**	**$11**	**$4,544**
Fair value gains on real estate properties	**$6,481**	**$10,697**	**$7,787**	**$24,965**

	Retail	Office	Industrial	Total
As at December 31, 2021				
Real estate properties	$1,336,793	$1,062,308	$52,200	$2,451,301
Mortgages payable (based on collateral)	$591,925	$533,732	$—	$1,125,657
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)