

2022 FIRST QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS
AND CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

MORGUARD
REIT

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Morguard

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SUMMARY OF OPERATIONS

In thousands of dollars, except per-unit amounts	Three Months Ended March 31,	
	2022	2021
Revenue from real estate properties	\$61,326	\$60,970
Net operating income	28,544	31,058
Fair value gains/(losses) on real estate properties	24,965	(14,449)
Net income	39,909	4,850
Funds from operations ¹	14,961	19,333
Adjusted funds from operations ^{1,2}	9,105	14,750
Amounts presented on a per unit basis		
Net income – basic	\$0.62	\$0.08
Net income – diluted	\$0.44	\$0.08
Funds from operations – basic ¹	\$0.23	\$0.30
Funds from operations – diluted ¹	\$0.20	\$0.29
Adjusted funds from operations – basic ^{1,2}	\$0.14	\$0.23
Adjusted funds from operations – diluted ^{1,2}	\$0.13	\$0.23
Distributions per unit	\$0.06	\$0.08
Payout ratio – Adjusted funds from operations ¹	42.9%	34.8%
Weighted average number of units (in thousands)		
Basic	64,163	64,128
Diluted ³	84,548	72,707

1. The following represents a non-GAAP financial measure/ratio that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure/ratio can be found under the MD&A section Part I, "Specified Financial Measures".

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

3. Includes the dilutive impact of convertible debentures and presented on a cash settlement basis for consistency with industry practice for calculating FFO and AFFO.

SUMMARY OF FINANCIAL POSITION

As at	March 31, 2022	December 31, 2021	March 31, 2021
Total assets (thousands of dollars)	\$2,530,317	\$2,493,942	\$2,550,122
Total gross debt (thousands of dollars)	1,297,974	1,304,522	1,345,793
Total equity (thousands of dollars)	1,188,084	1,151,988	1,157,418
Gross leasable area as at quarter-end (in thousands of square feet) ¹			
Retail	4,567	4,567	4,645
Office	3,252	3,252	3,240
Industrial	293	293	292
Total	8,112	8,112	8,177
Occupancy as at quarter-end (%) ²			
Retail	94.0%	94.2%	92.3%
Office	87.2%	86.7%	88.2%
Industrial	95.1%	95.1%	93.3%
Total	91.2%	91.0%	90.6%

1. Excludes equity-accounted investment.

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

PART I

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") for Morguard Real Estate Investment Trust (the "Trust"), should be read in conjunction with the Trust's condensed consolidated financial statements and the accompanying notes for the three months ended March 31, 2022, and 2021.

The Trust's condensed consolidated financial statements and the accompanying notes for the three months ended March 31, 2022, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These condensed consolidated financial statements include the accounts of the Trust and other entities that the Trust controls and are reported in thousands of Canadian dollars, except where otherwise noted.

The information in this MD&A is current to April 27, 2022.

FORWARD-LOOKING DISCLAIMER

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

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

SPECIFIED FINANCIAL MEASURES

The Trust reports its financial results in accordance with IFRS. However, this MD&A also uses specified financial measures that are not defined by IFRS, which follow the disclosure requirements established by National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*. Specified financial measures are categorized as non-GAAP financial measures, non-GAAP ratios, and other financial measures, which are capital management measures, supplementary financial measures, and total of segments measures.

NON-GAAP FINANCIAL MEASURES

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

The following discussion describes the non-GAAP financial measures the Trust uses in evaluating its operating results:

NET OPERATING INCOME – SAME ASSETS

Net operating income ("NOI") is used as a key indicator of performance as it represents a measure over which management has control, and is a key input in determining the value of the Trust's properties. NOI – same assets is a non-GAAP measure used by the Trust to assess period-over-period performance of those properties that are stabilized and owned by the Trust continuously for the current and comparable reporting period. The Trust believes it is useful to provide an analysis of NOI – same assets, which also eliminates non-recurring and non-cash items. NOI – same assets represents NOI from properties that have been adjusted for: (i) acquisitions; (ii) dispositions; and (iii) area either held for, or under, development/redevelopment/intensification. NOI – same assets also excludes the impact of straight-line rents, lease cancellation fees and other non-recurring items. A reconciliation of NOI – same assets from the IFRS financial statement presentation can be found in Part III.

FUNDS FROM OPERATIONS ("FFO")

FFO is a non-GAAP measure widely used as a real estate industry standard that supplements net income and evaluates operating performance but is not indicative of funds available to meet the Trust's cash requirements. FFO can assist with comparisons of the operating performance of the Trust's real estate between periods and relative to other real estate entities. FFO is computed by the Trust in accordance with the current definition of the Real Property Association of Canada ("REALpac") and is defined as net income adjusted for fair value changes on real estate properties and gains/(losses) on the sale of real estate properties. The Trust considers FFO to be a useful measure for reviewing its comparative operating and financial performance. A reconciliation of net income to FFO is presented under Part III, "Funds from Operations and Adjusted Funds from Operations".

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

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

ADJUSTED CASH FLOW FROM OPERATIONS ("ACFO")

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

PROPORTIONATE SHARE BASIS

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

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

NORMALIZED PRODUCTIVE CAPACITY MAINTENANCE EXPENDITURES

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

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

NON-GAAP RATIOS

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

The following discussion describes the non-GAAP ratios the Trust uses in evaluating its operating results:

FFO/AFFO/ACFO PAYOUT RATIO

The Trust calculates its payout ratios by dividing the distributions per common unit by FFO/AFFO/ACFO per unit over the same period. Management uses these payout ratios to measure the Trust's ability to pay distributions.

INTEREST COVERAGE RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DEBT TO ASSETS RATIO

Debt to assets ratio is a non-GAAP measure used by the Trust and the real estate industry to assess the risk profile of its capital allocations and the ability to incur additional debt. The Trust calculates this measure by taking assets adjusted by accumulated amortization divided by net debt. The Trust's debt to assets ratio is limited to 65% as detailed in its Declaration of Trust.

SUPPLEMENTARY FINANCIAL MEASURES

Supplementary financial measures represent a component of a financial statement line item (including ratios that are not non-GAAP ratios) that are presented, in a more granular way outside the financial statements, calculated in accordance with the accounting policies used to prepare the line item presented in the financial statements.

The following discussion describes the supplementary financial measures the Trust uses in evaluating its operating results:

BIFURCATION OF SEGMENTS

Management believes bifurcating the retail and office financial statement segments into community strip centres and enclosed regional centres (retail) along with single-/dual-tenant and multi-tenant buildings (office) provides important information about the risk profile and other characteristics of the above asset classes. This has been analyzed for financial statement line items such as revenue, net operating income and fair value adjustments on real estate properties.

CAPITAL MANAGEMENT MEASURES

The Trust's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions pursuant to the Declaration of Trust, as well as existing debt covenants, while continuing to build long-term unitholder value and maintaining sufficient capital contingencies.

The following discussion describes the Trust's capital management measures:

LIQUIDITY

Liquidity is calculated as the sum of cash, amounts available under its bank lines of credit and revolving credit facility with Morguard and is presented in this MD&A because management considers this capital management measure to be an important measure of the REIT's financial position as well as determining the annual level of distributions to unitholders.

ADDITIONAL INFORMATION

Additional information relating to the Trust, including the audited annual consolidated financial statements, Annual Information Form ("AIF"), Material Change Reports and all other continuous disclosure documents required by securities regulators, are filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed electronically at www.sedar.com.

REVIEW AND APPROVAL BY THE BOARD OF TRUSTEES

The Board of Trustees ("the Trustees"), upon the recommendation of its Audit Committee, approved the contents of this MD&A on April 27, 2022.

PART II

BUSINESS OVERVIEW AND STRATEGY

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

The Trust is an unincorporated "closed-end" trust, governed by the laws of the Province of Ontario, created and constituted pursuant to an amended and restated Declaration of Trust dated May 5, 2021 ("Declaration of Trust"). The Trust was formed on June 18, 1997, and began operations on October 14, 1997. The Trust units are publicly traded and listed on the Toronto Stock Exchange ("TSX") under the symbol MRT.UN.

Morguard Corporation ("Morguard") is the parent company of the Trust, owning 60.84% of the outstanding units as at March 31, 2022. Morguard is a real estate company that owns a diversified portfolio of multi-unit residential, retail, hotel, office and industrial properties in both Canada and the United States.

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

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

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

The Trust's long-term debt strategy involves the use of conventional property-specific secured mortgages or bonds, unsecured convertible debentures and secured floating-rate bank financing. The Trust currently targets a capital structure with an overall indebtedness ratio in the range of 50-55% of gross assets. Through its Declaration of Trust, the Trust is allowed to increase its overall indebtedness ratio to 65%.

In this MD&A, the discussion of the Trust's property performance for the purpose of *some* measures is focused on income producing properties ("IPP"), excluding properties held for development, area under development and properties held for sale. The Trust defines these excluded areas as follows:

Properties held for development: These properties, while income producing, operate with future opportunity in mind. As a result, management will enter into lease arrangements with shorter lease terms and options to exit the lease at the landlord's request. As a result, these properties do not deliver the same results (rental rates) as other IPP.

Area under development: When circumstances warrant, the Trust will reposition component parts of its properties. When this occurs, the associated area ("area under development") is not available for occupancy. As a result, this area is not income producing.

Properties held for sale: The Trust will undertake to actively dispose of certain assets. In these circumstances, management has determined that the performance of the ongoing operations is of the greatest importance to stakeholders.

PORTFOLIO OVERVIEW

The risk and reliability characteristics of real estate asset classes are different, and delivering on the primary business goal requires a mix of assets that balance risk and rewards. As at March 31, 2022, the Trust owned a diversified real estate portfolio of 46 retail, office and industrial properties consisting of approximately 8.3 million square feet of gross leasable area ("GLA") located in the provinces of British Columbia ("BC"), Alberta, Saskatchewan, Manitoba, Ontario and Quebec. Included in this portfolio are one properties that the Trust has deemed as held for development, and one office property, consisting of 0.2 million square feet of GLA, located in the province of Alberta, which is accounted for using the equity method.

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

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

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

PORTFOLIO COMPOSITION BY ASSET TYPE AND LOCATION

Location	Retail		Office		Industrial		Total		
	Number of Properties	GLA (000s)	Number of Properties	GLA (000s)	Number of Properties	GLA (000s)	Number of Properties	GLA (000s)	%
British Columbia	2	503	3	600	—	—	5	1,103	14%
Alberta	5	821	9	1,179	—	—	14	2,000	25%
Saskatchewan	1	499	—	—	—	—	1	499	6%
Manitoba	3	660	—	—	—	—	3	660	8%
Ontario	7	2,017	9	1,025	4	293	20	3,335	41%
Quebec	—	—	1	448	—	—	1	448	6%
	18	4,500	22	3,252	4	293	44	8,045	100%
IPP held for development	1	67	—	—	—	—	1	67	
Income producing properties	19	4,567	22	3,252	4	293	45	8,112	
Equity-accounted investment (Alberta)	—	—	1	152	—	—	1	152	
Grand Total	19	4,567	23	3,404	4	293	46	8,264	
% ¹		56%		40%		4%		100%	

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

ENCLOSED REGIONAL CENTRES OVERVIEW

At March 31, 2022, the Trust's enclosed regional centres portfolio totalled 3.3 million square feet of GLA, which comprises a 100% interest in six regional centres totalling 3.2 million square feet and a 50% interest in one additional centre totalling 0.1 million square feet. Included in the above 3.3 million square feet of GLA is 0.4 million square feet of area either held for, or under, development.

COMMUNITY STRIP CENTRES OVERVIEW

At March 31, 2022, the Trust's community strip centres portfolio totalled 1.3 million square feet of GLA, comprising a 100% interest in 11 such properties totalling 1.2 million square feet, as well as a 50% interest in one additional property totalling 0.1 million square feet. Included in the above 1.3 million square feet of GLA is 0.1 million square feet of area either held for, or under, development.

SINGLE-/DUAL-TENANT BUILDINGS OVERVIEW

At March 31, 2022, the Trust's single-/dual-tenant buildings portfolio totalled 2.4 million square feet of GLA, which comprises a 100% interest in nine properties totalling 1.5 million square feet and a 50% interest in four properties totalling 0.9 million square feet. Included in the above 2.4 million square feet of GLA is 0.2 million square feet of area relating to the Trust's equity-accounted investment, and area either held for, or under, development.

MULTI-TENANT BUILDINGS OVERVIEW

At March 31, 2022, the Trust's multi-tenant buildings portfolio totalled 1.0 million square feet of GLA, which comprises a 100% interest in six properties totalling 0.6 million square feet, a 50% interest in three properties totalling 0.3 million square feet and a 20% interest in one property totalling 0.1 million square feet.

INDUSTRIAL OVERVIEW

At March 31, 2022, the Trust's industrial portfolio includes 100% interest in four industrial properties comprising 0.3 million square feet. This portfolio includes some retail storefronts.

PART III

TRUST PERFORMANCE

SIGNIFICANT EVENT – COVID-19

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

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

Collections Update

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

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

	Tenant Receivables	Allowance for Doubtful Accounts	March 31, 2022 Net Tenant Receivable	December 31, 2021 Net Tenant Receivable
Office and industrial	\$1,726	(\$865)	\$861	\$981
Retail – enclosed mall Ontario	5,040	(3,332)	1,708	2,072
All other retail	2,449	(1,085)	1,364	1,030
	\$9,215	(\$5,282)	\$3,933	\$4,083

Due to the series of lockdowns imposed by the Ontario government over the entire COVID-19 pandemic, there is a higher proportion of past due receivables for the two enclosed malls in this province (St. Laurent/Cambridge Centre).

Liquidity Update

The Trust has available liquidity of \$174.7 million as of March 31, 2022, and also has an unencumbered asset pool of \$322.2 million in order to raise necessary capital, if required. This compares to liquidity as of December 31, 2021, which was \$184.8 million.

SELECTED FINANCIAL INFORMATION

The table below sets forth selected financial data relating to the Trust's fiscal three months ended March 31, 2022, and 2021. This financial data is derived from the Trust's condensed consolidated statements which are prepared in accordance with IFRS.

For the three months ended March 31,	2022	2021	% Change
Revenue from real estate properties	\$61,326	\$60,970	0.6%
Property operating expenses	(18,096)	(15,107)	19.8%
Property taxes	(12,614)	(12,749)	(1.1%)
Property management fees	(2,072)	(2,056)	0.8%
Net operating income	28,544	31,058	(8.1%)
Interest expense	(12,991)	(13,272)	(2.1%)
General and administrative	(1,094)	(915)	19.6%
Other items	(21)	1,962	(101.1%)
Fair value gains/(losses) on real estate properties	24,965	(14,449)	(272.8%)
Net income from equity-accounted investment	506	466	8.6%
Net income	\$39,909	\$4,850	722.9%
Net income per unit – basic	\$0.62	\$0.08	675.0%
Funds from operations per unit – basic	\$0.23	\$0.30	(23.3%)
Adjusted funds from operations per unit – basic	\$0.14	\$0.23	(39.1%)

CONSOLIDATED OPERATING HIGHLIGHTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

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

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

For the three months ended March 31,	2022	2021	Variance
Industrial	\$1,036	\$891	\$145
Office – Single-/dual-tenant buildings	20,373	19,607	766
Office – Multi-tenant buildings	7,201	6,919	282
Retail – Community strip centres	9,490	9,457	33
Retail – Enclosed regional centres	23,226	24,096	(870)
Total	\$61,326	\$60,970	\$356

The decline in enclosed regional centres revenue is due to a decline in lease cancellation fees resulting from the \$2.3 million received from Lowe's at Pine Centre in the first quarter of 2021 in order to facilitate the Save-On-Foods development.

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

For the three months ended March 31,	2022	2021	Variance
Rental revenue	\$37,574	\$37,484	\$90
CAM recoveries	12,110	9,054	3,056
Property tax and insurance recoveries	9,798	9,473	325
Other revenue and lease cancellation fees	1,283	3,456	(2,173)
Parking revenue	1,008	954	54
Amortized rents	(447)	549	(996)
	\$61,326	\$60,970	\$356

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

The following is an analysis of property operating expenses by expense type:

For the three months ended March 31,	2022	2021	Variance
Repairs and maintenance	\$7,759	\$6,018	\$1,741
Utilities	4,657	3,961	696
Bad debt expense	638	309	329
Other operating expenses	5,042	4,819	223
	\$18,096	\$15,107	\$2,989

Property operating expenses include costs related to interior and exterior maintenance, insurance and utilities. Property operating expenses (excluding bad debt expense) for the three months ended March 31, 2022, increased 19.8% to \$18.1 million from \$15.1 million for the same period in 2021. This increase is primarily due to more normalized recoverable operating expenses in 2022 as compared to 2021 when sharp reductions occurred due to the pandemic.

Net operating income for the three months ended March 31, 2022, decreased 8.1% as compared to 2021. This decrease was the result an increase of \$2.3 million in lease cancellation fees received in 2021.

Interest expense for the three months ended March 31, 2022, decreased 2.1% to \$13.0 million from \$13.3 million for the same period in 2021. This decline is primarily due to the decrease in weighted average interest rate on mortgages to 3.6% in 2022 as compared to 3.7% in the first quarter of 2021, in addition to a \$47.8 million decline in overall debt levels on a year-over-year basis.

In 2021, other items included \$2.0 million in non-recurring settlement proceeds from Sears.

The Trust records its income producing properties at fair value in accordance with IFRS. These adjustments are a result of the Trust's regular quarterly IFRS fair value process. In accordance with this policy, the following fair value adjustments by segment have been recorded:

For the three months ended March 31,	2022	2021
Retail – enclosed regional centres	\$3,879	(\$7,109)
Retail – community strip centres	2,602	730
Office	10,697	(11,089)
Industrial	7,787	3,019
	\$24,965	(\$14,449)

Reported net income for three months ended March 31, 2022, was \$39.9 million as compared to income of \$4.9 million in 2021. This change is due to the fair value losses recorded in 2021, as described above.

NET OPERATING INCOME BY ASSET TYPE AND LOCATION

The following is a geographical breakdown of the net operating income for the three months ended March 31, 2022.

Location	Retail		Office		Industrial		Total		
	Number of Properties	NOI (000s)	Number of Properties	NOI (000s)	Number of Properties	NOI (000s)	Number of Properties	NOI (000s)	%
British Columbia	2	\$1,859	3	\$3,289	—	\$—	5	\$5,148	18%
Alberta	5	2,354	9	5,784	—	—	14	8,138	29%
Saskatchewan	1	1,729	—	—	—	—	1	1,729	6%
Manitoba	3	2,871	—	—	—	—	3	2,871	10%
Ontario	7	4,534	9	3,746	4	628	20	8,908	32%
Quebec	—	—	1	1,399	—	—	1	1,399	5%
	18	13,347	22	14,218	4	628	44	28,193	100%
IPP held for development	1	285	—	—	—	(19)	1	266	
Income producing properties	19	13,632	22	14,218	4	609	45	28,459	
Properties held for sale/sold	—	85	—	—	—	—	—	85	
Total real estate properties	19	13,717	22	14,218	4	609	45	28,544	
Equity-accounted investment	—	—	1	763	—	—	1	763	
Grand Total	19	\$13,717	23	\$14,981	4	\$609	46	\$29,307	
%¹		48%		50%		2%		100%	

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

NET OPERATING INCOME BY ASSET TYPE

For the three months ended March 31,	2022	2021	%
Enclosed regional centres	\$8,095	\$9,711	(16.6%)
Community strip centres	5,622	5,828	(3.5%)
Subtotal – retail	13,717	15,539	(11.7%)
Single-/dual-tenant buildings	11,340	12,129	(6.5%)
Multi-tenant buildings	2,878	2,895	(0.6%)
Subtotal – office	14,218	15,024	(5.4%)
Industrial	609	495	23.0%
Net operating income	\$28,544	\$31,058	(8.1%)

RETAIL PROPERTIES – NET OPERATING INCOME

For the three months ended March 31,	2022	2021	%
Revenue from real estate properties	\$32,716	\$33,553	(2.5%)
Property operating expenses	(9,911)	(8,797)	12.7%
Property taxes	(7,937)	(8,072)	(1.7%)
Property management fees	(1,151)	(1,145)	0.5%
Net operating income	\$13,717	\$15,539	(11.7%)

The Trust's retail properties' NOI for the three months ended March 31, 2022, was \$13.7 million versus \$15.5 million for the same period ended 2021, a decrease of \$1.8 million. The decrease was mainly the result of \$2.3 million of lease cancellation fees received in the first quarter of 2021 as a part of an agreement with Lowe's at Pine Centre to facilitate the Save-On-Foods development offset by decreased vacancy costs of \$0.6 million.

RETAIL PROPERTIES TOP TENANTS

The following is a breakdown of the Trust's 20 largest retail tenants by rental revenue as at March 31, 2022:

Tenant	Percentage of Total Retail Revenue	# of Locations	GLA (000s)	% of Total Retail GLA	Weighted Average Remaining Lease Term
1 Canadian chartered banks – Tier 1	5.6 %	16	115	2.5 %	2.0
2 Canadian Tire Corporation Ltd.	4.5 %	7	285	6.2 %	3.7
3 Loblaw Companies Ltd.	3.7 %	8	107	2.3 %	4.8
4 GoodLife Fitness	3.4 %	5	192	4.2 %	9.7
5 Sobeys Inc.	3.2 %	3	161	3.5 %	7.6
6 Dollarama	2.5 %	11	103	2.3 %	2.2
7 Cineplex Odeon	2.1 %	3	110	2.4 %	7.0
8 TJX	1.8 %	4	101	2.2 %	7.2
9 Walmart	1.4 %	2	241	5.3 %	4.3
10 L Brands	1.0 %	6	22	0.5 %	1.7
11 Hudsons Bay Company	1.0 %	2	290	6.3 %	4.1
12 YM Inc.	0.9 %	7	80	1.8 %	1.7
13 Indigo	0.9 %	2	40	0.9 %	6.8
14 Ardene	0.9 %	7	82	1.8 %	4.6
15 The Childrens Place	0.9 %	6	23	0.5 %	1.5
16 Soft Moc	0.8 %	5	11	0.2 %	4.6
17 A&W	0.8 %	9	8	0.2 %	5.5
18 Intact Financial Corporation	0.7 %	1	34	0.7 %	1.0
19 Toys R Us	0.7 %	1	35	0.8 %	0.1
20 Telus	0.7 %	6	9	0.2 %	4.5
	37.5 %	111	2,049	44.8 %	4.8

OFFICE PROPERTIES – NET OPERATING INCOME

For the three months ended March 31,	2022	2021	%
Revenue from real estate properties	\$27,574	\$26,526	4.0%
Property operating expenses	(7,943)	(6,109)	30.0%
Property taxes	(4,526)	(4,512)	0.3%
Property management fees	(887)	(881)	0.7%
Net operating income	\$14,218	\$15,024	(5.4%)

The Trust's office properties' NOI for the three months ended March 31, 2022, was \$14.2 million versus \$15.0 million for the same period ended 2021. The unfavourable variance of \$0.8 million is mainly the result of \$0.6 million in bad debt recovery recorded in the first quarter of 2021.

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

OFFICE PROPERTIES TOP TENANTS

The following is a breakdown of the Trust's 20 largest office tenants by rental revenue as at March 31, 2022:

Tenant	Percentage of Total Office Revenue	# of Locations	GLA (000s)	% of Total Office GLA	Weighted Average Remaining Lease Term
1 Federal and provincial governments	29.7 %	9	859	25.2 %	2.6
2 Obsidian Energy Ltd.	9.2 %	1	215	6.3 %	2.8
3 Bombardier Inc.	8.6 %	1	265	7.8 %	9.1
4 Athabasca Oil Corporation	6.0 %	1	149	4.4 %	2.8
5 Canadian chartered banks – Tier 1	5.4 %	2	103	3.0 %	3.5
6 Wood Canada Limited	5.2 %	1	108	3.2 %	3.8
7 Stantec Consulting	3.6 %	2	82	2.4 %	3.7
8 CH2M Hill Canada Limited	2.8 %	1	78	2.3 %	6.4
9 Western Energy Services Corp.	2.1 %	1	43	1.3 %	2.8
10 National Bank of Canada	2.0 %	1	43	1.3 %	6.8
11 Sephora	1.8 %	1	4	0.1 %	4.8
12 AJW Technique Inc.	1.7 %	1	75	2.2 %	8.3
13 Bonavista Energy Corporation	0.8 %	1	50	1.5 %	2.8
14 Ciena	0.8 %	1	27	0.8 %	1.2
15 The Ottawa Hospital	0.7 %	1	28	0.8 %	3.0
16 Assent Compliance	0.7 %	1	43	1.3 %	8.8
17 Realstar Holdings Partnership	0.7 %	1	14	0.4 %	3.4
18 Harry Rosen	0.7 %	1	14	0.4 %	10.3
19 The Ottawa Fertility Centre Inc.	0.6 %	1	24	0.7 %	3.9
20 Investors Group Financial Services Inc.	0.6 %	1	17	0.5 %	4.3
	83.7 %	30	2,241	65.9 %	4.1

INDUSTRIAL PROPERTIES – NET OPERATING INCOME

For the three months ended March 31,	2022	2021	%
Revenue from real estate properties	\$1,036	\$891	16.3%
Property operating expenses	(242)	(201)	20.4%
Property taxes	(151)	(165)	(8.5%)
Property management fees	(34)	(30)	13.3%
Net operating income	\$609	\$495	23.0%

The Trust's industrial properties' NOI for the three months ended March 31, 2022, was \$0.6 million versus \$0.5 million for the same period ended 2021. This favourable variance of \$0.1 million is mainly the result of increased basic rent.

NET OPERATING INCOME – SAME ASSETS

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

For the three months ended March 31,	2022	2021	Variance	%
Enclosed regional centres (retail)	\$8,100	\$7,221	\$879	12.2%
Community strip centres (retail)	5,225	5,144	81	1.6%
Single-/dual-tenant buildings (office)	11,359	12,206	(847)	(6.9%)
Multi-tenant buildings (office)	2,776	2,839	(63)	(2.2%)
Industrial properties	585	516	69	13.4%
Net operating income – same assets	28,045	27,926	119	0.4%
Area under development	16	—	16	—%
Acquisitions	(40)	—	(40)	—%
Real estate properties held for development/held for sale/sold	351	489	(138)	(28.2%)
Lease cancellation fees	561	2,647	(2,086)	(78.8%)
Stepped rents	(389)	(4)	(385)	N/A
Net operating income per the statement of income	\$28,544	\$31,058	(\$2,514)	(8.1%)

LEASING ACTIVITY

The Trust places a high value on tenant retention as the cost of retention is typically lower than the cost of securing new tenants. When retention is neither possible nor desirable, the Trust strives to secure high-quality replacement tenants. The table below provides a summary of the leasing activity for the three months ended March 31, 2022:

For the three months ended March 31, 2022	Enclosed Regional Centres	Community Strip Centres	Single-/Dual-Tenant Buildings	Multi-Tenant Buildings	Industrial Properties	Total Portfolio
Opening vacancy (SF)	216,366	20,070	120,447	307,129	14,339	678,351
Opening occupancy	92.6%	98.3%	94.5%	69.4%	95.1%	91.1%
EXPIRING LEASES:						
Square feet	160,452	163,105	71,029	44,963	3,800	443,349
Average contract rent per SF	\$21.13	\$10.44	\$20.87	\$14.80	\$10.75	\$16.44
EARLY TERMINATIONS:						
Square feet	7,643	—	—	6,846	—	14,489
Average contract rent per SF	\$19.57	\$—	\$—	\$21.30	\$—	\$20.39
RENEWALS:						
Square feet	(128,144)	(158,261)	(71,029)	(22,765)	(3,800)	(383,999)
Average contract rent per SF	\$14.97	\$10.22	\$19.04	\$14.17	\$11.00	\$13.68
Retention rate	80%	97%	100%	51%	100%	87%
NEW LEASING:						
Square feet	(40,561)	(2,933)	—	(39,507)	—	(83,001)
Average contract rent per SF	\$14.45	\$22.05	\$—	\$13.80	\$—	\$14.41
OTHER ADJUSTMENTS:						
Square feet	5,766	—	—	—	—	5,766
Ending vacancy (SF)	221,522	21,981	120,447	296,666	14,339	674,955
Ending occupancy	92.4%	98.1%	94.6%	70.5%	95.1%	91.2%

LEASE PROFILE

The table below provides a summary of the lease maturities for the next four years and thereafter, along with the associated contract rents at maturity. Current vacancy excludes area either held for, or under, development/sale.

	Retail		Office		Industrial		Total	
	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent
Month to month	404,584	\$22.80	—	\$—	—	\$—	404,584	\$22.80
(remainder of the year) 2022	337,428	33.16	271,205	22.66	23,059	10.27	631,692	27.78
2023	379,188	35.23	356,159	16.56	52,651	7.20	787,998	24.02
2024	217,060	33.78	162,101	30.16	77,548	5.99	456,709	27.43
2025	399,113	29.33	811,373	32.77	14,656	5.50	1,225,142	31.15
2026	736,228	11.13	273,069	25.89	56,987	9.07	1,066,284	14.80
Thereafter	1,366,187	20.60	961,401	20.13	53,580	12.13	2,381,168	20.22
Current vacancy	243,503	—	417,113	—	14,339	—	674,955	—
Total	4,083,291	\$22.81	3,252,421	\$24.22	292,820	\$8.36	7,628,532	\$22.78

Weighted average remaining lease term (years)	4.31	4.01	3.13	4.14
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MONTH TO MONTH AND REMAINING 2022 EXPIRIES BY PROVINCE

	Retail		Office		Industrial		
Province	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	SF	Weighted Average Contract Rent	Total SF
Alberta	89,546	\$24.15	23,137	\$14.50	—	\$—	112,683
British Columbia	3,936	42.57	137,509	23.64	—	—	141,445
Manitoba	52,152	30.61	—	—	—	—	52,152
Ontario	526,289	29.31	99,318	24.06	23,059	10.27	648,666
Quebec	—	—	11,241	15.00	—	—	11,241
Saskatchewan	70,089	23.88	—	—	—	—	70,089
	742,012	\$28.23	271,205	\$22.66	23,059	\$10.27	1,036,276

Not included in the above tables is the expiry at Petroleum Plaza, located in Alberta, which is accounted for using the equity method. This property has 152,146 square feet of GLA (at the Trust's share) and is fully leased to the provincial government, and expired January 1, 2021. The contract rent on the expired lease was \$27.00. The Trust expects the tenant to renew at market rates. Due to the priority of attending to the COVID-19 pandemic by the Alberta government, the Trust has been advised that the tenant will attend to the lease renewal when time allows. The building has remained occupied by the tenant since January 1, 2021.

Included in the 271,205 square feet of office space maturing in 2022 is approximately 154,000 of government space that is already renewed or expected to renew.

CHANGES IN GLA

The table below provides a summary of the changes in GLA for the three months ended March 31, 2022.

In thousands of square feet	Retail	Office	Industrial	Total Portfolio
GLA at both January 1, 2022 and March 31, 2022	4,567	3,252	293	8,112
Area under/held for development/sale	(483)	—	—	(483)
GLA for purposes of occupancy	4,084	3,252	293	7,629
Occupied GLA	3,840	2,834	279	6,953
Occupied GLA (%)	94.0 %	87.2 %	95.1 %	91.2 %

OFFICE OCCUPANCY BY PROVINCE

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

Province	March 31, 2022	March 31, 2021
Alberta	86.9%	88.2%
British Columbia	93.4%	97.0%
Ontario	81.1%	80.4%
Quebec	93.4%	93.4%
	87.2%	88.2%

CORPORATE ITEMS

INTEREST EXPENSE

Interest expense totalled \$13.0 million for the three months ended March 31, 2022, compared to \$13.3 million for the same period in 2021. The components of interest expense are as follows:

INTEREST EXPENSE

For the three months ended March 31,	2022	2021	%
Mortgages payable	\$10,004	\$10,323	(3.1%)
Amortization of deferred financing costs – mortgages	217	184	17.9%
Convertible debentures	2,058	1,942	6.0%
Accretion on convertible debentures, net	311	267	16.5%
Amortization of deferred financing costs – convertible debentures	180	282	(36.2%)
Lease liabilities	260	171	52.0%
Bank indebtedness	35	151	(76.8%)
Morguard loan payable and other	—	110	(100.0%)
Capitalized interest	(74)	(158)	(53.2%)
	\$12,991	\$13,272	(2.1%)

Interest expense has decreased primarily due to the decrease in weighted average interest rate on mortgages to 3.6% in 2022 as compared to 3.7% in the first quarter of 2021, in addition to a \$47.8 million decline in overall debt levels on a year-over-year basis.

FAIR VALUE GAINS/(LOSSES) ON REAL ESTATE PROPERTIES

For the three months ended March 31, 2022, the Trust recorded fair value gains on real estate properties of \$25.0 million, versus \$14.4 million of fair value losses on real estate properties for 2021.

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

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

For the three months ended March 31,	2022	2021
Retail – enclosed regional centres	\$3,879	(\$7,109)
Retail – community strip centres	2,602	730
Office	10,697	(11,089)
Industrial	7,787	3,019
	\$24,965	(\$14,449)

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 (2021 – 4.3% to 7.8%), resulting in an overall weighted average capitalization rate of 6.60% (2021 – 6.70%).

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

STABILIZED CAPITALIZATION RATES

	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:

DISCOUNT AND TERMINAL CAPITALIZATION RATES

	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:

SENSITIVITY ANALYSIS

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

NET INCOME FROM EQUITY-ACCOUNTED INVESTMENT

For the three months ended March 31, 2022, the Trust generated \$0.5 million of income from its equity-accounted investment which remained relatively unchanged as compared to \$0.5 million of income for the same three months ended March 31, 2021.

PRODUCTIVE CAPACITY MAINTENANCE EXPENDITURES

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

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

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

The Trust uses normalized PCME to calculate AFFO. Normalized PCME are an estimate made by management of the amount of ongoing capital investment required to maintain the condition of the physical property and current rental revenues. Management considers a number of factors in estimating normalized PCME relative to the growth in age and size of the Trust's property portfolio. Such factors include, but are not limited to, review and analysis of three years of historical capital spending, comparison of each quarter's annualized actual spending activity to annual budgeted capital expenditures as approved by the Trustees and management's expectations and/or plans for the properties. Normalized PCME has been set at \$6,250 per quarter in 2022, or \$25,000 on an annualized basis.

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

The following table provides a breakdown of actual PCME for the three months ended March 31, 2022, and 2021.

ACTUAL PRODUCTIVE CAPACITY MAINTENANCE EXPENDITURES

For the three months ended March 31,	2022	2021
Leasing commissions	\$720	\$659
Tenant allowances	1,118	1,000
Total leasing costs	1,838	1,659
Capital expenditures recoverable from tenants	751	451
Capital expenditures non-recoverable from tenants	—	5
Total capital expenditures	751	456
Total PCME	2,589	2,115
Normalized PCME	6,250	4,625
Shortfall between total PCME and normalized PCME	\$3,661	\$2,510

Discretionary Capital Expenditures

In addition to PCME, the Trust invests in discretionary capital projects on the development of new space, redevelopment or retrofit of existing properties, and other capital expenditures to create additional long-term value for the Trust's real estate portfolio. These discretionary capital expenditures are not expected to occur on a consistent basis. These expenditures are included in the above table, along with the recoverable and non-recoverable capital expenditures.

CASH FLOWS

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

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

For the three months ended March 31,	2022	2021	%
Cash provided by operating activities	\$14,307	\$19,811	(27.8%)
Cash used in financing activities	(10,355)	(15,958)	(35.1%)
Cash used in investing activities	(3,772)	(3,259)	15.7%
Net change in cash	180	594	(69.7%)
Cash, beginning of period	11,270	8,647	30.3%
Cash, end of period	\$11,450	\$9,241	23.9%

Cash provided by operating activities for the three months ended March 31, 2022, decreased 27.8% to \$14.3 million in 2022 from \$19.8 million in 2021 mainly due to higher lease cancellation fees collected in 2021.

Cash used in financing activities decreased to \$10.4 million in 2022 from \$16.0 million in 2021 mainly due to decreased borrowings on the Trust's lines of credit compared to the same period in 2021.

Cash used in investing activities remained stable in 2022 compared to the same period in 2021.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

The Trust presents FFO and AFFO in accordance with the current definition of the REALpac.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

In thousands of dollars, except per unit amounts	Three Months Ended March 31,		
	2022	2021	%
Net income	\$39,909	\$4,850	722.9%
Adjustments:			
Fair value (gains)/losses on real estate properties ¹	(24,929)	14,494	(272.0%)
Amortization of right-of-use assets	21	21	—%
Payment of lease liabilities, net	(40)	(32)	25.0%
Funds from operations – basic	14,961	19,333	(22.6%)
Interest expense on convertible debentures	2,058	1,942	6.0%
Funds from operations – diluted	\$17,019	\$21,275	(20.0%)
Funds from operations – basic	\$14,961	\$19,333	(22.6%)
Adjustments:			
Amortized stepped rents ¹	394	42	838.1%
Normalized PCME	(6,250)	(4,625)	35.1%
Adjusted funds from operations – basic	9,105	14,750	(38.3%)
Interest expense on convertible debentures	2,058	1,942	6.0%
Adjusted funds from operations – diluted	\$11,163	\$16,692	(33.1%)

FUNDS FROM OPERATIONS PER UNIT

Basic	\$0.23	\$0.30	(23.3%)
Diluted ²	\$0.20	\$0.29	(31.0%)

ADJUSTED FUNDS FROM OPERATIONS PER UNIT

Basic	\$0.14	\$0.23	(39.1%)
Diluted ²	\$0.13	\$0.23	(43.5%)

WEIGHTED AVERAGE UNITS OUTSTANDING (IN THOUSANDS)

Basic	64,163	64,128	0.1%
Diluted ²	84,548	72,707	16.3%

1. Includes respective adjustments included in net income from equity-accounted investment.

2. Includes the dilutive impact of convertible debentures and presented on a cash settlement basis for consistency with industry practice for calculating FFO and AFFO.

ADJUSTED CASH FLOW FROM OPERATIONS

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

ADJUSTED CASH FLOW FROM OPERATIONS

For the three months ended March 31,	2022	2021	%
Cash provided by operating activities	\$14,307	\$19,811	(27.8%)
Adjustments:			
Adjustment to working capital changes for ACFO ¹	4,504	3,126	44.1%
Normalized PCME	(6,250)	(4,625)	35.1%
Actual additions to tenant incentives and leasing commissions	772	680	13.5%
Amortization of deferred financing costs	(397)	(466)	(14.8%)
Payment of lease liabilities, net	(40)	(32)	25.0%
ACFO from equity-accounted investment	(110)	253	(143.5%)
Adjusted cash flow from operations – basic	12,786	18,747	(31.8%)
Interest expense on convertible debentures	2,058	1,942	6.0%
Adjusted cash flow from operations – diluted	\$14,844	\$20,689	(28.3%)
Adjusted cash flow from operations – basic	\$12,786	\$18,747	(31.8%)
Distributions declared	3,846	5,132	(25.1%)
Excess ACFO over distributions declared	\$8,940	\$13,615	(34.3%)

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

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

ADJUSTMENT TO WORKING CAPITAL CHANGES FOR ACFO

For the three months ended March 31,	2022	2021	%
Development accruals	(\$285)	\$892	(132.0%)
Prepaid realty taxes and insurance	6,799	4,209	61.5%
Interest payable and receivable	(2,116)	(1,808)	17.0%
Insurance claims	106	(167)	(163.5%)
Adjustment to working capital changes for ACFO	4,504	3,126	44.1%
Net change in non-cash operating assets and liabilities as per the financial statements	(995)	698	(242.6%)
Net working capital changes included in ACFO	\$3,509	\$3,824	(8.2%)

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

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

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

DISTRIBUTIONS TO UNITHOLDERS

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

The Trust expects to distribute to its unitholders in each year an amount not less than the Trust's taxable income for the year, as calculated in accordance with the *Income Tax Act* (Canada) ("the Act"). The Trust's monthly distribution to unitholders in 2022 was \$0.02 representing \$0.24 per unit on an annualized basis.

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

The following is an analysis of 2022 monthly distributions:

Payment Date	Distribution Per Unit	Cash Distribution	Unit Distribution	Total Distribution
February 15, 2022	\$0.02	\$1,266	\$17	\$1,283
March 15, 2022	0.02	1,266	16	1,282
April 14, 2022	0.02	1,250	31	1,281
2022 total		3,782	64	3,846
2021 total for same period		5,076	56	5,132

PAYOUT RATIOS

For the three months ended March 31,	2022	2021
FFO payout ratio	26.1%	26.7%
AFFO payout ratio	42.9%	34.8%
ACFO payout ratio	30.0%	27.6%

PART IV

REAL ESTATE OVERVIEW

The carrying value of the Trust's real estate properties remained unchanged at \$2.5 billion at March 31, 2022 (December 31, 2021 – \$2.5 billion). Income producing properties were affected by additions from the Trust's capital investment programs (including PCME and completed development), which were offset by property dispositions and fair value changes.

PROPERTIES UNDER DEVELOPMENT

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

DEVELOPMENT PROJECTS

	Portfolio	Estimated GLA	Est. Project Cost	Spend to Date	Estimated Completion Date	Comments
RETAIL						
	Pine Centre Mall	Enclosed regional centres	21,618	\$4,378	\$2,508	Q3 2022 Anchor tenant remerchandising of former Sears space phase 3
	Pine Centre Mall	Enclosed regional centres	38,850	18,250	2,901	Q1 2023 Anchor tenant remerchandising of former Lowe's space for Save-On-Foods
	St. Laurent Centre	Enclosed regional centres	76,000	TBD	—	TBD Anchor tenant remerchandising of portion of former Sears space
	Cambridge Centre	Enclosed regional centres	69,000	TBD	—	TBD Anchor tenant remerchandising of former Sears space
Development projects			205,468	\$22,628	\$5,409	

The Trust reached an agreement with Save-On-Foods to convert the empty former Lowe's space at Pine Centre into a 38,850 square foot grocery store. The Trust will be providing a turnkey building which will cost approximately \$18.3 million and is expected to be completed by Q1 2023. This will be a reduced footprint as compared to the current space which is approximately 119,000 square feet.

The Trust has submitted a development application to redevelop Burquitlam Plaza in Coquitlam, BC. The proposal calls for six residential towers and as many as 2,175 units, along with approximately 85,000 square feet of commercial space.

DEVELOPMENT PROJECTS – COMPLETED IN 2022 and 2021

Portfolio		GLA		Income Producing	Completion Date	Total Project Cost	Occupancy % ²	Comments
		Re-developed	Adjustment ¹					
RETAIL								
The Centre	Enclosed regional centres	—	—	—	Q1 2021	\$19,812	N/A	Full-scale mall renovation
Pine Centre Mall	Enclosed regional centres	5,787	(21)	5,766	Q1 2022	1,550	100.0%	Anchor tenant remerchandising of former Sears space phase 2
		5,787	(21)	5,766		\$21,362		

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

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

PART V

LIQUIDITY AND CAPITAL RESOURCES

DEBT AND LEVERAGE METRICS

	For the three months ended	For the twelve months ended	For the three months ended
	March 31, 2022	December 31, 2021	March 31, 2021
Interest coverage ratio ¹	2.20	2.36	2.52
Debt service coverage ratio ¹	1.28	1.37	1.45
Debt to assets ratio ²	51.0 %	52.0 %	52.6 %
Weighted average rates on mortgages	3.6 %	3.6 %	3.7 %
Average term to maturity on mortgages (years)	3.5	3.7	3.5
Unencumbered assets to unsecured debt	202.6 %	197.9 %	169.2 %
Unencumbered assets	\$322,203	\$314,628	\$326,630
Unsecured debt	\$159,000	\$159,000	\$193,000
Line of credit availability	\$163,234	\$173,541	\$124,179

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

2. See debt to assets ratio calculations on following pages.

COVERAGE RATIOS ¹

	For the three months ended	For the twelve months ended	For the three months ended
	March 31, 2022	December 31, 2021	March 31, 2021
Net operating income	\$29,307	\$125,130	\$31,805
General and administrative expenses	(1,094)	(3,858)	(915)
Other income	—	2,017	1,983
Net operating income adjusted for items noted above (A)	28,213	123,289	32,873
Interest expense	13,212	54,192	13,508
Less amortization of deferred financing costs – mortgages	(217)	(826)	(184)
Less amortization of deferred financing costs – convertible debentures	(180)	(1,127)	(282)
Interest expense net of deferred financing costs (B)	\$12,815	\$52,239	\$13,042
Interest coverage ratio (A)/(B)	2.20	2.36	2.52
Principal instalment repayments	\$9,236	\$37,764	\$9,579
Interest expense net of deferred financing costs	12,815	52,239	13,042
Debt service (C)	\$22,051	\$90,003	\$22,621
Debt service coverage ratio (A)/(C)	1.28	1.37	1.45

1. Calculated on a proportionate share basis.

DEBT TO ASSETS RATIO

	For the three months ended March 31, 2022	For the twelve months ended December 31, 2021	For the three months ended March 31, 2021
Total assets as per financial statements	\$2,530,317	\$2,493,942	\$2,550,122
Plus accumulated amortization of furniture, fixtures and equipment	1,256	1,256	1,256
Plus accumulated amortization of right of use asset	269	248	186
Gross book value of total assets (A)	2,531,842	2,495,446	2,551,564
Mortgages payable	1,116,924	1,125,657	1,113,598
Convertible debentures	148,399	147,908	173,354
Lease liabilities	16,678	16,718	10,961
Bank indebtedness	9,656	7,526	26,602
Morguard loan payable	—	—	18,000
Total net debt (B)	1,291,657	1,297,809	1,342,515
Debt to assets ratio (B)/(A)	51.0%	52.0%	52.6%

DEBT STRATEGY

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

The Trust is limited by its Declaration of Trust to an overall indebtedness ratio of 65% of the gross book value of the Trust's total assets determined in accordance with IFRS. The debt limitations are in relation to the assets of the Trust in aggregate. There are no individual property debt limitations or constraints imposed by the Declaration of Trust.

The Trust's current operating strategy involves maintaining debt levels in the range of 50-55% of the gross book value of total assets. Accordingly, the Trust does not generally repay maturing debt from cash flow, but rather with proceeds from refinancing such debt or financing unencumbered properties, and raising new equity or recycling equity through property dispositions to finance investment activities.

The Trust has a revolving loan agreement with Morguard that provides for borrowings or advances of up to \$75.0 million, which is interest-bearing at the lender's borrowing rate and due on demand subject to available funds. This loan agreement is meant to provide short-term financing and investing options.

DEBT STRUCTURE

As at	March 31, 2022	%	December 31, 2021	%	March 31, 2021	%
Conventional secured mortgages payable	\$1,119,395	86.3 %	\$1,128,344	86.5 %	\$1,116,031	83.0 %
Unsecured convertible debentures	152,245	11.7 %	151,934	11.6 %	174,199	12.9 %
Secured floating rate bank financing	9,656	0.7 %	7,526	0.6 %	26,602	2.0 %
Lease liabilities	16,678	1.3 %	16,718	1.3 %	10,961	0.8 %
Unsecured floating rate loan payable	—	— %	—	— %	18,000	1.3 %
Gross debt	1,297,974	100.0 %	1,304,522	100.0 %	1,345,793	100.0 %
Less deferred financing costs:						
Mortgages	(2,471)		(2,687)		(2,433)	
Convertible debentures	(3,846)		(4,026)		(845)	
Net debt	\$1,291,657		\$1,297,809		\$1,342,515	

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

CONVERTIBLE DEBENTURES

On December 7, 2021, the Trust issued \$159.0 million principal amount of 5.25% convertible unsecured subordinated debentures ("Convertible Debentures"), maturing on December 31, 2026 ("the Maturity Date"). Interest is payable semi-annually, not in advance, on June 30 and December 31 of each year.

The Convertible Debentures, with the exception of the value assigned to the holders' conversion option, have been recorded as debt on the consolidated balance sheets.

Conversion Rights: Each Convertible Debenture is convertible into freely tradable units of the Trust, at the option of the holder, exercisable at any time prior to the close of business on the last business day preceding the Maturity Date at a conversion price of \$7.80 per unit, being a rate of approximately 128.2051 units per thousand principal amount of Convertible Debentures, subject to adjustment.

Redemption Rights: Each Convertible 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 Convertible Debentures are redeemable, in whole or in part, at par plus accrued and unpaid interest, at the Trust's sole option.

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

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

DEBT MATURITY PROFILE

Management attempts to stagger the maturities of the Trust's fixed-rate debt with the general objective of achieving even annual maturities over a long-term horizon. The intention of this strategy is to reduce the Trust's exposure to interest rate fluctuations in any one period.

The Trust maintains mortgages with banks (47.8%), insurance companies (27.0%) and pension funds (25.2%) to reduce its exposure to any one lending group.

The following tables outline the debt payments as at March 31, 2022, together with the weighted average contractual rate on debt maturing in the years indicated. Also highlighted is the Trust's up-financing opportunity in relation to the fair value of encumbered properties relative to their respective maturing debt.

AGGREGATE MATURITIES

Year	Mortgage Maturity Payments	Scheduled Principal Repayments	Total Mortgages Payable	Debentures Payable	Bank Indebtedness	Lease Liabilities	Total Debt
2022	\$171,299	\$26,165	\$197,464	\$—	\$9,656	\$128	\$207,248
2023	273,292	24,920	298,212	—	—	167	298,379
2024	184,224	16,793	201,017	—	—	88	201,105
2025	115,653	14,998	130,651	—	—	94	130,745
2026	54,756	10,161	64,917	159,000	—	100	224,017
Thereafter	184,896	42,238	227,134	—	—	16,101	243,235
	\$984,120	\$135,275	\$1,119,395	\$159,000	\$9,656	\$16,678	\$1,304,729

INTEREST RATES

Year	Mortgages Payable	Debentures Payable	Bank Indebtedness	Lease Liabilities	Total Debt
2022	3.84 %	— %	3.95 %	— %	3.84 %
2023	3.50 %	— %	— %	7.25 %	3.50 %
2024	4.04 %	— %	— %	— %	4.04 %
2025	3.21 %	— %	— %	— %	3.21 %
2026	3.00 %	5.25 %	— %	— %	4.59 %
Thereafter	3.53 %	— %	— %	6.22 %	3.69 %
	3.59 %	5.25 %	3.95 %	6.22 %	3.83 %

FAIR VALUE OF ENCUMBERED PROPERTIES RELATIVE TO MATURING DEBT

Year	Mortgage Maturity Payments	Scheduled Principal Repayments	Total	Fair Value of Encumbered Assets	Leverage
2022	\$171,299	\$5,100	\$176,399	\$210,580	83.8%
2023	273,292	9,993	283,285	458,270	61.8%
2024	184,224	15,746	199,970	359,500	55.6%
2025	115,653	16,747	132,400	322,200	41.1%
2026	54,756	10,958	65,714	209,850	31.3%
Thereafter	184,896	76,732	261,628	498,700	52.5%
	\$984,120	\$135,276	\$1,119,396	\$2,059,100	54.4%

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

CREDIT FACILITIES

As at March 31, 2022, the Trust has secured floating rate bank financing availability totalling \$110.0 million, which renews annually and is secured by fixed charges on specific properties owned by the Trust. The bank credit agreements include certain restrictive covenants and undertakings by the Trust. As at March 31, 2022, the Trust was in compliance with all covenants and undertakings. The Trust's liquidity is defined and presented as follows:

LIQUIDITY

As at	March 31, 2022	December 31, 2021
Availability of bank lines of credit	\$110,000	\$110,000
Availability of Morguard loan payable	75,000	75,000
Availability	185,000	185,000
Other deductions and adjustments	(12,110)	(3,933)
Bank indebtedness outstanding	(9,656)	(7,526)
Subtotal	163,234	173,541
Cash	11,450	11,270
Liquidity	\$174,684	\$184,811

PART VI

ACCOUNTING POLICIES AND OTHER ITEMS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Trust's condensed consolidated financial statements for the three months ended March 31, 2022, and 2021, have been prepared in accordance with IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated financial statements use the same accounting policies and methods of their application as the most recent annual consolidated financial statements, except for the adoption of current accounting policies as described below, and should be read in conjunction with the most recent annual audited consolidated financial statements.

The MD&A for the year ended December 31, 2021, contains a discussion of the significant accounting policies most affected by estimates and judgments used in the preparation of the consolidated financial statements, being primarily the accounting policies relating to estimates of fair value of real estate properties. Management determined that as at March 31, 2022, there is no change to the assessment of the significant accounting policies most affected by estimates and judgments as detailed in the MD&A for the year ended December 31, 2021.

RISKS AND UNCERTAINTIES

The Trust is exposed to risks as further analyzed and described in the annual MD&A for December 31, 2021.

RELATED PARTY TRANSACTIONS

Related party transactions are summarized as follows:

(a) Agreement with Morguard Investments Limited

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

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

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

For the three months ended March 31,	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. The promissory notes are interest bearing at the lender's borrowing rate and are due on demand subject to available funds.

Morguard Loan Payable

During the three months ended March 31, 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).

FINANCIAL INSTRUMENTS

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

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

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

(a) Mortgages Payable

Mortgages payable are carried at amortized cost using the effective interest rate method of amortization. The estimated fair values of long-term borrowings are based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the Trust as at March 31, 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 (2021 – \$1,148,909) compared with the carrying value before deferred financing costs of \$1,119,395 (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 Convertible Debentures is based on their market trading price (TSX: MRT.DB.A) (Level 1). The fair value as at March 31, 2022, of the Convertible Debentures has been estimated at \$158,364 (2021 – \$158,841) compared with the carrying value before deferred financing costs of \$152,245 (2021 – \$151,934).

PART VII

CONTROLS AND PROCEDURES CONCERNING FINANCIAL INFORMATION

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

The Trust's management has evaluated the effectiveness of the Trust's disclosure controls and procedures and, based on such evaluation, has concluded that their design is adequate and effective for the three months ended March 31, 2022. The Trust's management has also evaluated the effectiveness of the internal controls over financial reporting and has concluded that the design is effective for the three months ended March 31, 2022.

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

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

PART VIII

FINANCIAL STATEMENTS AT THE TRUST'S OWNERSHIP SHARE

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

BALANCE SHEETS – AT THE TRUST'S OWNERSHIP SHARE

As at March 31, 2022	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
ASSETS			
Non-current assets			
Real estate properties	\$2,480,363	\$41,500	\$2,521,863
Right-of-use asset	138	—	138
Equity-accounted investment	18,624	(18,624)	—
	2,499,125	22,876	2,522,001
Current assets			
Amounts receivable	10,127	122	10,249
Prepaid expenses and other	9,615	65	9,680
Cash	11,450	1,886	13,336
	31,192	2,073	33,265
Total assets	\$2,530,317	\$24,949	\$2,555,266
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	\$874,250	\$—	\$874,250
Convertible debentures	148,399	—	148,399
Lease liabilities	16,507	—	16,507
Accounts payable and accrued liabilities	5,337	4	5,341
	1,044,493	4	1,044,497
Current liabilities			
Mortgages payable	242,674	22,857	265,531
Lease liabilities	171	—	171
Accounts payable and accrued liabilities	45,239	2,088	47,327
Bank indebtedness	9,656	—	9,656
	297,740	24,945	322,685
Total liabilities	1,342,233	24,949	1,367,182
Unitholders' equity	1,188,084	—	1,188,084
	\$2,530,317	\$24,949	\$2,555,266

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

For the three months ended March 31, 2022	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
Revenue from real estate properties	\$61,326	\$1,346	\$62,672
Property operating costs			
Property operating expenses	(18,096)	(400)	(18,496)
Property taxes	(12,614)	(136)	(12,750)
Property management fees	(2,072)	(47)	(2,119)
Net operating income	28,544	763	29,307
Interest expense	(12,991)	(221)	(13,212)
General and administrative	(1,094)	—	(1,094)
Amortization expense	(21)	—	(21)
Fair value gains/(losses) on real estate properties	24,965	(36)	24,929
Net income from equity-accounted investment	506	(506)	—
Net income and comprehensive income	\$39,909	\$—	\$39,909

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

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

For the three months ended March 31, 2022	Per Financial Statements	Equity-Accounted Investment	At the Trust's Ownership Share
OPERATING ACTIVITIES			
Net income	\$39,909	\$—	\$39,909
Add items not affecting cash	(24,295)	542	(23,753)
Distributions from equity-accounted investment, net	460	(460)	—
Additions to tenant incentives and leasing commissions	(772)	(1)	(773)
Net change in non-cash operating assets and liabilities	(995)	(243)	(1,238)
Cash provided by operating activities	14,307	(162)	14,145
FINANCING ACTIVITIES			
Repayment of mortgages			
Principal instalment repayments	(8,950)	(286)	(9,236)
Payment of lease liabilities, net	(40)	—	(40)
Repayment of bank indebtedness, net	2,130	—	2,130
Distributions to unitholders	(3,495)	—	(3,495)
Cash used in financing activities	(10,355)	(286)	(10,641)
INVESTING ACTIVITIES			
Capital expenditures on real estate properties	(1,781)	(35)	(1,816)
Expenditures on properties under development	(1,991)	—	(1,991)
Cash used in investing activities	(3,772)	(35)	(3,807)
Net change in cash	180	(483)	(303)
Cash, beginning of period	11,270	2,369	13,639
Cash, end of period	\$11,450	\$1,886	\$13,336

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

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

PART IX

SUMMARY OF QUARTERLY RESULTS

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

SUMMARY OF SELECTED QUARTERLY INFORMATION

In thousands of dollars, except per unit amounts	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	2022	2021	2021	2021	2021	2020	2020	2020
Revenue from real estate properties	\$61,326	\$63,235	\$58,760	\$58,475	\$60,970	\$67,495	\$60,596	\$59,300
Net operating income	28,544	31,689	30,407	28,975	31,058	33,253	28,497	27,200
Fair value gains/(losses) on real estate properties	24,965	(18,306)	(7,382)	(20,837)	(14,449)	(85,804)	(101,415)	(111,430)
Net income/(loss)	39,909	(796)	6,676	(5,845)	4,850	(67,934)	(88,116)	(98,814)
Funds from operations ¹	14,961	18,001	16,567	15,043	19,333	19,447	14,367	13,152
Adjusted funds from operations ^{1,4}	9,105	13,912	12,162	10,664	14,750	16,350	11,451	10,032
Net income.(loss) – basic	\$0.62	(\$0.01)	\$0.10	(\$0.09)	\$0.08	(\$1.07)	(\$1.41)	(\$1.60)
Net income/(loss) – diluted	\$0.44	(\$0.01)	\$0.10	(\$0.09)	\$0.08	(\$1.07)	(\$1.41)	(\$1.60)
Funds from operations – basic ¹	\$0.23	\$0.28	\$0.26	\$0.23	\$0.30	\$0.31	\$0.23	\$0.21
Funds from operations – diluted ¹	\$0.20	\$0.26	\$0.26	\$0.23	\$0.29	\$0.30	\$0.23	\$0.21
Adjusted funds from operations – basic ^{1,4}	\$0.14	\$0.22	\$0.19	\$0.17	\$0.23	\$0.26	\$0.18	\$0.16
Adjusted funds from operations – diluted ^{1,4}	\$0.13	\$0.21	\$0.19	\$0.17	\$0.23	\$0.25	\$0.18	\$0.16
Distributions per unit	\$0.060	\$0.18	\$0.06	\$0.06	\$0.08	\$0.12	\$0.12	\$0.16
Payout ratio – Adjusted funds from operations ¹	42.9%	81.8%	31.6%	35.3%	34.8%	46.2%	66.7%	100.0%
Payout ratio – Adjusted funds from operations (excluding special distribution) ¹	42.9%	29.5%	31.6%	35.3%	34.8%	46.2%	66.7%	100.0%
Weighted average number of units as at quarter-end (in thousands)								
Basic	64,163	64,153	64,145	64,137	64,128	63,499	62,606	61,567
Balance sheets								
Total assets	\$2,530,317	\$2,493,942	\$2,510,762	\$2,528,633	\$2,550,122	\$2,557,733	\$2,647,128	\$2,750,019
Total gross debt	\$1,297,974	\$1,304,522	\$1,313,334	\$1,334,515	\$1,345,793	\$1,357,679	\$1,362,838	\$1,372,814
Total equity	\$1,188,084	\$1,151,988	\$1,150,646	\$1,147,767	\$1,157,418	\$1,157,658	\$1,227,973	\$1,319,042
Gross leasable area as at quarter-end (in thousands of square feet) ²								
Retail	4,567	4,567	4,598	4,645	4,645	4,642	4,642	4,652
Office	3,252	3,252	3,250	3,237	3,240	3,240	3,240	3,240
Industrial	293	293	293	293	292	292	292	292
Total	8,112	8,112	8,141	8,175	8,177	8,174	8,174	8,184
Occupancy as at quarter-end (%) ³								
Retail	94.0%	94.2%	93.6%	93.8%	92.3%	94.6%	94.0%	94.5%
Office	87.2%	86.7%	86.5%	87.7%	88.2%	88.7%	89.9%	90.6%
Industrial	95.1%	95.1%	93.6%	89.9%	93.3%	93.3%	94.2%	94.9%
Total	91.2%	91.0%	90.6%	91.1%	90.6%	92.1%	92.3%	92.9%

1. The following represents a non-GAAP financial measure/ratio that does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other reporting issuers in similar or different industries. This measure should be considered as supplemental in nature and not as substitutes for related financial information prepared in accordance with IFRS. Additional information on this non-GAAP financial measure/ratio can be found under the MD&A section Part I, "Specified Financial Measures".

2. Excludes equity-accounted investment.

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

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

PART X

PROPERTY LISTING

RETAIL PROPERTIES

Property	City	Province	Ownership Interest (%)	Gross Area (SF)	Ownership Area (SF)
Burquitlam Plaza	Coquitlam	BC	100	68,500	68,500
Pine Centre Mall	Prince George	BC	100	446,500	446,500
Shelbourne Plaza	Victoria	BC	100	57,000	57,000
Airdrie Co-op Centre	Airdrie	AB	100	70,000	70,000
2649 Main Street South	Airdrie	AB	100	44,000	44,000
Heritage Towne Centre	Calgary	AB	100	131,000	131,000
Prairie Mall	Grande Prairie	AB	50	263,000	131,500
Parkland Mall	Red Deer	AB	100	444,500	444,500
The Centre	Saskatoon	SK	100	499,000	499,000
Shoppers Mall	Brandon	MB	100	361,000	361,000
Charleswood Centre	Winnipeg	MB	100	123,000	123,000
Southdale Centre	Winnipeg	MB	100	175,500	175,500
Aurora Centre	Aurora	ON	100	304,000	304,000
Cambridge Centre	Cambridge	ON	100	620,000	620,000
Market Square	Kanata	ON	100	68,000	68,000
Kingsbury Centre	Mississauga	ON	100	70,000	70,000
Hampton Park Plaza	Ottawa	ON	100	102,000	102,000
St. Laurent	Ottawa	ON	100	797,000	797,000
Woodbridge Square	Vaughan	ON	50	112,000	56,000
Total Retail (19)				4,756,000	4,568,500

OFFICE PROPERTIES

Property	City	Province	Ownership Interest (%)	Gross Area (SF)	Ownership Area (SF)
111 Dunsmuir	Vancouver	BC	100	222,000	222,000
Chancery Place	Vancouver	BC	100	142,500	142,500
Seymour Place	Victoria	BC	100	235,500	235,500
505 3rd Street SW	Calgary	AB	50	142,000	71,000
7315 8th Street NE	Calgary	AB	100	19,500	19,500
Centre 810	Calgary	AB	100	77,500	77,500
Citadel West	Calgary	AB	100	78,500	78,500
Deerport Centre	Calgary	AB	100	49,000	49,000
Duncan Building	Calgary	AB	100	81,000	81,000
National Bank Building	Calgary	AB	100	43,500	43,500
207 and 215 9th Avenue SW	Calgary	AB	100	637,000	637,000
Petroleum Plaza	Edmonton	AB	50	304,000	152,000
Rice Howard Place	Edmonton	AB	20	610,000	122,000
301 Laurier Avenue	Ottawa	ON	50	26,000	13,000
525 Coventry	Ottawa	ON	100	42,500	42,500
Green Valley Office Park	Ottawa	ON	100	123,000	123,000
Heritage Place	Ottawa	ON	50	217,000	108,500
St. Laurent Business Centre	Ottawa	ON	100	89,500	89,500
Standard Life	Ottawa	ON	50	378,000	189,000
Time Square	Ottawa	ON	100	112,000	112,000
200 Yorkland	Toronto	ON	100	150,500	150,500
77 Bloor Street West	Toronto	ON	50	396,000	198,000
Place Innovation	Saint-Laurent	QC	50	896,000	448,000
Total Office (23)				5,072,500	3,405,000

INDUSTRIAL PROPERTIES

Property	City	Province	Ownership Interest (%)	Gross Area (SF)	Ownership Area (SF)
1875 Leslie	Toronto	ON	100	52,000	52,000
2041-2151 McCowan	Toronto	ON	100	197,500	197,500
279 Yorkland	Toronto	ON	100	18,000	18,000
285 Yorkland	Toronto	ON	100	25,000	25,000
Total Industrial (4)				292,500	292,500

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BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	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.

Jointly Controlled Operations	Location	Property Type	Trust's Ownership Share	
			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:

As at	March 31, 2022			December 31, 2021		
	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)