

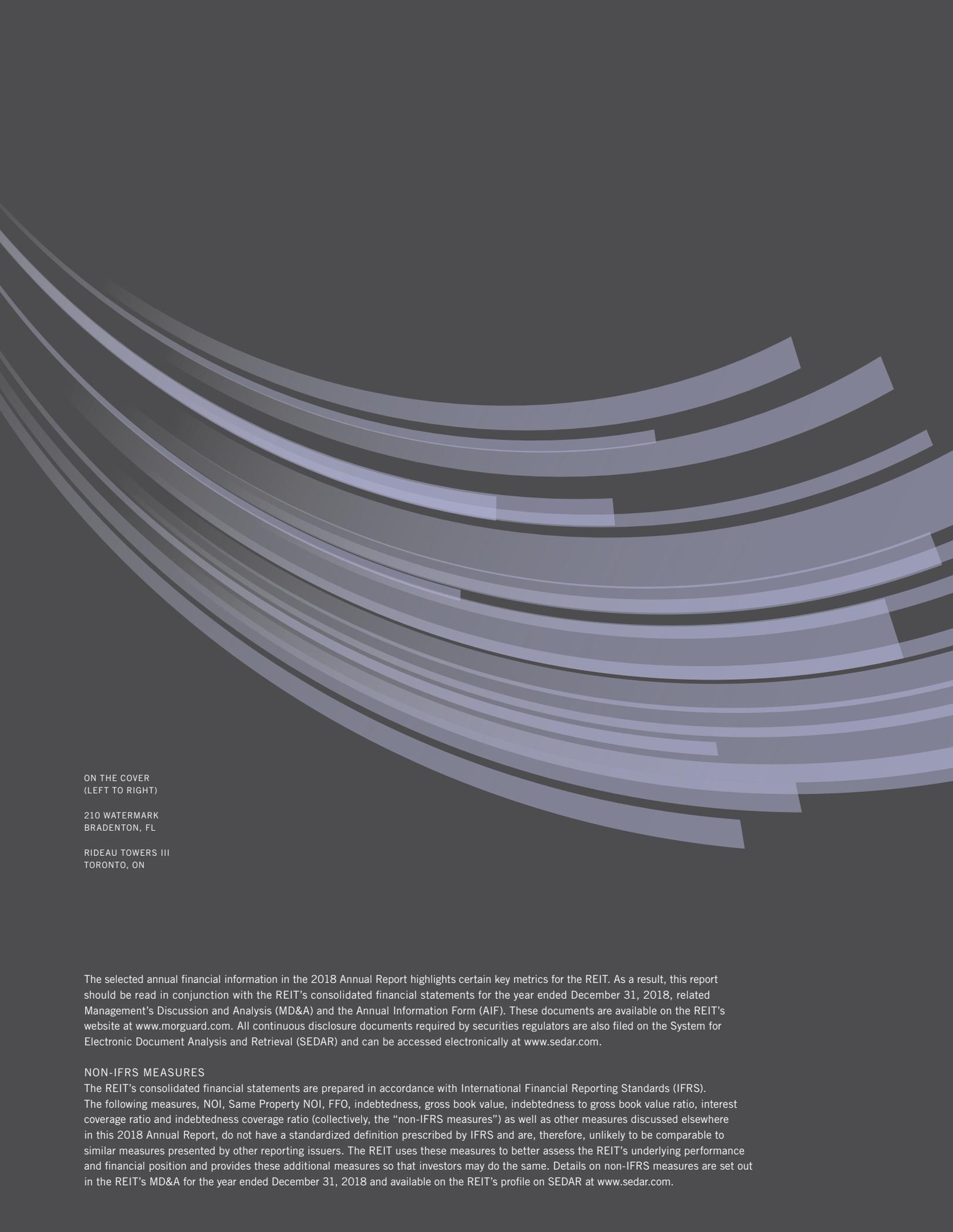
MORGUARD NORTH AMERICAN
RESIDENTIAL REIT

2018 ANNUAL REPORT

ACTIVE PORTFOLIO MANAGEMENT.
ENHANCED RETURNS.



Morguard



ON THE COVER
(LEFT TO RIGHT)

210 WATERMARK
BRADENTON, FL

RIDEAU TOWERS III
TORONTO, ON

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

NON-IFRS MEASURES

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



FELLOW UNITHOLDERS

I am pleased to present the results we achieved for Morguard North American Residential REIT in 2018. It was a year of action, as we continued to enhance the REIT's performance by undertaking operational improvements, creating greater efficiencies, and maintaining high levels of service for our tenants.

Since our initial public offering (IPO) in 2012, Morguard North American Residential REIT has focused on managing and growing our portfolio of multi-suite residential rental properties in dominant markets across North America. Our total assets in 2012 were valued at \$1.0 billion, comprising 20 properties with 6,376 residential suites. Since then, total assets have tripled in value to \$3.0 billion, comprising 47 properties with a total of 13,430 residential suites. Funds From Operations have likewise grown, from a total of \$19.7 million in 2012 to \$61.1 million in 2018. Since IPO the REIT has outperformed the market with a 14% annualized total return. This growth is an indication of the concentrated effort to acquire quality properties over the past six years. Our strategy is to dispose of older assets in smaller markets and acquire newer assets in larger urban markets and to maintain a highly diversified portfolio across multiple regions, which insulates the REIT from fluctuations that may occur in an individual region.

We continue to focus our actions on creating value and returns for our Unitholders by enhancing the quality of our portfolio, leveraging our balance sheet for strategic growth, and delivering great service and experiences to our tenants. And we are always focused on growing net operating income to deliver financial results that support strong and stable distributions to our valued Unitholders.

In the coming year, we will continue to actively pursue opportunities that will further enhance our asset base, deliver robust financial results and strong, reliable value and returns. As always, I thank you for your support of Morguard North American Residential REIT, as we continue to take action in 2019.

Sincerely,

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

K. RAI SAHI
Chairman and Chief Executive Officer

ACTIVELY MANAGING A DIVERSE PORTFOLIO OF MULTI-SUITE RESIDENTIAL PROPERTIES



It's a straightforward but effective philosophy: "Active management of the portfolio leads to consistent returns." By acquiring and enhancing the value of the REIT's portfolio of multi-suite residential properties throughout North America, we enable greater financial stability by insulating ourselves against regional market fluctuations. With our depth of experience in multi-suite residential properties, we are able to provide real value to our tenants and solid returns to our Unitholders year over year. The reason is that we oversee operating advancements that help ensure our properties are well maintained and continually upgraded. This not only increases their value, but also their potential for greater revenue.

COAST AT LAKESHORE EAST
CHICAGO, IL



THE ELMWOODS
MISSISSAUGA, ON



THE REIT'S PORTFOLIO CONTINUES TO BE STRENGTHENED BY OUR EXTERNAL GROWTH STRATEGY.

A DIVERSE PORTFOLIO DRIVEN BY PROVEN MANAGEMENT

Morguard North American Residential REIT enjoys two distinct advantages. First, a portfolio of diverse high-rise and garden-style multi-suite residences for a wide range of tenants located in economically buoyant markets throughout the United States and Canada. Second (and equally important), a management team with a proven ability to identify profitable, revenue-generating opportunities.

As of December 31, 2018, our property portfolio comprised 16 Canadian and 31 U.S. multi-suite residential properties – a total of 13,430 residential suites. The properties are primarily located in urban centres and major suburban regions in Alberta, Ontario, Colorado, Texas, Louisiana, Illinois, Georgia, Florida, North Carolina, Virginia and Maryland.

Our diverse portfolio continues to be strengthened by our ongoing commitment to actively evolve the portfolio by acquiring newly built properties in larger urban markets with a decreased need for capital. We take the view that to be successful, a multi-suite residential property must possess the right combination of attributes for its tenants. A balance between function, feeling, and sense of community. A good location that's conveniently accessible to local attractions and amenities. And a definitive sense of place.

Our internal growth strategy focuses on increasing cash flow from our portfolio. We have achieved this by maximizing occupancy and average monthly rent (AMR), examining regional market conditions, managing operating expenses as a percentage of revenues, and strengthening the asset base through building

infrastructure improvement and capital expenditure programs. At December 31, 2018, our overall occupancy was 96.5%, higher compared to 94.4% in 2017.

In our Canadian portfolio, AMR as of December 31, 2018 was \$1,373 – an increase of 3.5% over 2017, due mainly to rental rate increases. Strong demand, particularly in Ontario, enabled the REIT to raise rents to market levels as suites turned over. In 2018, the Canadian portfolio turned over 17% of its suites and achieved AMR growth of 11%. Our U.S. portfolio's AMR was US\$1,236 as of December 31, 2018 – an increase of 2.7% over 2017. This was due mainly to increases in rental rates and higher tenant demand in the summer months where suite turnover is seasonally higher. In several U.S. regions, AMR also increased because of stabilizing market conditions, as well as the

use of sophisticated revenue management software providing real-time market trend analysis for management to adjust rents accordingly.

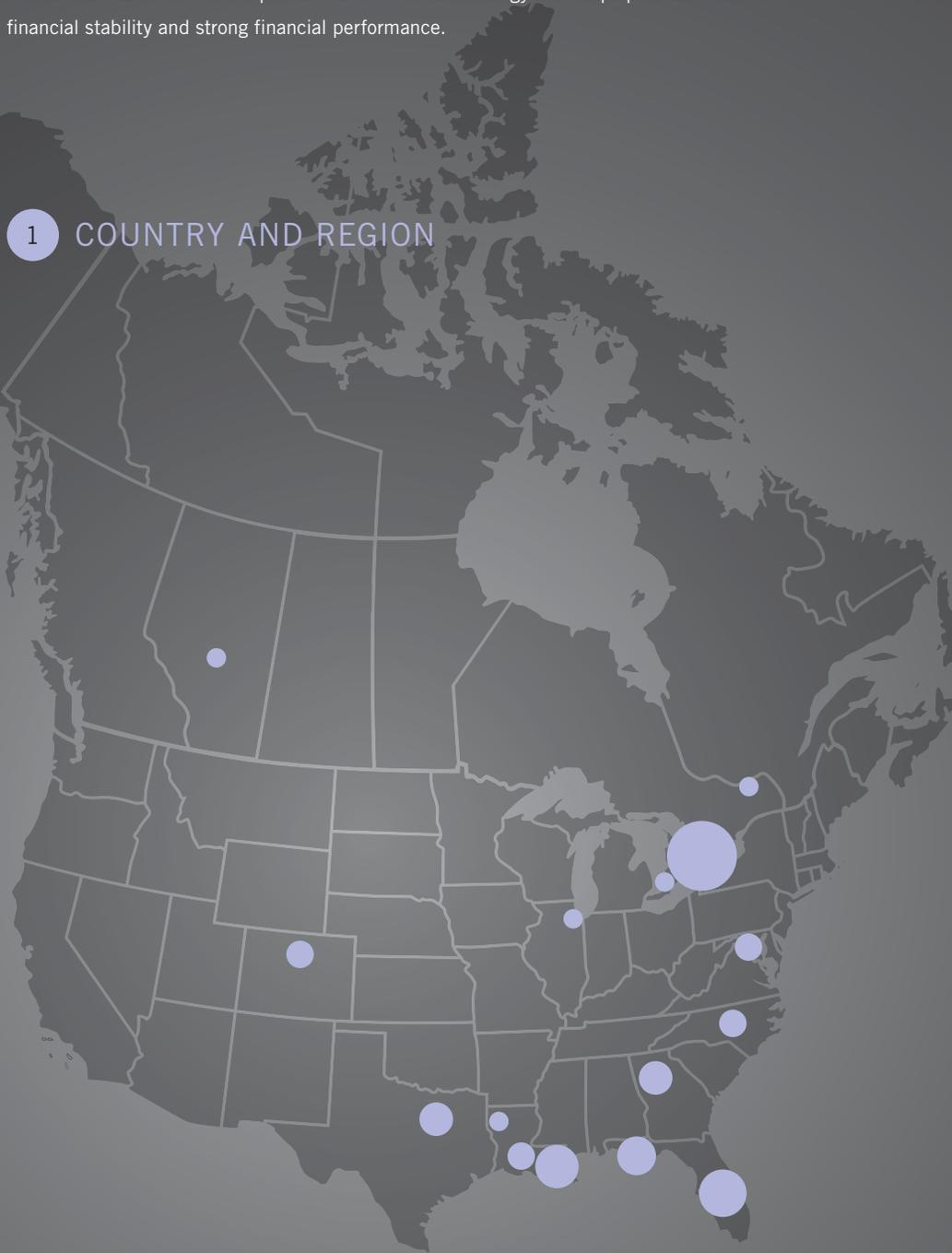
During 2018, net operating income (NOI) increased compared to 2017, as a result of strong residential rental markets in Canada and the U.S., enabling the REIT to garner greater returns through solid increases in AMR and higher overall occupancy. 2018 NOI from Canadian properties increased by 7.2%. In the U.S., NOI increased 7.3%.

As of December 31, 2018, our real estate properties were valued at \$2.9 billion, compared to \$2.6 billion as of December 31, 2017. Indebtedness to gross book value ratio was 47.9% as of December 31, 2018, lower compared to 51.4% on December 31, 2017.

DIVERSIFICATION

With holdings in vibrant markets throughout North America, Morguard North American Residential REIT maintains a portfolio diversification strategy that helps provide consistent financial stability and strong financial performance.

1 COUNTRY AND REGION



\$2.9

BILLION IN REAL ESTATE ASSETS

16

CANADIAN PROPERTIES

31

U.S. PROPERTIES

40%

OF SUITES IN CANADA

60%

OF SUITES IN U.S.

2 PROPERTY TYPE

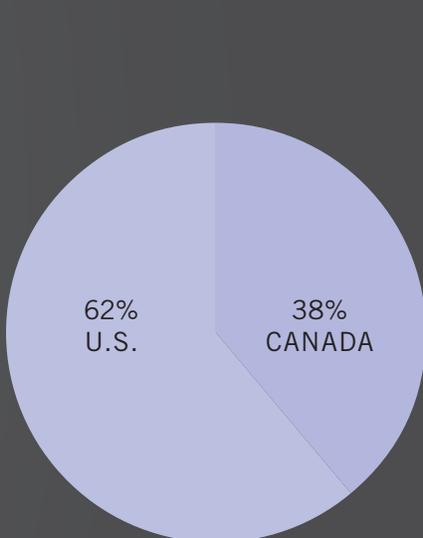


3 AVERAGE MONTHLY RENT
IN LOCAL CURRENCY

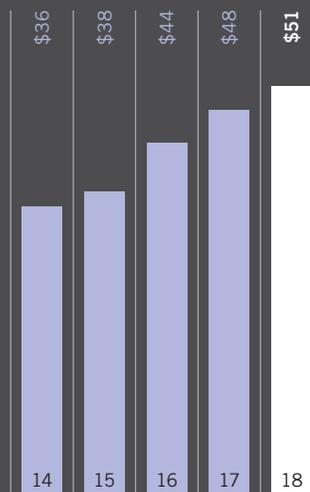
\$1,373
CANADA

\$1,236
U.S.

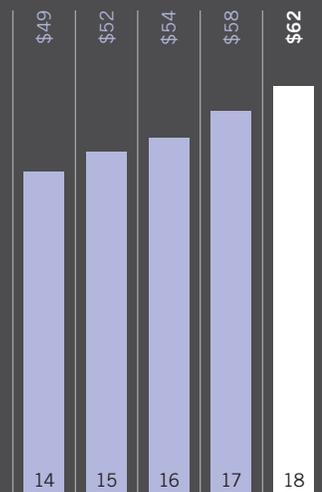
4 NET OPERATING INCOME BY COUNTRY



CANADA
IN MILLIONS OF CANADIAN DOLLARS



U.S.
IN MILLIONS OF U.S. DOLLARS



SINCE THE REIT'S INCEPTION, WE HAVE BEEN COMMITTED TO IMPROVING OUR OPERATING PERFORMANCE BY MAKING THE APPROPRIATE CAPITAL EXPENDITURES, HELPING ENSURE A PROPERTY REMAINS VIABLE, WITH A HIGHER RENTAL INCOME POTENTIAL.

NEW ACQUISITION AND CAPITAL IMPROVEMENT LEADS TO GREATER OPPORTUNITY FOR GROWTH

Our external growth strategy focuses on acquisition opportunities of multi-suite residential properties located in urban centres and major suburban regions in Canada and the United States, with a view to generate greater cash flow. Over the past two years, the REIT has acquired five properties for \$548 million which have resulted in enhancing the portfolio's overall quality and revenue potential. Working with Morguard Corporation, we have access to acquisition opportunities, and, subject to limited exceptions, we have the right of first opportunity to acquire the existing interests in Morguard's multi-suite residential properties, prior to any third-party disposition.

In the spring of 2018, the REIT acquired a 116-suite property in New Orleans, Louisiana, for US\$11.6 million including closing costs. The property is currently under development, with plans to complete capital upgrades during the first half of 2019

at which point initial lease-up will commence. The newly acquired property, located in the Garden District is within close proximity to The Georgian, the REIT's 135 suite mid-rise apartment complex and nearby Tulane and Loyola universities. The acquisition allows the REIT to increase its presence in the immediate area and to benefit from management efficiencies between the two properties.

Since the REIT's inception, we have been committed to improving our operating performance by making the appropriate capital expenditures, helping ensure a property remains viable, with a higher rental income potential.

Operationally, our management team focuses on ensuring each of our properties is well maintained, and that upgrades always are performed when required. Additionally, our management system, available throughout our U.S. and Canadian properties, enables tenants to log in, make rental payments, and request services, giving us the ability to better prioritize certain

initiatives, streamline work orders and help minimize maintenance costs. Our commitment to keeping our properties to a high standard while managing them cost-effectively has allowed us to keep operating costs low, occupancy rates high, and rental rates optimized to current market rates. Our active management approach means regular monitoring of each property's financial performance and capital investments when required. Capital expenditures in 2018 were \$28.9 million.

We have found this active management approach also drives our ability to maintain a consistent stream of revenue that grows year over year. Our operating teams put great effort into attracting and retaining tenants, and in keeping operational expenses in check. Additionally, our online tenant services enables management to be more responsive, which in turn contributes to higher tenant retention rates.



VILLAGE CROSSING APARTMENT HOMES
WEST PALM BEACH, FL



ACQUISITION & CAPITAL IMPROVEMENTS

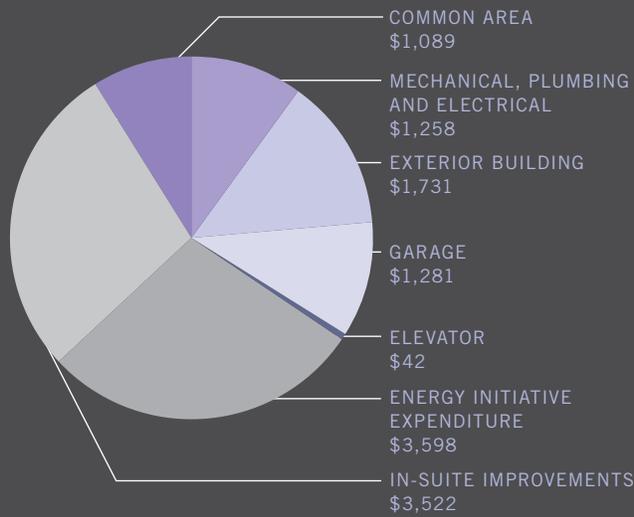
1 2018 ACQUISITION

ASSET/LOCATION	ASSET CLASS	PRICE	DESCRIPTION
1643 Josephine New Orleans, LA	Residential	US\$11.6 million	A 116-suite residential property in the city's Garden District, the property is located close to The Georgian, Morguard's 135-suite mid-rise apartment complex, as well as Tulane and Loyola universities. The property is currently under development, with plans to complete capital upgrades during the first half of 2019.

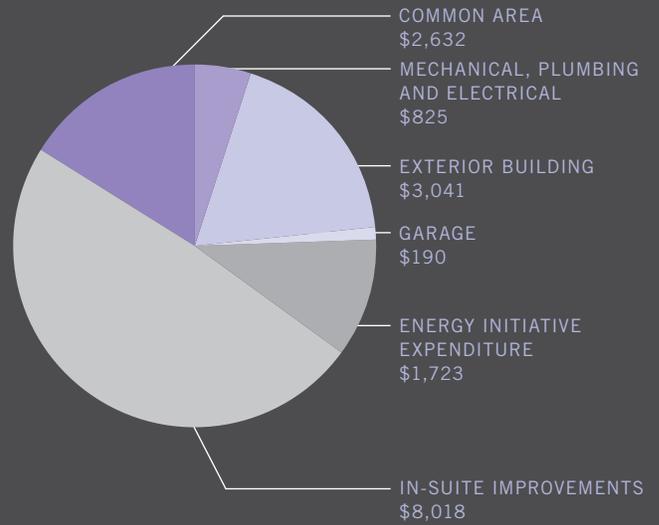


2 CAPITAL EXPENDITURE BY REGION

CANADA
\$12.5 MILLION
IN CANADIAN DOLLARS



U.S.
\$16.4 MILLION
IN CANADIAN DOLLARS

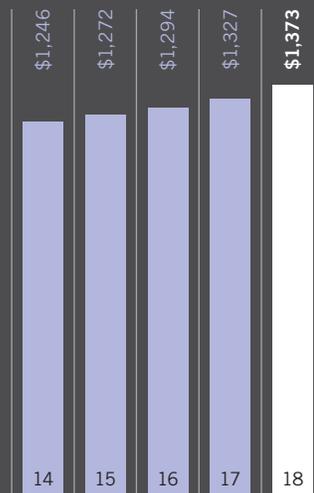


3 OPERATIONAL STRENGTH

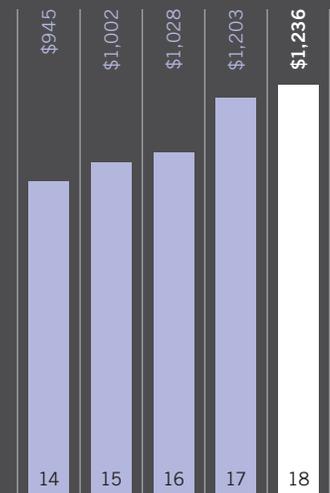
99%
OCCUPANCY CANADA

95%
OCCUPANCY U.S.

AVERAGE MONTHLY RENT
CANADA
IN CANADIAN DOLLARS



AVERAGE MONTHLY RENT
U.S.
IN U.S. DOLLARS





160 CHAPEL
OTTAWA, ON



MULTI-SUITE RESIDENTIAL

CANADA

PROPERTY	CITY	PROV.	OWNERSHIP INTEREST (%)	TOTAL SUITES	OWNERSHIP SUITES	OCCUPANCY (%)
Square 104	Edmonton	AB	100	277	277	99
Margaret Place ❶	Kitchener	ON	100	472	472	99
Meadowvale Gardens ❶	Mississauga	ON	100	325	325	97
The Arista ❶	Mississauga	ON	100	458	458	100
The Elmwoods ❶	Mississauga	ON	100	321	321	100
The Forestwoods ❶	Mississauga	ON	89	300	267	98
The Maplewoods ❶	Mississauga	ON	87	300	261	98
The Valleywoods ❶	Mississauga	ON	91	373	339	100
Tomken Place ❶	Mississauga	ON	100	142	142	100
160 Chapel ❶	Ottawa	ON	100	370	370	100
Downsview Park Townhomes	Toronto	ON	100	60	60	100
Rideau Towers I ❶	Toronto	ON	90	287	258	99
Rideau Towers II ❶	Toronto	ON	100	380	380	99
Rideau Towers III ❶	Toronto	ON	100	474	474	98
Rideau Towers IV ❶	Toronto	ON	100	400	400	100
Rouge Valley Residence ❶	Toronto	ON	100	396	396	100
SUBTOTAL				5,335	5,200	99

CERTIFICATIONS

❶ Certified Rental Building Program

U.S.

PROPERTY	CITY	STATE	OWNERSHIP INTEREST (%)	TOTAL SUITES	OWNERSHIP SUITES	OCCUPANCY (%)
Retreat at City Center ❶	Aurora	CO	100	225	225	96
Settlers' Creek ❶	Fort Collins	CO	100	229	229	97
The Retreat at Spring Park ❶	Garland	TX	100	188	188	97
Grand Venetian at Las Colinas ❶	Irving	TX	100	514	514	95
Verandah at Valley Ranch ❶	Irving	TX	100	319	319	97
Garden Lane ❶	Gretna	LA	100	261	261	97
Colonial Manor Apartment Homes ❶	Harahan	LA	100	48	48	92
Steeplechase Apartment Homes ❶	Lafayette	LA	100	192	192	94
Magnolia Place Apartment Homes ❶	New Iberia	LA	100	148	148	81
1643 Josephine (Under Development)	New Orleans	LA	100	116	116	–
The Georgian Apartments ❶	New Orleans	LA	100	135	135	96
Villages of Williamsburg ❶	Shreveport	LA	100	194	194	90
Greenbrier Estates ❶	Slidell	LA	100	144	144	88
Coast at Lakeshore East ❶ ❷	Chicago	IL	51	515	263	94
Briarhill Apartments ❶	Atlanta	GA	100	292	292	95
The Savoy Luxury Apartments ❶	Atlanta	GA	100	232	232	97

Continued on next page

CERTIFICATIONS

❶ Equal Housing Opportunity ❷ LEED Silver



THE FENESTRA AT
ROCKVILLE TOWN SQUARE
ROCKVILLE, MD

MULTI-SUITE RESIDENTIAL

Continued

U.S.

PROPERTY	CITY	STATE	OWNERSHIP INTEREST (%)	TOTAL SUITES	OWNERSHIP SUITES	OCCUPANCY (%)
Barrett Walk Luxury Apartment Homes ❶	Kennesaw	GA	100	290	290	95
210 Watermark ❶	Bradenton	FL	100	216	216	98
Blue Isle Apartment Homes ❶	Coconut Creek	FL	100	340	340	94
2940 Solano at Monterra ❶	Cooper City	FL	51	252	129	95
Governors Gate I ❶	Pensacola	FL	100	240	240	97
Governors Gate II ❶	Pensacola	FL	100	204	204	98
Jamestown Estates ❶	Pensacola	FL	100	177	177	95
Woodcliff Apartment Homes ❶	Pensacola	FL	100	184	184	93
Woodbine Apartment Homes ❶	Riviera Beach	FL	100	408	408	97
Mallory Square ❶	Tampa	FL	100	383	383	94
Village Crossing Apartment Homes ❶	West Palm Beach	FL	100	189	189	95
The Lodge at Crossroads ❶	Cary	NC	100	432	432	95
Perry Point Ultimate Apartments ❶	Raleigh	NC	100	432	432	97
Northgate at Falls Church ❶	Falls Church	VA	100	104	104	90
The Fenestra at Rockville Town Square ❶	Rockville	MD	50	492	246	88
SUBTOTAL				8,095	7,474	95
TOTAL MULTI-SUITE RESIDENTIAL				13,430	12,674	97

CERTIFICATIONS

❶ Equal Housing Opportunity ❷ LEED Silver

RETAIL

U.S.

PROPERTY	CITY	STATE	OWNERSHIP INTEREST (%)	TOTAL AREA (SF)	OWNERSHIP AREA (SF)	OCCUPANCY (%)
Northgate at Falls Church	Falls Church	VA	100	20,500	20,500	90
TOTAL RETAIL				20,500	20,500	90

OFFICE

U.S.

PROPERTY	CITY	STATE	OWNERSHIP INTEREST (%)	TOTAL AREA (SF)	OWNERSHIP AREA (SF)	OCCUPANCY (%)
Coast at Lakeshore East ❷	Chicago	IL	51	20,000	10,200	71
Northgate at Falls Church	Falls Church	VA	100	12,500	12,500	78
TOTAL OFFICE				32,500	22,700	75

CERTIFICATIONS

❷ LEED Silver

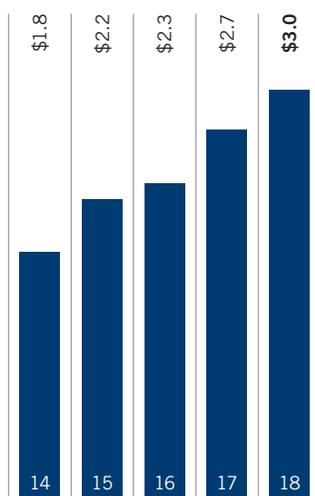


GREATER
PERFORMANCE
FROM FOCUSED
MANAGEMENT

Consistency is key when profitably managing and maintaining rental properties, but of course, it starts with the desirability of the rental properties themselves. By maintaining a diversified portfolio of multi-suite residences in desirable locations throughout Canada and the United States, we have been able to create value for our tenants and our Unitholders alike.

SECTION 2 FINANCIAL HIGHLIGHTS

GROSS BOOK VALUE IN BILLIONS OF DOLLARS



HIGHER RETURNS, GREATER VALUE

During 2018, the REIT's NOI was \$131.7 million, an increase of \$9.0 million (or 7.3%) compared to 2017. The increase in NOI is due to an increase in Same Property NOI of \$4.5 million (or 4.0%), and an increase from acquisitions, net of dispositions of properties of \$4.5 million. The Same Property increase of \$4.5 million is due to an increase in Canada of \$2.7 million (or 5.7%), an increase in the U.S. of US\$1.5 million (or 3.0%), and the change in foreign exchange rates which increased NOI by \$0.3 million.

During 2018, the REIT's total interest expense was \$66.1 million, an increase of \$7.6 million, compared to

THE REIT'S PORTFOLIO CONTINUES TO GROW AND GENERATE STABLE INCOME AND ENHANCED RETURNS.

\$58.5 million in 2017.

This is due predominantly to an increase in interest on mortgages of \$3.0 million, the result of mortgage financing on properties acquired during 2017; an increase in convertible debenture interest of \$1.0 million and higher non-cash interest of \$3.1 million, mainly from lower amortization of mark-to-market adjustments.

The REIT's net income for 2018 was \$174.7 million, an increase of \$1.6 million over 2017. The main reason was the NOI increase, partially offset by an increase in interest expense and trust expenses.

Basic FFO for the year ended December 31, 2018, increased by \$1.4 million (or 2.4%), to \$61.1 million (\$1.20 per Unit),

compared to \$59.7 million (\$1.18 per Unit) in 2017.

The increase is mainly due to higher NOI of \$9.0 million and an increase in other income of \$0.6 million, partially offset by an increase in interest expense of \$7.6 million and an increase in trust expenses of \$1.1 million. The increase in interest expense of \$7.6 million reflects lower amortization of mark-to-market adjustments of \$1.8 million from the refinancing of mortgages that were assumed on properties acquired during 2013.

FINANCIAL HIGHLIGHTS

IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER UNIT AMOUNTS

AS AT DECEMBER 31	2014	2015	2016	2017	2018
Total suites	12,850	13,102	13,472	13,314	13,430
Gross book value	\$1,832,287	\$2,160,015	\$2,285,727	\$2,651,097	\$3,011,469
Indebtedness	\$1,022,555	\$1,186,131	\$1,237,613	\$1,363,228	\$1,442,607
Indebtedness to gross book value	55.8%	54.9%	54.1%	51.4%	47.9%
Weighted average mortgage interest rate	3.9%	3.8%	3.6%	3.5%	3.5%
Units outstanding (in thousands) ¹	46,533	46,558	46,514	50,914	50,946
4 Unitholders' equity ¹	\$733,410	\$839,887	\$887,194	\$1,073,205	\$1,313,799
Equity market capitalization ¹	\$466,259	\$496,777	\$633,524	\$765,233	\$873,723
5 Unit price	\$10.02	\$10.67	\$13.62	\$15.03	\$17.15

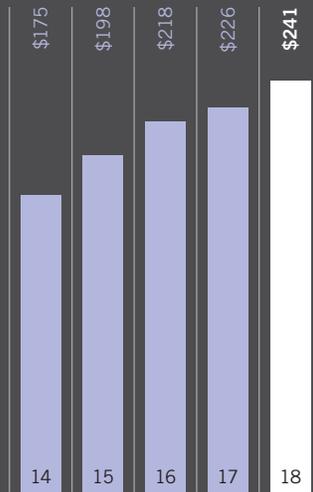
FOR THE YEARS ENDED DECEMBER 31	2014	2015	2016	2017	2018
1 Revenue from real estate properties	\$174,815	\$198,442	\$218,472	\$226,495	\$241,368
2 Net operating income	\$90,217	\$104,182	\$115,294	\$122,736	\$131,693
Net income	\$39,207	\$39,680	\$31,978	\$173,131	\$174,710
Interest coverage ratio	1.85	1.96	2.04	2.19	2.20
3 Funds from operations – basic	\$44,726	\$51,112	\$57,591	\$59,725	\$61,161
Funds from operations per Unit – basic	\$0.96	\$1.10	\$1.24	\$1.18	\$1.20
Funds from operations payout ratio	62.5%	54.6%	49.0%	54.7%	55.2%
6 Distributions per Unit	\$0.60	\$0.60	\$0.61	\$0.64	\$0.66

1. Includes Class B LP Units

1

REVENUE FROM REAL ESTATE PROPERTIES

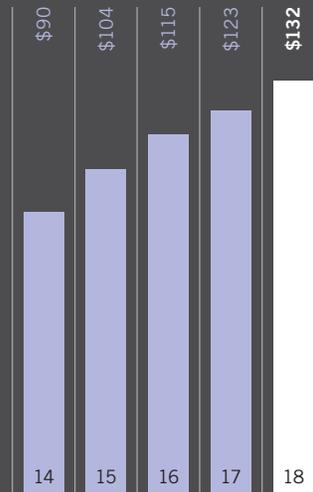
IN MILLIONS OF DOLLARS



2

NET OPERATING INCOME

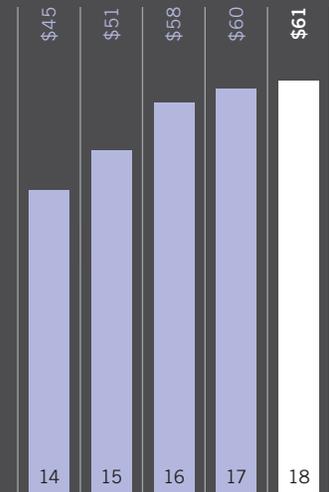
IN MILLIONS OF DOLLARS



3

FUNDS FROM OPERATIONS – BASIC

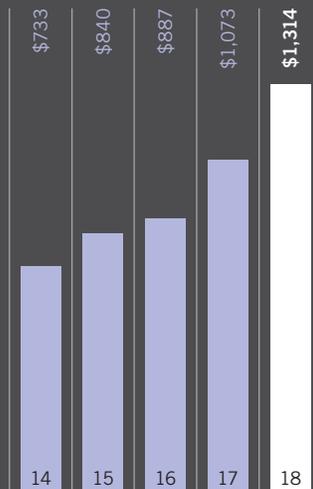
IN MILLIONS OF DOLLARS



4

UNITHOLDERS' EQUITY

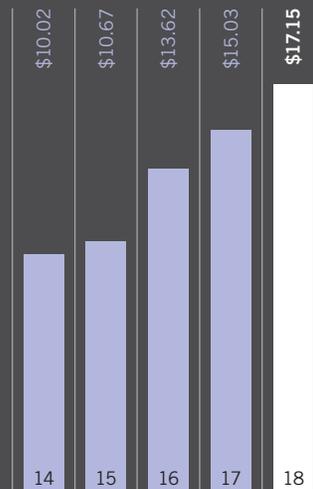
IN MILLIONS OF DOLLARS



5

UNIT PRICE

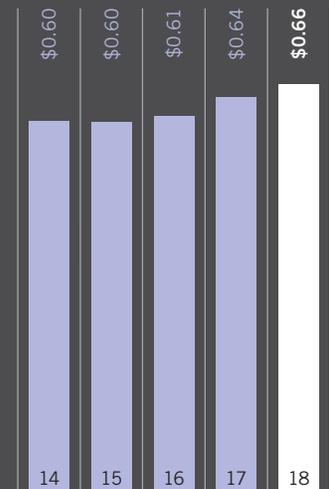
IN DOLLARS



6

DISTRIBUTIONS

PER UNIT IN DOLLARS



Morguard North American Residential REIT is primarily focused on generating stable, growing, tax-efficient cash distributions to our Unitholders.

We met this objective again in 2018, raising the monthly distribution amount once again.

In 2018, the Board of Trustees announced it increased the REIT's annual cash distribution by \$0.02 per Unit (3.03%), effective for the November 2018 distribution. This brought the distributions to \$0.68 per Unit on an annualized basis from the current level of \$0.66 per Unit.

Since our 2012 inception, we have delivered a cumulative total return of 142% (14% annualized) to Unitholders.

Through the same period, our FFO payout ratio has declined to 55.2% in 2018, from 94% in our first year.

On February 13, 2018, the REIT issued \$75.0 million principal amount of 4.50% convertible unsecured subordinated debentures maturing on March 31, 2023. On February 21, 2018, an additional principal amount of \$10.5 million was issued pursuant to the exercise of the over-allotment option.

On February 26, 2018, the REIT redeemed the remaining \$60 million of its outstanding 4.65% convertible unsecured subordinated debentures in advance of their March 30, 2018 maturity date.

**SINCE THE REIT'S
2012 INCEPTION,
WE HAVE DELIVERED
A CUMULATIVE TOTAL
RETURN OF 142%,
14% ANNUALIZED
TO UNITHOLDERS.**

TAX INFORMATION

The REIT has determined the distributions paid to Unitholders are characterized for income tax purposes as follows:

YEAR	DISTRIBUTION	RETURN OF CAPITAL	CAPITAL GAIN	OTHER INCOME
2018	\$0.6632	66.90%	8.20%	24.90%
2017	\$0.6433	91.02%	–	8.98%
2016	\$0.6067	100.00%	–	–
2015	\$0.6000	100.00%	–	–
2014	\$0.6000	88.54%	11.46%	–
2013	\$0.6000	83.66%	8.86%	7.48%
2012	\$0.4216	69.40%	–	30.60%

BALANCE SHEETS

IN THOUSANDS OF CANADIAN DOLLARS

AS AT DECEMBER 31	2018	2017
ASSETS		
Non-current assets		
Real estate properties	\$2,932,835	\$2,570,589
Equity-accounted investment	40,859	37,295
	2,973,694	2,607,884
Current assets		
Amounts receivable	3,652	4,541
Prepaid expenses	4,164	3,754
Restricted cash	13,173	9,797
Cash	16,786	25,121
	37,775	43,213
	\$3,011,469	\$2,651,097
LIABILITIES AND EQUITY		
Non-current liabilities		
Mortgages payable and Class C LP Units	\$1,195,709	\$1,173,049
Convertible debentures	84,769	—
Class B LP Units	295,376	258,863
Deferred income tax liabilities	114,351	82,482
Accounts payable and accrued liabilities	9,754	8,970
	1,699,959	1,523,364
Current liabilities		
Mortgages payable and Class C LP Units	124,418	84,000
Convertible debentures	—	60,466
Morguard Facility	12,803	21,799
Accounts payable and accrued liabilities	46,428	43,762
	183,649	210,027
Total liabilities	1,883,608	1,733,391
EQUITY		
Unitholders' equity	1,018,423	814,342
Non-controlling interest	109,438	103,364
Total equity	1,127,861	917,706
	\$3,011,469	\$2,651,097

STATEMENTS OF INCOME

IN THOUSANDS OF CANADIAN DOLLARS

FOR THE YEARS ENDED DECEMBER 31	2018	2017
Revenue from real estate properties	\$241,368	\$226,495
Property operating expenses		
Property operating costs	(61,099)	(59,370)
Realty taxes	(30,199)	(26,370)
Utilities	(18,377)	(18,019)
Net operating income	131,693	122,736
Other expenses (income)		
Interest expense	66,083	58,497
Trust expenses	13,765	12,618
Equity loss (income) from investment	(271)	1,169
Foreign exchange loss (gain)	(2,280)	1,570
Other expense (income)	(65)	529
Income before fair value changes and income taxes	54,461	48,353
Fair value gain on real estate properties, net	180,283	129,543
Fair value loss on Class B LP Units	(36,513)	(24,285)
Income before income taxes	198,231	153,611
Provision for (recovery of) income taxes		
Current	233	826
Deferred	23,288	(20,346)
	23,521	(19,520)
Net income for the year	\$174,710	\$173,131
Net income attributable to:		
Unitholders	\$172,225	\$160,437
Non-controlling interest	2,485	12,694
	\$174,710	\$173,131

STATEMENTS OF COMPREHENSIVE INCOME

IN THOUSANDS OF CANADIAN DOLLARS

FOR THE YEARS ENDED DECEMBER 31	2018	2017
Net income for the year	\$174,710	\$173,131
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that may be reclassified subsequently to net income:		
Unrealized foreign currency translation gain (loss)	61,345	(37,471)
Other comprehensive income (loss)	61,345	(37,471)
Total comprehensive income for the year	\$236,055	\$135,660
Total comprehensive income attributable to:		
Unitholders	\$225,933	\$125,264
Non-controlling interest	10,122	10,396
	\$236,055	\$135,660

STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

IN THOUSANDS OF CANADIAN DOLLARS

	UNITS	CONTRIBUTED SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL UNITHOLDERS' EQUITY	NON-CONTROLLING INTEREST	TOTAL EQUITY
Unitholders' equity, December 31, 2016	\$309,803	\$48,762	\$193,961	\$100,090	\$652,616	\$31,410	\$684,026
Changes during the year:							
Net income	—	—	160,437	—	160,437	12,694	173,131
Other comprehensive loss	—	—	—	(35,173)	(35,173)	(2,298)	(37,471)
Decrease in subsidiary ownership interest	—	—	—	—	—	63,410	63,410
Issue of Units	57,686	—	—	—	57,686	—	57,686
Issue of Units – DRIP	439	—	(439)	—	—	—	—
Distributions	—	—	(21,224)	—	(21,224)	(1,852)	(23,076)
Unitholders' equity, December 31, 2017	\$367,928	\$48,762	\$332,735	\$64,917	\$814,342	\$103,364	\$917,706
Changes during the year:							
Net income	—	—	172,225	—	172,225	2,485	174,710
Other comprehensive income	—	—	—	53,708	53,708	7,637	61,345
Issue of Units – DRIP	480	—	(480)	—	—	—	—
Issue of Units – debentures converted	23	—	—	—	23	—	23
Distributions	—	—	(21,875)	—	(21,875)	(4,048)	(25,923)
Unitholders' equity, December 31, 2018	\$368,431	\$48,762	\$482,605	\$118,625	\$1,018,423	\$109,438	\$1,127,861

STATEMENTS OF CASH FLOWS

IN THOUSANDS OF CANADIAN DOLLARS

FOR THE YEARS ENDED DECEMBER 31	2018	2017
OPERATING ACTIVITIES		
Net income	\$174,710	\$173,131
Add (deduct) items not affecting cash	(114,607)	(123,054)
Additions to tenant incentives	(2,120)	(250)
Distributions from equity-accounted investment	—	1,276
Net change in non-cash operating assets and liabilities	1,964	8,373
Cash provided by operating activities	59,947	59,476
INVESTING ACTIVITIES		
Acquisition of income producing properties	—	(365,990)
Acquisition of property under development	(14,866)	—
Additions to income producing properties	(28,950)	(21,577)
Additions to property under development	(1,165)	—
Proceeds from sale of income producing properties	—	88,685
Investment in equity-accounted investment	—	(40,080)
Cash used in investing activities	(44,981)	(338,962)
FINANCING ACTIVITIES		
Proceeds from issuance of Units, net of costs	—	57,686
Proceeds from issuance of convertible debentures, net of costs	82,125	—
Redemption of convertible debentures	(59,977)	—
Proceeds from new mortgages	80,000	309,899
Financing cost on new mortgages	(905)	(3,253)
Repayment of mortgages and Class C LP Units		
Repayments on maturity	(67,892)	(144,849)
Principal instalment repayments	(21,364)	(21,099)
Contributions from non-controlling interest	—	63,410
Repayment of Morguard Facility	(103,297)	(215,742)
Proceeds from Morguard Facility	96,293	274,279
Distributions to Unitholders	(21,818)	(20,934)
Distributions to non-controlling interest	(4,048)	(1,852)
Decrease (increase) in restricted cash	(2,539)	1,161
Cash provided by (used in) financing activities	(23,422)	298,706
Net increase (decrease) in cash during the year	(8,456)	19,220
Net effect of foreign currency translation on cash balance	121	(1,686)
Cash, beginning of year	25,121	7,587
Cash, end of year	\$16,786	\$25,121

CORPORATE INFORMATION

BOARD OF TRUSTEES

K. Rai Sahi³
Chairman and
Chief Executive Officer

Avtar T. Bains^{2, 3}
Real Estate Adviser
and Investor

Dino Chiesa^{1, 3}
Principal, Chiesa Group

Mel Leiderman¹
Senior Consultant, Lipton LLP

Frank Munsters²
Corporate Director

Bruce K. Robertson^{1, 3}
Vice President, Investments
The Woodbridge Company Limited

William O. Wallace²
President,
Wallace Automotive Inc.

1 Audit Committee

2 Compensation and Governance
Committee

3 Investment Committee

EXECUTIVE DIRECTORY

K. Rai Sahi
Chairman and
Chief Executive Officer

Christopher A. Newman
Chief Financial Officer

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

Paul Miatello
Senior Vice President

Angela Sahi
Senior Vice President

John Talano
Vice President, Operations (U.S.)

Sanjay Rateja
Vice President, Operations
(Canada)

Brian Athey
Vice President

INVESTOR INFORMATION

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Eligibility

RESP
RRSP
RRIF
DPSP
RPP
TFSA

Unit Listing

Toronto Stock Exchange
Symbol
MRG.UN
MRG.DB.A

Auditors

Ernst & Young LLP

Principal Bankers

Royal Bank of Canada,
Toronto-Dominion Bank

Transfer Agent

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

Investor Relations

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

Annual Meeting

Wednesday May 8, 2019
at 9:00 a.m.
Rattlesnake Point Golf Club
5407 Regional Road 25
Milton, ON
L9T 2X5

For additional information, contact

Christopher A. Newman
Chief Financial Officer

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

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