Real Estate Potential. Realized.

MORGUARD REAL ESTATE INVESTMENT TRUST

SEPTEMBER 30, 2019

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

TABLE OF CONTENTS

BALANCE SHEETS

In thousands of Canadian dollars

As at	Note	September 30, 2019	December 31, 2018
ASSETS			
Non-current assets			
Real estate properties	4	**$2,897,666**	$2,915,592
Right-of-use asset	5	**345**	—
Equity-accounted investment	6	**22,419**	24,746
		2,920,430	2,940,338
Current assets			
Amounts receivable		**12,481**	17,016
Morguard loan receivable	15(b)	**—**	10,000
Prepaid expenses and other		**12,040**	567
Cash		**10,474**	10,652
		34,995	38,235
Total assets		**$2,955,425**	$2,978,573
LIABILITIES AND UNITHOLDERS' EQUITY			
Non-current liabilities			
Mortgages payable	8	**$943,113**	$913,490
Convertible debentures	9	**170,277**	168,814
Lease liabilities	10	**11,025**	—
Accounts payable and accrued liabilities		**4,521**	4,282
		1,128,936	1,086,586
Current liabilities			
Mortgages payable	8	**134,141**	194,104
Lease liabilities	10	**121**	—
Accounts payable and accrued liabilities		**52,779**	49,809
Morguard loan payable	15(b)	**30,500**	—
Bank indebtedness	11	**53,447**	67,660
		270,988	311,573
Total liabilities		**1,399,924**	1,398,159
Unitholders' equity		**1,555,501**	1,580,414
		$2,955,425	$2,978,573
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

		Three months ended		Nine months ended	
	Note	**September 30, 2019**	September 30, 2018	**September 30, 2019**	September 30, 2018
Revenue from real estate properties	12	**$66,363**	$67,273	**$203,825**	$204,547
Property operating costs					
Property operating expenses	13(a)	**(15,735)**	(14,681)	**(49,253)**	(46,856)
Property taxes		**(12,025)**	(13,174)	**(36,688)**	(39,236)
Property management fees		**(2,216)**	(2,218)	**(6,680)**	(6,747)
		36,387	37,200	**111,204**	111,708
Interest expense	14	**(14,533)**	(13,983)	**(43,604)**	(41,426)
General and administrative	13(b)	**(911)**	(1,048)	**(3,234)**	(3,523)
Amortization expense		**(21)**	—	**(62)**	—
Other income/(expense)		**3**	(96)	**46**	25
Fair value losses on real estate properties	4	**(14,928)**	(16,867)	**(45,210)**	(802)
Net income/(loss) from equity-accounted investment	6	**257**	(225)	**(672)**	41
Net income and comprehensive income		**$6,254**	$4,981	**$18,468**	$66,023
NET INCOME PER UNIT	16(d)				
Basic		**$0.10**	$0.08	**$0.30**	$1.09
Diluted		**$0.10**	$0.08	**$0.30**	$0.99

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF UNITHOLDERS' EQUITY

In thousands of Canadian dollars, except number of units

	Number of Units	Issue of Units	Retained Earnings	Equity Component of Convertible Debentures	Contributed Surplus	Total Unitholders' Equity
Unitholders' equity, January 1, 2018	60,691,729	$612,063	$947,070	$4,594	$1,864	$1,565,591
CHANGES DURING THE PERIOD:						
Net income	—	—	66,023	—	—	66,023
Distributions to unitholders	—	—	(43,356)	—	—	(43,356)
Issue of units – DRIP [1]	26,195	346	(346)	—	—	—
Unitholders' equity, September 30, 2018	60,717,924	612,409	969,391	4,594	1,864	1,588,258
CHANGES DURING THE PERIOD:						
Repurchase of units	(37,100)	(375)	(36)	—	—	(411)
Net income	—	—	6,992	—	—	6,992
Distributions to unitholders	—	—	(14,425)	—	—	(14,425)
Issue of units – DRIP [1]	13,229	149	(149)	—	—	—
Unitholders' equity, December 31, 2018	60,694,053	612,183	961,773	4,594	1,864	1,580,414
CHANGES DURING THE PERIOD:						
Net income	**—**	**—**	**18,468**	**—**	**—**	**18,468**
Distributions to unitholders	**—**	**—**	**(43,381)**	**—**	**—**	**(43,381)**
Issue of units – DRIP [1]	**26,778**	**326**	**(326)**	**—**	**—**	**—**
Unitholders' equity, September 30, 2019	**60,720,831**	**$612,509**	**$936,534**	**$4,594**	**$1,864**	**$1,555,501**

1. Distribution Reinvestment Plan ("DRIP").

See accompanying notes to the condensed consolidated financial statements.

STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars

		Three months ended		Nine months ended	
	Note	**September 30, 2019**	September 30, 2018	**September 30, 2019**	September 30, 2018
OPERATING ACTIVITIES					
Net income		**$6,254**	$4,981	**$18,468**	$66,023
Add items not affecting cash	17(a)	**15,828**	18,777	**48,554**	3,454
Distributions from equity-accounted investment	6	**505**	468	**1,655**	1,456
Additions to tenant incentives and leasing commissions		**(1,086)**	(646)	**(2,632)**	(1,563)
Net change in non-cash operating assets and liabilities	17(b)	**2,188**	(5,035)	**(8,585)**	(6,534)
Cash provided by operating activities		**23,689**	18,545	**57,460**	62,836
FINANCING ACTIVITIES					
Proceeds from new mortgages		**129,639**	112,241	**140,892**	118,241
Financing costs on new mortgages		**(648)**	(559)	**(729)**	(600)
Repayment of mortgages					
Repayments on maturity		**(129,639)**	(54,584)	**(145,892)**	(54,584)
Principal instalment repayments		**(8,501)**	(9,018)	**(25,097)**	(27,187)
Payment of lease liabilities, net		**(29)**	—	**(86)**	—
Repayment of bank indebtedness	11	**(16,911)**	(30,000)	**(14,213)**	(17,861)
Decrease in Morguard loan receivable	15(b)	**—**	—	**10,000**	—
Proceeds from Morguard loan payable	15(b)	**10,000**	—	**61,500**	42,500
Repayment of Morguard loan payable	15(b)	**—**	—	**(31,000)**	(30,000)
Distributions to unitholders		**(14,437)**	(14,441)	**(38,525)**	(38,501)
Cash (used in)/provided by financing activities		**(30,526)**	3,639	**(43,150)**	(7,992)
INVESTING ACTIVITIES					
Capital expenditures on real estate properties		**(4,369)**	(7,362)	**(10,912)**	(13,689)
Expenditures on properties under development		**(8,921)**	(8,554)	**(19,490)**	(34,186)
Proceeds from sale of real estate properties, net		**15,914**	—	**15,914**	—
Cash provided by/(used in) investing activities		**2,624**	(15,916)	**(14,488)**	(47,875)
Net change in cash		**(4,213)**	6,268	**(178)**	6,969
Cash, beginning of period		**14,687**	15,453	**10,652**	14,752
Cash, end of period		**$10,474**	$21,721	**$10,474**	$21,721

See accompanying notes to the condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended September 30, 2019 and 2018

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, 2015 ("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 58.13% of the outstanding units as at September 30, 2019. 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 IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"), and thus do not contain all of the disclosures applicable to the annual audited consolidated financial statements.

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

The condensed consolidated financial statements were approved and authorized for issue by the Trustees on October 30, 2019.

NOTE 3

ADOPTION OF ACCOUNTING STANDARDS

Current Accounting Policy Changes

IFRS 16, "Leases" ("IFRS 16")

In January 2016, the IASB issued IFRS 16. The new standard requires that for most leases, lessees must initially recognize a lease liability for the obligation to make lease payments and a corresponding right-of-use asset for the right to use the underlying asset for the lease term. Lessor accounting under IFRS 16 is substantially unchanged; lessors will continue to classify all leases as either operating or finance leases using similar principles as in IAS 17 "Leases". Therefore, IFRS 16 did not have an impact for leases where the Trust is the lessor.

The Trust adopted the standard on January 1, 2019 using a modified retrospective approach. The Trust elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 at the date of initial application. The Trust also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

The Trust reviewed all lease contracts in which it is a lessee, and has noted that there was a material impact in relation to a land lease and office lease and, as such, the impact is noted below; the remainder of leases are considered immaterial.

Leases previously accounted for as operating leases
The Trust recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on an amount equal to the lease liability, adjusted for previously recognized prepaid or accrued lease payments. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Trust also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The adoption of IFRS 16 on January 1, 2019 resulted in the initial recognition of land and office right-of-use assets included in real estate properties of $10,825 and right-of-use assets of $407, respectively, and their corresponding lease liabilities of $11,232, having a weighted average borrowing rate of 6.3%.

Summary of new accounting policies that have been applied from the date of initial application
At the commencement date of a lease, the Trust will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Certain right-of-use assets related to land leases meet the definition of investment property under IAS 40, "Investment Property"; therefore, the fair value model is applied to those assets. Interest expense on the lease liability and the depreciation expense or fair value gain (loss) on the right-of-use asset, depending on the balance sheet classification of the asset, are recognized separately.

Right-of-use assets, not meeting the definition of investment property, are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liability recognized, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Unless the Trust is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The Trust measures lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Trust and payments of penalties for terminating a lease, if the lease term reflects the Trust exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Trust uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Trust applies the recognition exemptions for leases of low-value assets and short-term leases.

NOTE 4
REAL ESTATE PROPERTIES

Real estate properties consist of the following:

As at	September 30, 2019	December 31, 2018
Income producing properties	**$2,843,894**	$2,858,255
Properties under development	**16,622**	22,887
Held for development	**37,150**	34,450
	$2,897,666	$2,915,592

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, 2017	$2,817,236	$13,630	$30,950	$2,861,816
Additions:				
Capital expenditures/capitalized costs	13,990	49,888	—	63,878
Tenant improvements, tenant incentives and commissions	9,394	—	—	9,394
Transfers	40,631	(40,631)	—	—
Disposition	(1,252)	—	—	(1,252)
Fair value (losses)/gains	(22,102)	—	3,500	(18,602)
Other changes	358	—	—	358
Balance as at December 31, 2018	**2,858,255**	**22,887**	**34,450**	**2,915,592**
Adoption of IFRS 16 (Note 3)	10,825	—	—	10,825
Additions:				
Capital expenditures/capitalized costs	6,735	19,490	—	26,225
Tenant improvements, tenant incentives and commissions	6,809	—	—	6,809
Transfers	25,755	(25,755)	—	—
Disposition	(15,914)	—	—	(15,914)
Fair value (losses)/gains	(47,910)	—	2,700	(45,210)
Other changes	(661)	—	—	(661)
Balance as at September 30, 2019	**$2,843,894**	**$16,622**	**$37,150**	**$2,897,666**

APPRAISAL CAPITALIZATION AND DISCOUNT RATES

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

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

Using the direct capitalization income approach to corroborate the discounted cash flow method, the properties were valued using capitalization rates in the range of 4.3% to 8.5% applied to a stabilized net operating income (December 31, 2018 – 4.3% to 7.5%), resulting in an overall weighted average capitalization rate of 6.3% (December 31, 2018 – 6.1%). The total stabilized annual net operating income as at September 30, 2019, was $171,131 (December 31, 2018 – $167,197).

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

	September 30, 2019					December 31, 2018				
	Stabilized Occupancy		**Capitalization Rates**			Stabilized Occupancy		Capitalization Rates		
	Max.	**Min.**	**Max.**	**Min.**	**Weighted Average**	Max.	Min.	Max.	Min.	Weighted Average
Retail	**100.0%**	**90.0%**	**7.3%**	**5.3%**	**6.4%**	100.0%	90.0%	7.3%	5.3%	6.2%
Office	**100.0%**	**90.0%**	**8.5%**	**4.3%**	**6.3%**	100.0%	90.0%	7.5%	4.3%	6.0%
Industrial	**100.0%**	**95.0%**	**5.8%**	**5.5%**	**5.7%**	100.0%	95.0%	7.5%	5.5%	6.5%

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

	September 30, 2019			December 31, 2018		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
RETAIL						
Discount rate	**7.8%**	**6.0%**	**6.9%**	7.8%	6.0%	6.8%
Terminal cap rate	**7.0%**	**5.3%**	**6.1%**	7.0%	5.3%	6.0%
OFFICE						
Discount rate	**7.8%**	**5.3%**	**6.3%**	7.8%	5.3%	6.4%
Terminal cap rate	**7.3%**	**4.3%**	**5.5%**	7.3%	4.3%	5.5%
INDUSTRIAL						
Discount rate	**6.8%**	**6.3%**	**6.5%**	7.3%	6.3%	6.8%
Terminal cap rate	**6.0%**	**5.8%**	**5.8%**	6.8%	5.8%	6.2%

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 September 30, 2019, the value of the property is in the underlying land value with minimal holding income, and it has been valued using recent comparable land sales.

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 September 30, 2019, would decrease by $102,108 or increase by $110,483, respectively.

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

For the nine months ended	September 30, 2019		September 30, 2018	
Change in capitalization rate	**0.25%**	**(0.25%)**	0.25%	(0.25%)
Retail	**($56,278)**	**$60,862**	($60,226)	$65,326
Office	**(44,294)**	**47,944**	(44,708)	48,495
Industrial	**(1,536)**	**1,677**	(1,801)	1,941
	($102,108)	**$110,483**	($106,735)	$115,762

Dispositions

On July 31, 2019, the Trust sold an industrial property located at 825 Des Érables, Quebec, for gross proceeds of $16,125.

NOTE 5

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	September 30, 2019	December 31, 2018
Balance as at December 31, 2018	**$—**	$—
Adoption of IFRS 16 (Note 3)	**407**	—
Amortization expense	**(62)**	—
Balance as at September 30, 2019	**$345**	$—

NOTE 6

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	September 30, 2019	December 31, 2018
Balance, beginning of period	**$24,746**	$27,080
Equity loss	**(672)**	(138)
Distributions to partners	**(1,655)**	(2,196)
Balance, end of period	**$22,419**	$24,746

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	September 30, 2019	December 31, 2018
Real estate property	**$48,500**	$51,550
Current assets	**585**	930
Total assets	**49,085**	52,480
Non-current liabilities	**(7)**	(25,331)
Current liabilities	**(26,659)**	(2,403)
Net equity	**$22,419**	$24,746

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue from real estate property	**$1,585**	$1,577	**$4,789**	$4,756
Property operating expenses	**(533)**	(532)	**(1,561)**	(1,530)
Net operating income	**1,052**	1,045	**3,228**	3,226
Interest and other	**(248)**	(259)	**(748)**	(776)
Fair value losses on real estate property	**(547)**	(1,011)	**(3,152)**	(2,409)
Net income/(loss)	**$257**	($225)	**($672)**	$41

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 September 30, 2019, the property was valued using a discount rate of 7.3% (December 31, 2018 – 7.3%), a terminal cap rate of 6.3% (December 31, 2018 – 6.3%) and a stabilized cap rate of 6.0% (December 31, 2018 – 6.0%). The stabilized annual net operating income as at September 30, 2019, was $3,287 (December 31, 2018 – $2,964).

NOTE 7

CO-OWNERSHIP INTERESTS

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

			Trust's Ownership Share	
Jointly Controlled Operations	Location	Property Type	2019	2018
505 Third Street	Calgary, AB	Office	**50%**	50%
Scotia Place	Edmonton, AB	Office	**20%**	20%
Prairie Mall	Grande Prairie, AB	Retail	**50%**	50%
Heritage Place	Ottawa, ON	Office	**50%**	50%
Standard Life Centre	Ottawa, ON	Office	**50%**	50%
77 Bloor	Toronto, ON	Office	**50%**	50%
Woodbridge Square	Woodbridge, ON	Retail	**50%**	50%
Place Innovation	Saint-Laurent, QC	Office	**50%**	50%
REAL ESTATE PROPERTIES SOLD (SEE NOTE 4)				
825 Des Érables	Salaberry-de-Valleyfield, QC	Industrial	**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 September 30, 2019 and December 31, 2018, and the results of operations for the three and nine months ended September 30, 2019 and 2018:

As at	**September 30, 2019**	December 31, 2018
Assets	**$508,045**	$535,568
Liabilities	**$166,441**	$176,442

	Three months ended		**Nine months ended**	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
Revenue	**$12,412**	$13,957	**$39,401**	$39,614
Expenses	**(7,704)**	(8,373)	**(23,943)**	(24,453)
Income before fair value adjustments	**4,708**	5,584	**15,458**	15,161
Fair value losses on real estate properties	**(98)**	(1,545)	**(415)**	(3,185)
Net income	**$4,610**	$4,039	**$15,043**	$11,976

NOTE 8
MORTGAGES PAYABLE

Mortgages payable consist of the following:

As at	**September 30, 2019**	December 31, 2018
Mortgages payable before deferred financing costs	**$1,079,978**	$1,110,075
Deferred financing costs	**(2,724)**	(2,481)
Mortgages payable	**$1,077,254**	$1,107,594
Mortgages payable – non-current	**$943,113**	$913,490
Mortgages payable – current	**134,141**	194,104
Mortgages payable	**$1,077,254**	$1,107,594
Range of interest rates	**2.7% to 5.5%**	2.7% to 5.5%
Weighted average term to maturity (years)	**4.0**	4.1

The aggregate principal repayments and balances maturing on the mortgages payable as at September 30, 2019, 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
2019 (remainder of year)	$9,088	$16,230	$25,318	3.9%
2020	35,670	114,493	150,163	4.6%
2021	30,414	153,525	183,939	4.2%
2022	26,989	171,560	198,549	3.8%
2023	16,821	208,194	225,015	3.7%
Thereafter	44,350	252,644	296,994	4.2%
	$163,332	**$916,646**	**$1,079,978**	**4.1%**

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

NOTE 9
CONVERTIBLE DEBENTURES
Debentures

On December 30, 2016, the Trust issued a $175,000 principal amount of 4.50% convertible unsecured subordinated debentures ("Convertible Debentures") maturing on December 31, 2021 (the "Maturity Date"). As at September 30, 2019, Morguard held a total of $60,000 principal amount of the Convertible Debentures (2018 – $60,000).

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

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

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

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

The Convertible Debentures payable consist of the following:

As at	September 30, 2019	December 31, 2018
Convertible debentures – liability	**$170,267**	$170,267
Convertible debentures – accretion	**2,434**	1,722
Convertible debentures before issue costs	**172,701**	171,989
Issue costs	**(2,424)**	(3,175)
Convertible debentures	**$170,277**	$168,814

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

	Interest	Principal	Total
2019	$3,938	$—	$3,938
2020	7,875	—	7,875
2021	7,875	175,000	182,875
	$19,688	**$175,000**	**$194,688**

Redemption Rights

Each Convertible Debenture is redeemable any time from January 1, 2020, to the close of business on December 31, 2020, in whole or in part, on at least 30 days' prior notice at a redemption price equal to par plus accrued and unpaid interest at the Trust's sole option, provided that the weighted average trading price of the units on the TSX for the 20 consecutive trading days ending five trading days prior to the date on which the notice of redemption is given is not less than 125% of the Conversion Price.

From January 1, 2021, to the close of business on December 31, 2021, the Convertible Debentures are redeemable, in whole or in part, at par plus accrued and unpaid interest at the Trust's sole option.

Repayment Options

Payment Upon Redemption or Maturity

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

Interest Payment Election

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

NOTE 10
LEASE LIABILITIES

The following table presents the change in the balance of the Trust's lease liabilities:

As at	September 30, 2019	December 31, 2018
Balance as at December 31, 2018	**$—**	$—
Adoption of IFRS 16 (Note 3)	**11,232**	—
Lease payments	**(610)**	—
Interest	**524**	—
Balance as at September 30, 2019	**$11,146**	$—
Current	**$121**	$—
Non-current	**11,025**	—
	$11,146	$—
Weighted average borrowing rate	**6.3%**	—%

NOTE 11
BANK INDEBTEDNESS

The Trust has operating lines of credit totalling $95,000 (December 31, 2018 – $85,000), which renew annually and are secured by fixed charges on specific properties owned by the Trust.

As at September 30, 2019, the Trust had borrowed $53,447 (December 31, 2018 – $67,660) on its credit facilities and issued letters of credit in the amount of $1,267 (December 31, 2018 – $1,309) related to these facilities.

The bank credit agreements include certain restrictive covenants and undertakings by the Trust. As at September 30, 2019, and December 31, 2018, 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 September 30, 2019, approximates fair value.

NOTE 12
REVENUE FROM REAL ESTATE PROPERTIES

Revenue from real estate properties consists of the following:

For the three months ended September 30, 2019	Retail	Office	Industrial	Total
Rental revenue	**$23,551**	**$18,144**	**$615**	**$42,310**
CAM recoveries	**5,776**	**7,311**	**189**	**13,276**
Property tax and insurance recoveries	**6,012**	**4,232**	**158**	**10,402**
Other ancillary revenue	**720**	**126**	**11**	**857**
Amortized rents	**—**	**(456)**	**(26)**	**(482)**
	$36,059	**$29,357**	**$947**	**$66,363**

For the three months ended September 30, 2018	Retail	Office	Industrial	Total
Rental revenue	$22,484	$18,091	$830	$41,405
CAM recoveries	5,332	7,369	208	12,909
Property tax and insurance recoveries	5,923	5,527	25	11,475
Other ancillary revenue	798	467	32	1,297
Amortized rents	97	103	(13)	187
	$34,634	$31,557	$1,082	$67,273

For the nine months ended September 30, 2019	Retail	Office	Industrial	Total
Rental revenue	**$69,236**	**$54,410**	**$2,271**	**$125,917**
CAM recoveries	**19,137**	**22,952**	**580**	**42,669**
Property tax and insurance recoveries	**18,697**	**12,874**	**586**	**32,157**
Other ancillary revenue	**3,010**	**615**	**118**	**3,743**
Amortized rents	**(5)**	**(547)**	**(109)**	**(661)**
	$110,075	**$90,304**	**$3,446**	**$203,825**

For the nine months ended September 30, 2018	Retail	Office	Industrial	Total
Rental revenue	$67,996	$54,165	$2,454	$124,615
CAM recoveries	18,290	22,793	651	41,734
Property tax and insurance recoveries	18,682	14,801	545	34,028
Other ancillary revenue	2,799	824	90	3,713
Amortized rents	175	316	(34)	457
	$107,942	$92,899	$3,706	$204,547

CAM recoveries and other ancillary revenue 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:

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
Repairs and maintenance	**$6,418**	$6,049	**$21,474**	$20,222
Utilities	**3,883**	3,898	**12,300**	12,054
Other operating expenses	**5,434**	4,734	**15,479**	14,580
	$15,735	$14,681	**$49,253**	$46,856

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

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
Trustees' fees and expenses	**$72**	$72	**$212**	$242
Professional and compliance fees	**294**	381	**1,025**	1,203
Other administrative expenses	**545**	595	**1,997**	2,078
	$911	$1,048	**$3,234**	$3,523

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

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
Mortgages payable	**$10,929**	$10,957	**$33,058**	$32,518
Amortization of deferred financing costs – mortgages	**179**	172	**486**	515
Convertible debentures	**1,985**	1,985	**5,890**	5,890
Accretion on convertible debentures, net	**231**	218	**712**	673
Amortization of deferred financing costs – convertible debentures	**244**	230	**751**	710
Lease liabilities	**174**	—	**524**	—
Bank indebtedness	**521**	330	**1,637**	1,104
Morguard loan payable and other	**378**	427	**969**	788
Capitalized interest	**(108)**	(336)	**(423)**	(772)
	$14,533	$13,983	**$43,604**	$41,426

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:

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
Property management fees [1]	**$2,239**	$2,251	**$6,768**	$6,848
Appraisal/valuation fees	**90**	91	**270**	271
Information services	**55**	55	**165**	165
Leasing fees	**621**	632	**1,797**	1,499
Project administration fees	**271**	305	**402**	569
Project management fees	**179**	48	**356**	262
Risk management fees	**90**	76	**270**	226
Internal audit fees	**33**	36	**101**	108
Off-site administrative charges	**421**	459	**1,324**	1,366
Rental revenue	**(50)**	(52)	**(151)**	(155)
	$3,949	$3,901	**$11,302**	$11,159

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

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

As at	**September 30, 2019**	December 31, 2018
Accounts payable and accrued liabilities, net	**$1,077**	$1,227

(b) Revolving Loan with Morguard

The Trust has a revolving loan agreement with Morguard that provides for borrowings or advances of up to $50,000, which is interest bearing at the lender's borrowing rate and due on demand subject to available funds.

Morguard Loan Payable

During the nine months ended September 30, 2019, a gross amount of $61,500 was advanced from Morguard, and a gross amount of $31,000 was repaid to Morguard. As at September 30, 2019, $30,500 remains payable to Morguard (December 31, 2018 – $nil). For the three months ended September 30, 2019, the Trust incurred interest expense in the amount of $328 (2018 – $427) at an average interest rate of 5.00% (2018 – 3.60%). For the nine months ended September 30, 2019, the Trust incurred interest expense in the amount of $919 (2018 – $788) at an average interest rate of 4.76% (2018 – 3.60%).

Morguard Loan Receivable

During the nine months ended September 30, 2019, a gross amount of $10,000 was repaid from Morguard. As at September 30, 2019, there is no loan receivable from Morguard (December 31, 2018 – $10,000). For the three months ended September 30, 2019, and 2018, the Trust did not earn interest income on loans receivable from Morguard. For the nine months ended September 30, 2019, the Trust earned interest income on loans receivable from Morguard in the amount of $33 (2018 – $nil), at an average interest rate of 5.05% (2018 – n/a). 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 September 30, 2019, the Trust incurred rent expense in the amount of $52 (2018 – $51). For the nine months ended September 30, 2019, the Trust incurred rent expense in the amount of $168 (2018 – $157).

(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	September 30, 2019	December 31, 2018
Amounts receivable	**$63**	$65
Accounts payable and accrued liabilities	**$447**	$7

(e) Rental Revenue from Morguard (Excluding MIL)

Morguard is a tenant in one of the Trust's properties. For the three months ended September 30, 2019, the Trust earned rental revenue in the amount of $26 (2018 – $27). For the nine months ended September 30, 2019, the Trust earned rental revenue in the amount of $80 (2018 – $79).

NOTE 16
UNITHOLDERS' EQUITY

(a) Units Outstanding

The Trust is authorized to issue an unlimited number of units. The following table summarizes the changes in units from January 1, 2018 to September 30, 2019:

As at	September 30, 2019	December 31, 2018
Balance, beginning of period	**60,694,053**	60,691,729
Distribution Reinvestment Plan	**26,778**	39,424
Repurchase of units	**—**	(37,100)
Balance, end of period	**60,720,831**	60,694,053

Total distributions recorded during the nine months ended September 30, 2019, amounted to $43,707 or $0.72 per unit (2018 – $43,702 or $0.72 per unit). Included in this amount is a distribution declared on September 16, 2019, in the amount of $0.08 per unit for the month of September 2019, paid to unitholders on October 15, 2019. On October 15, 2019, the Trust declared a distribution of $0.08 per unit payable on November 15, 2019.

(b) Normal Course Issuer Bid

On February 5, 2019, 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, 2019, and ending February 6, 2020, the Trust may purchase for cancellation on the TSX up to 3,034,702 units in total, being approximately 5% of the outstanding units. Additionally, the Trust may purchase for cancellation up to $11,500 principal amount of the Convertible Debentures due on the Maturity Date, 10% of the public float of outstanding Convertible Debentures. The price that the Trust would pay for any such units or debentures would be the market price at the time of acquisition.

During the year ended December 31, 2018, the Trust purchased 37,100 units for cancellation. During the nine months ended September 30, 2019, the Trust did not purchase any units for cancellation.

(c) Distribution Reinvestment Plan

Under the Trust's Distribution Reinvestment Plan, unitholders can elect to reinvest cash distributions into additional units at a weighted average trading price of the units on the TSX for the 20 trading days immediately preceding the applicable date of distribution. During the nine months ended September 30, 2019, the Trust issued 26,778 units under the DRIP (2018 – 26,195 units).

(d) Net Income Per Unit

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

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
Net income – basic	**$6,254**	$4,981	**$18,468**	$66,023
Net income – diluted	**$6,254**	$4,981	**$18,468**	$73,296
Weighted average number of units outstanding – basic	**60,715**	60,713	**60,705**	60,703
Weighted average number of units outstanding – diluted	**60,715**	60,713	**60,705**	74,085
Net income per unit – basic	**$0.10**	$0.08	**$0.30**	$1.09
Net income per unit – diluted	**$0.10**	$0.08	**$0.30**	$0.99

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 September 30, 2019, and 2018, 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 the three and nine months ended September 30, 2019, and for the three months ended September 30, 2018, as their inclusion would be anti-dilutive.

NOTE 17
STATEMENTS OF CASH FLOWS
(a) Items Not Affecting Cash

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
Fair value losses on real estate properties	**$14,928**	$16,867	**$45,210**	$802
Net (income)/loss from equity-accounted investment	**(257)**	225	**672**	(41)
Amortized stepped rent	**308**	(154)	**385**	(684)
Amortized free rent	**96**	(105)	**42**	3
Amortization of deferred financing costs – mortgages	**179**	172	**486**	515
Amortization of tenant incentives	**78**	72	**234**	224
Amortization of right-of-use asset	**21**	—	**62**	—
Amortization of deferred financing costs – convertible debentures	**244**	230	**751**	710
Accretion on convertible debentures	**231**	218	**712**	673
Proceeds held in trust from sale of real estate properties	**—**	1,252	**—**	1,252
	$15,828	$18,777	**$48,554**	$3,454

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

	Three months ended		Nine months ended	
	September 30, 2019	September 30, 2018	**September 30, 2019**	September 30, 2018
Amounts receivable	**$4,983**	($823)	**$4,535**	$425
Prepaid expenses and other	**1,673**	826	**(11,473)**	(8,799)
Accounts payable and accrued liabilities	**(4,468)**	(5,038)	**(1,647)**	1,840
	$2,188	($5,035)	**($8,585)**	($6,534)

Other supplemental cash flow information consists of the following:				
Interest paid	**$12,005**	$11,516	**$40,228**	$38,213
Issue of units – DRIP	**$134**	$130	**$326**	$346

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 September 30, 2019, committed capital expenditures in the next 12 months are estimated at $50,600.

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	September 30, 2019	December 31, 2018
Mortgages payable	8	**$1,077,254**	$1,107,594
Convertible debentures	9	**170,277**	168,814
Bank indebtedness	11	**53,447**	67,660
Morguard loan payable	15(b)	**30,500**	—
Cash		**(10,474)**	(10,652)
Morguard loan receivable	15(b)	**—**	(10,000)
Unitholders' equity		**1,555,501**	1,580,414
		$2,876,505	$2,903,830

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

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

As at	Borrowing Limits	September 30, 2019	December 31, 2018
Fixed-rate debt to gross book value of total assets	N/A	**42.2%**	42.8%
Floating-rate debt to gross book value of total assets	15%	**2.8%**	2.3%
	60%	**45.0%**	45.1%

As at September 30, 2019, the Trust met all externally imposed ratios and minimum equity requirements.

Mortgages Payable

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

Convertible Debentures

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

Bank Indebtedness

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

NOTE 20
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Trust's financial assets and liabilities comprise cash, amounts receivable, accounts payable and accrued liabilities, bank indebtedness, 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 September 30, 2019.

The fair value of the mortgages payable has been determined by discounting the cash flows of these financial obligations using September 30, 2019, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at September 30, 2019, of the mortgages payable has been estimated at $1,110,475 (December 31, 2018 – $1,126,796) compared with the carrying value before deferred financing costs of $1,079,978 (December 31, 2018 – $1,110,075). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(b) Convertible Debentures

The fair value of the Convertible Debentures is based on their market trading price (TSX: MRT.DB) (Level 1). The fair value as at September 30, 2019, of the Convertible Debentures has been estimated at $176,750 (December 31, 2018 – $168,000) compared with the carrying value before deferred financing costs of $172,701 (December 31, 2018 – $171,989).

(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:

	September 30, 2019			December 31, 2018		
As at	**Level 1**	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
ASSETS						
Income producing properties	**$—**	**$—**	**$2,843,894**	$—	$—	$2,858,255
Properties under development	**$—**	**$—**	**$16,622**	$—	$—	$22,887
Held for development	**$—**	**$—**	**$37,150**	$—	$—	$34,450

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 September 30, 2019, the Trust has the following three reportable segments: retail, office and industrial.

Business Segments

For the three months ended September 30, 2019	Retail	Office	Industrial	Total
Revenue from real estate properties	**$36,059**	**$29,357**	**$947**	**$66,363**
Property operating expenses	**(8,609)**	**(6,920)**	**(206)**	**(15,735)**
Property taxes	**(7,359)**	**(4,500)**	**(166)**	**(12,025)**
Property management fees	**(1,241)**	**(951)**	**(24)**	**(2,216)**
Net operating income	**$18,850**	**$16,986**	**$551**	**$36,387**

For the three months ended September 30, 2018	Retail	Office	Industrial	Total
Revenue from real estate properties	$34,634	$31,557	$1,082	$67,273
Property operating expenses	(7,751)	(6,685)	(245)	(14,681)
Property taxes	(7,480)	(5,665)	(29)	(13,174)
Property management fees	(1,195)	(989)	(34)	(2,218)
Net operating income	$18,208	$18,218	$774	$37,200

For the three months ended September 30, 2019	Retail	Office	Industrial	Total
Additions to real estate properties	**$13,120**	**$1,126**	**$130**	**$14,376**
Fair value (losses)/gains on real estate properties	**($4,513)**	**($10,969)**	**$554**	**($14,928)**

For the three months ended September 30, 2018	Retail	Office	Industrial	Total
Additions to real estate properties	$13,305	$3,195	$62	$16,562
Fair value (losses)/gains on real estate properties	($7,476)	($9,543)	$152	($16,867)

For the nine months ended September 30, 2019	Retail	Office	Industrial	Total
Revenue from real estate properties	**$110,075**	**$90,304**	**$3,446**	**$203,825**
Property operating expenses	**(26,479)**	**(22,178)**	**(596)**	**(49,253)**
Property taxes	**(22,584)**	**(13,525)**	**(579)**	**(36,688)**
Property management fees	**(3,799)**	**(2,790)**	**(91)**	**(6,680)**
	$57,213	**$51,811**	**$2,180**	**$111,204**

For the nine months ended September 30, 2018	Retail	Office	Industrial	Total
Revenue from real estate properties	$107,942	$92,899	$3,706	$204,547
Property operating expenses	(24,625)	(21,480)	(751)	(46,856)
Property taxes	(22,806)	(15,870)	(560)	(39,236)
Property management fees	(3,712)	(2,928)	(107)	(6,747)
	$56,799	$52,621	$2,288	$111,708

	Retail	Office	Industrial	Total
As at September 30, 2019				
Real estate properties	**$1,676,476**	**$1,180,450**	**$40,740**	**$2,897,666**
Mortgages payable (based on collateral)	**$616,859**	**$460,395**	**$—**	**$1,077,254**
For the nine months ended September 30, 2019				
Additions to real estate properties	**$25,189**	**$7,582**	**$263**	**$33,034**
Fair value (losses)/gains on real estate properties	**($34,764)**	**($10,546)**	**$100**	**($45,210)**

	Retail	Office	Industrial	Total
As at December 31, 2018				
Real estate properties	$1,675,231	$1,183,961	$56,400	$2,915,592
Mortgages payable (based on collateral)	$629,923	$477,671	$—	$1,107,594
For the nine months ended September 30, 2018				
Additions to real estate properties	$40,794	$8,202	$442	$49,438
Fair value (losses)/gains on real estate properties	($6,661)	$4,316	$1,543	($802)