

MORGUARD REAL ESTATE  
INVESTMENT TRUST



# 2018 ANNUAL REPORT

TAKING ACTION.  
FINDING OPPORTUNITY.

**Morguard**

ON THE COVER  
(LEFT TO RIGHT)

ST. LAURENT  
OTTAWA, ON

SCOTIA PLACE  
EDMONTON, AB

The selected annual financial information in the 2018 Annual Report highlights certain key metrics for the Trust. As a result, this report should be read in conjunction with the Trust'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 Trust's website at [www.morguard.com](http://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](http://www.sedar.com).

#### NON-IFRS MEASURES

The Trust reports its financial results in accordance with IFRS. However, the MD&A also uses certain financial measures that are not defined by IFRS. These measures do not have any standard 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 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-IFRS measures described further in the MD&A (and include NOI, FFO and AFFO), which supplement the IFRS measures, provide readers with a more comprehensive understanding of management's perspective on the Trust's operating results and performance.

# FELLOW UNITHOLDERS

Morguard Real Estate Investment Trust experienced a solid year of activity in 2018. We further strengthened the portfolio by focusing on a number of development and leasing initiatives within our properties and in 2018 these efforts generated solid income for the Trust. As a result, we continue to maintain a Canadian portfolio of high-quality real estate assets and remain committed to delivering the benefits to our unitholders.

Given the slowdown of Alberta's oil and gas sector as well as the retail sector, the Trust has still been able to maintain high occupancy rates overall. Our Ottawa office properties are doing well, as are our strip centres and our enclosed centres that are dominant in their respective markets. A diverse portfolio such as ours provides built-in resilience to market fluctuations.

In 2018, the Trust continued to secure earning potential and income through the development and remerchandising of our retail properties. We continued to look for opportunities to intensify underutilized assets, including the vacant land around our retail centres as well as non-performing retail spaces. It's a strategy that's working. During the third and fourth quarters of 2018, 170,500 square feet of development projects began generating income for the Trust. We see these new streams of revenue as strong evidence that our development efforts will continue to grow in the future. Intensification of select properties is being considered, and we will continue to look for opportunities to grow value for our unitholders.

The consistency with which Morguard Real Estate Investment Trust performed in 2018 is due, as always, to our excellent management team, committed employees, knowledgeable Trustees, and, of course, to you our loyal unitholders. Thank you for your ongoing support, as we continue to take action and find more opportunities to grow.

Sincerely,



**K. RAI SAHI**  
Chairman, President and Chief Executive Officer



# GROWING VALUE THROUGH ACTIVE MANAGEMENT



Active Management may be the best way to describe how Morguard Real Estate Investment Trust performs, every day. 2018 saw the Trust maintain a solid real estate portfolio of three asset classes – retail, office and industrial – with a view to further enhance our properties and diversify our tenant base to maintain stable and growing cash flow over the long term. Our goal is to derive the greatest value possible from our extensive real estate portfolio. We apply innovative, forward thinking to enhance our properties.



ST. LAURENT  
OTTAWA, ON



## SECTION 1 REAL ESTATE PORTFOLIO

SINCE INCEPTION, OUR STRATEGY HAS BEEN TO PROVIDE STABLE CASH FLOW OVER TIME BY BUILDING A DIVERSE PORTFOLIO OF ASSETS.

### OPPORTUNITIES AS DIVERSE AS OUR PORTFOLIO

Since our inception, our strategy has been to provide stable cash flow over time, and from our experience, the most effective way to achieve this is through diversification of assets. This is why the Trust owns a mix of three asset classes – retail, office and industrial – located in six provinces.

As at December 31, 2018, the Trust owned 49 retail, office and industrial properties consisting of approximately 8.6 million square feet of gross leasable area (“GLA”)

in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec.

Within an already diversified portfolio is further diversification. Our 21 retail assets, for example, include two property categories: enclosed full-scale shopping centres and community strip centres, providing the Trust with a broad base of tenants to help to minimize exposure.

Likewise, our 23 office assets comprise single-tenant and multi-tenant properties. Typically under long-term leases, our single-tenant properties help to stabilize

our revenue stream. Our multi-tenant properties have well-distributed lease expiration dates, helping to minimize exposure to high tenant turnover in a given year.

And like our office assets, our industrial assets are diversified across single- and multi-tenant properties. The Trust holds five industrial properties in the provinces of Ontario and Quebec.





CITADEL WEST  
CALGARY, AB

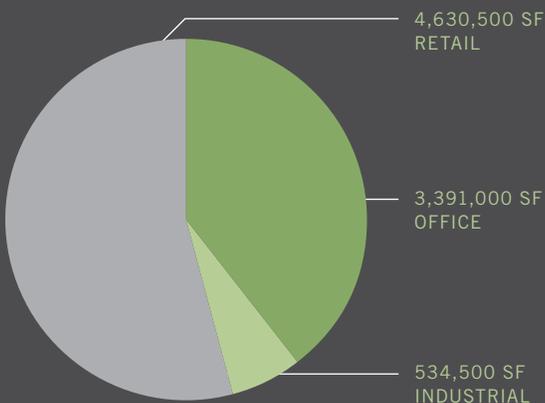
# DIVERSIFICATION

The Trust maintains a portfolio of holdings in three asset classes – retail, office and industrial – located in six Canadian provinces. Over the years, this diversification strategy has proven to be effective in helping ensure more consistent overall performance in the face of downturns that may occur in certain asset classes or markets.

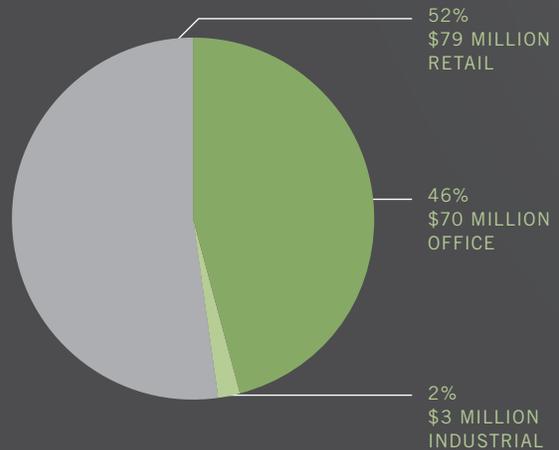
## 1 ASSET CLASSES



## 2 GROSS LEASABLE AREA BY ASSET CLASS



## 3 NET OPERATING INCOME BY ASSET CLASS<sup>1</sup>

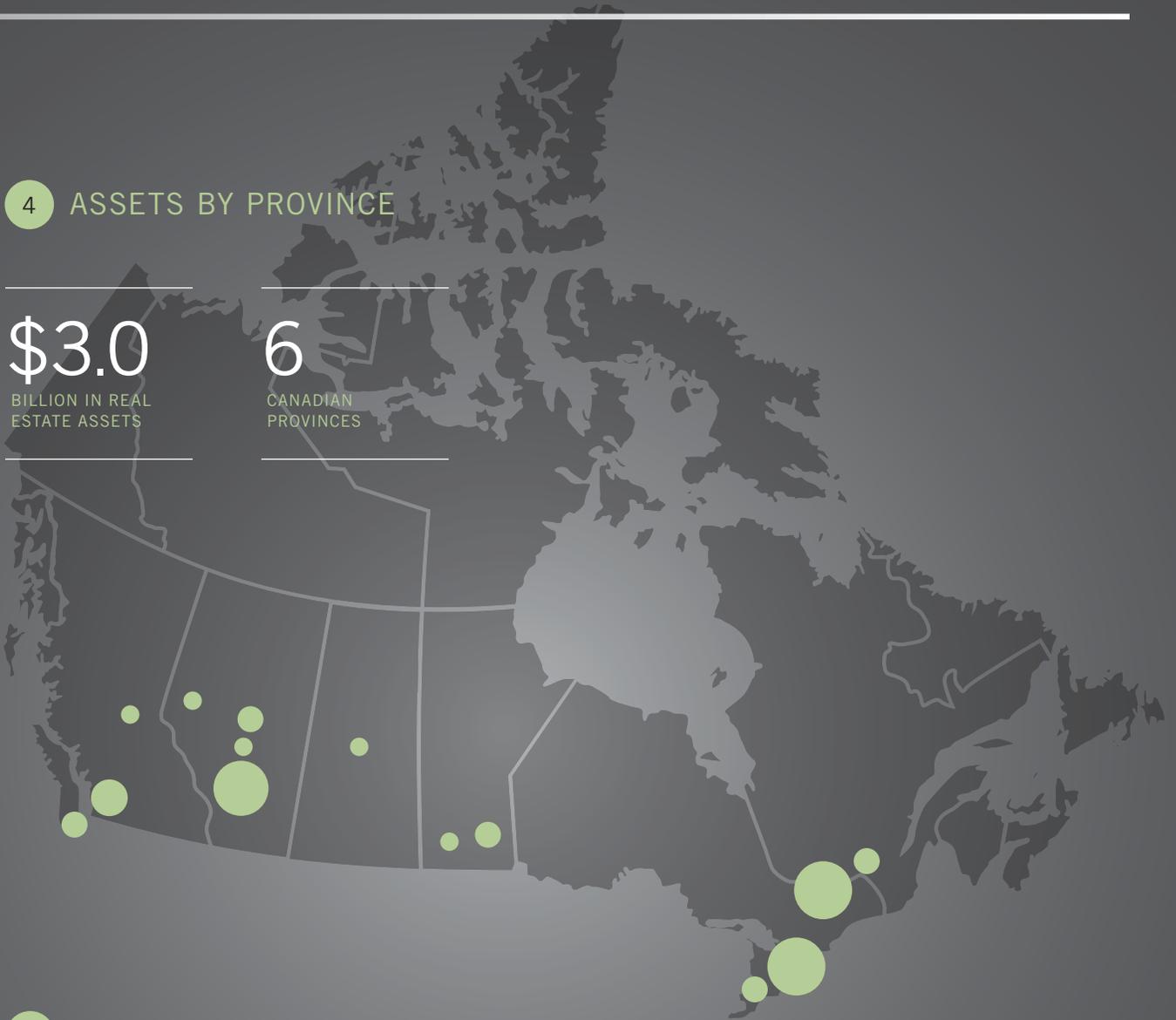


1. Excluding equity-accounted investment

4 ASSETS BY PROVINCE

\$3.0  
BILLION IN REAL  
ESTATE ASSETS

6  
CANADIAN  
PROVINCES



5 NET OPERATING INCOME BY PROVINCE

15%  
BRITISH COLUMBIA

5%  
SASKATCHEWAN

37%  
ONTARIO

29%  
ALBERTA

8%  
MANITOBA

6%  
QUEBEC

## IN CANADA'S EVOLVING RETAIL MARKET, THE TRUST CONTINUES TO ADAPT AND ENHANCE ITS SHOPPING CENTRES TO RESPOND TO CONSUMER DEMAND.

### A NEW VISION FOR AN EVOLVING RETAIL LANDSCAPE IN CANADA

The diversity of our retail portfolio has enabled us to implement creative ideas that more closely align with current market trends.

The Trust's management team has taken two approaches to enhancing the retail portfolio. The first is to undertake select intensification initiatives to maximize the gross leasable area, thereby resulting in diverse sources of revenue. This means making the shopping malls more experiential as well as service oriented.

The second approach involves the remerchandising of space vacated by major retailers such as Sears and Target. This has increased revenues coming from the same gross leasable area. The results are a more diverse tenant mix and increases in foot traffic, leading to more sales for all tenants.

In 2018, our retail intensification initiatives reactivated 160,800 square feet in two of the Trust's shopping centres as well as activating 22,700 square feet in freestanding pad space.

The Trust completed the remerchandising of the former Target space at Cambridge Centre in Cambridge, ON – a total GLA of 126,800 square feet. This included space for Marshalls, Kingpin Bowling, Sport Chek and Indigo, all of which have helped contribute to the revitalization of this regional centre.

At Shoppers Mall, an enclosed regional shopping centre in Brandon, MB, the Trust redeveloped 34,000 square feet of GLA, remerchandising the remaining Target space to house Shoppers Drug Mart and Ardene locations. An additional 13,000 square feet of GLA was also added with the construction

of new freestanding units now being occupied by Cara brand restaurants.

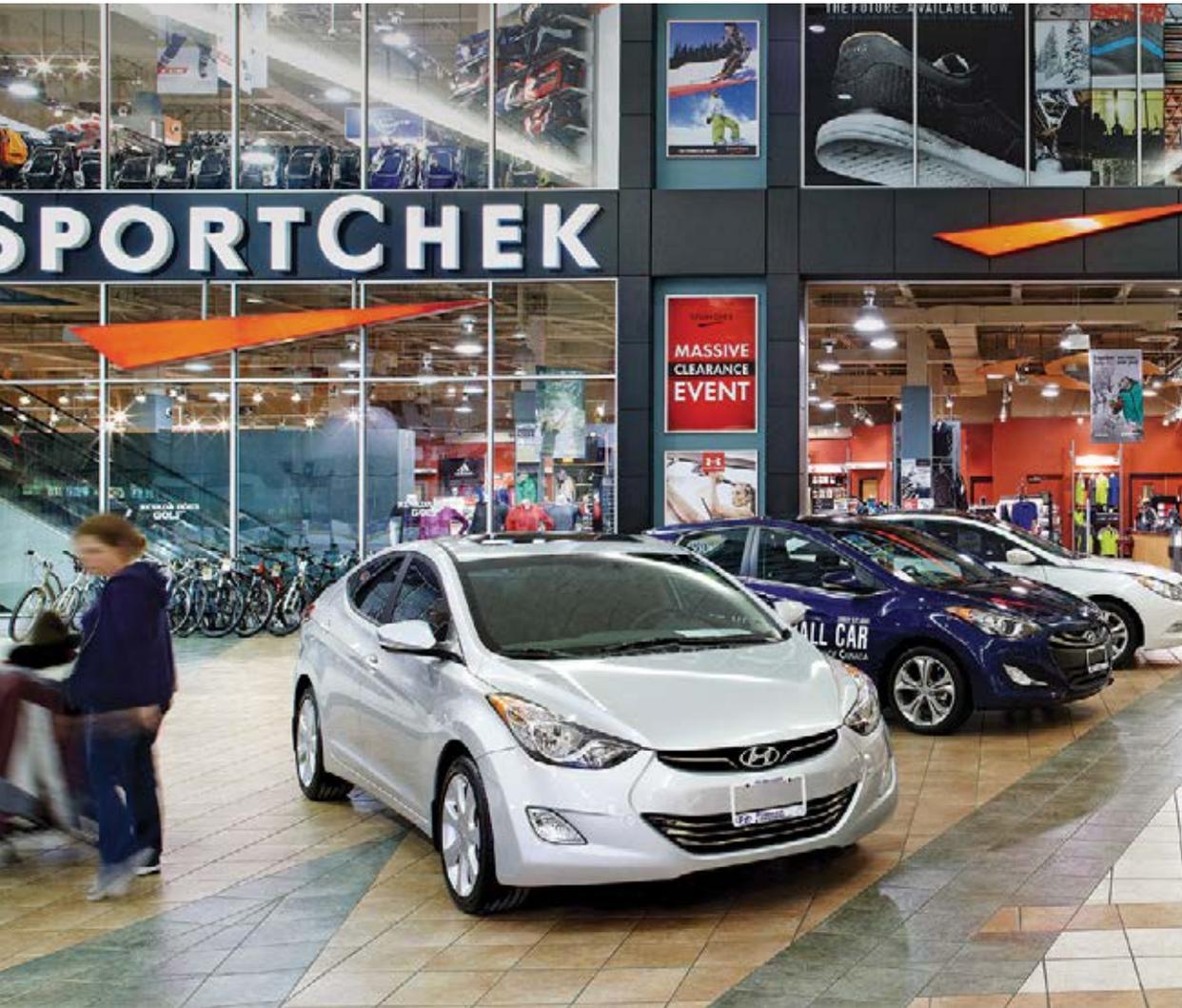
In Kanata, ON, the Trust constructed a new freestanding pad space comprising 9,700 square feet of GLA at Market Square, adding significantly to the community strip centre.

The Trust is also investing approximately \$43 million in renovation projects for The Centre, in Saskatoon, SK. These will include modernizing the interior and exterior of the property, continuing the development of a new Cineplex pad, and continuing the retrofitting of the former Target store to accommodate new retail tenants. Each of these initiatives will help further establish The Centre as a retail and entertainment destination for the community. This work is expected to be completed in phases – culminating in late 2020.



# \$50

MILLION IN  
DEVELOPMENT  
INITIATIVES



CAMBRIDGE CENTRE  
CAMBRIDGE, ON



# DEVELOPMENTS

Our development program is focused on projects that are projected to create additional long-term value for our real estate portfolio, and that map to our long-term strategic objectives. Current development projects include initiatives to expand leasable area, redevelop an existing area, and retrofit existing facilities. In 2018, we invested \$50 million in development initiatives.



PROPERTY	ASSET CLASS	DESCRIPTION
1 Scotia Place Edmonton, AB	Office	Part of the ongoing transformation of downtown Edmonton, this 18-month renovation of the 567,000 square foot class-A office complex comprising two connected towers was completed in 2018. It was the Trust's largest project to date in the city.
2 Heritage Place Ottawa, ON	Office	In 2015, it was announced that one of Ottawa's new LRT stations would be built into Heritage Place. Lobby renovations are currently underway as is the construction of the Parliament Station east entrance, located at 155 Queen Street. Parliament Station is expected to open in the second quarter of 2019.
3 Shoppers Mall Brandon, MB	Retail	The re-investment in the 367,000 square foot regional enclosed shopping centre included remerchandising two large-scale spaces to house a supermarket and gymnasium facility. Ninety per cent of the GLA is now income producing, with plans to further increase density with several new restaurants using the property's parking lot.
4 The Centre Saskatoon, SK	Retail	A lease agreement with Cineplex for approximately 30,000 square feet has been executed, representing a new prototypical pad building development. The Cineplex pad building is scheduled to open late summer 2019. Additionally, new GoodLife Fitness and Ardene locations opened in the former Target space.





WOODBRIDGE SQUARE  
VAUGHAN, ON

## RETAIL

PROPERTY	CITY	PROV.	OWNERSHIP INTEREST (%)	TOTAL AREA (SF)	OWNERSHIP AREA (SF)	OCCUPANCY (%)	TOP TENANTS
Burquitlam Plaza	Coquitlam	BC	100	68,000	68,000	89	Bosley's Pet Food Plus, CIBC, Dollarama, Shoppers Drug Mart, Value Village
Pine Centre Mall	Prince George	BC	100	476,500	476,500	99	B.C. Liquor, Dollarama, Lowe's, Shoppers Drug Mart, Sport Chek
Shelbourne Plaza	Victoria	BC	100	57,000	57,000	100	A&W, Fairway Market, Liquor Distribution Branch, Scotiabank, TD Canada Trust
Airdrie Co-op Centre	Airdrie	AB	100	70,000	70,000	100	Co-Op Grocery Store, Co-Op Liquor Store, Heartland Veterinary Clinic, TD Canada Trust
Airdrie RONA Centre	Airdrie	AB	100	44,000	44,000	100	Lubexx, Rona, Tim Hortons
Heritage Towne Centre	Calgary	AB	100	131,000	131,000	100	Ashley Furniture, Country Furniture, Dollarama, Home Outfitters, Perfect Home
Prairie Mall	Grande Prairie	AB	50	263,000	131,500	95	Ardene, Dollarama, Marshalls, Shoppers Drug Mart, Urban Planet
Parkland Mall <sup>5</sup>	Red Deer	AB	100	473,000	473,000	85	Business Depot, Dollarama, GoodLife Fitness, Staples, The Keg Steakhouse, Walmart
The Centre <sup>5</sup>	Saskatoon	SK	100	490,000	490,000	96	Best Buy, GoodLife Fitness Centres, Saskatoon Co-op Food Store, Shoppers Drug Mart, Sport Chek
Shoppers Mall <sup>2</sup>	Brandon	MB	100	361,500	361,500	90	Capitol Theatre, Dollarama, GoodLife Fitness, Sobeys Extra, Sport Chek
Charleswood Centre	Winnipeg	MB	100	123,000	123,000	100	Boston Pizza, Dollarama, Liquor Mart, Safeway, Shoppers Drug Mart
Southdale Centre	Winnipeg	MB	100	175,500	175,500	98	Bank of Montreal, Dollarama, Pharma Plus, Walmart
Aurora Centre	Aurora	ON	100	304,000	304,000	100	Canadian Tire, Cineplex Odeon, GoodLife Fitness, PetSmart, Sobeys
Cambridge Centre <sup>2</sup>	Cambridge	ON	100	578,500	578,500	91	Cambridge Ice Centre, Galaxy, Hudson's Bay, Indigo, Kingpin Cambridge, Marshalls, Sport Chek
Market Square	Kanata	ON	100	68,000	68,000	95	Anytime Fitness, Bulk Barn, Farm Boy, LCBO, TD Canada Trust
Wonderland Corners	London	ON	100	46,000	46,000	86%	Congee Chan, Federated Insurance, Swiss Chalet, Wonder Sushi, YMCA of Western Ontario
Kingsbury Centre	Mississauga	ON	100	70,000	70,000	98	Buduchnist Credit Union, Cordi Italian Bakery, Longo's, Pump On Rathburn, Shoppers Drug Mart
Hampton Park Plaza	Ottawa	ON	100	102,000	102,000	96	East Side Mario's, Food Basics, Ontario Breast Screening Program, Pharma Plus, Scotiabank
Home Base	Ottawa	ON	100	10,000	10,000	0	Vacant
St. Laurent <sup>2</sup>	Ottawa	ON	100	795,000	795,000	98	Hudson's Bay, Intact Financial Corp, Sport Chek, Toys "R" Us, Willis College
Woodbridge Square	Vaughan	ON	50	112,000	56,000	96	Cucina Bella, Moose & Firkin, Nations Fresh Foods, Scotiabank, Wellmedica
<b>TOTAL RETAIL (21)</b>				<b>4,818,000</b>	<b>4,630,500</b>	<b>95</b>	

## CERTIFICATIONS

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

HERITAGE PLACE  
OTTAWA, ON



# OFFICE

PROPERTY	CITY	PROV.	OWNERSHIP INTEREST (%)	TOTAL AREA (SF)	OWNERSHIP AREA (SF)	OCCUPANCY (%)	TOP TENANTS
111 Dunsmuir ①	Vancouver	BC	100	222,000	222,000	100	Fatburger, Ricky's All Day Grill, Stantec Consulting Ltd, Wood Canada Limited
Chancery Place ②	Vancouver	BC	100	142,500	142,500	100	Blair Shapera Custom Clothier, Boston Pizza, Ministry of Citizens' Services, Studeo 55 Fitness Inc
Seymour Place	Victoria	BC	100	235,500	235,500	100	Province of British Columbia
207 and 215 9th Avenue SW ②③	Calgary	AB	100	636,500	636,500	98	Downtown Dental, Engel & Volkers, Obsidian Energy Ltd, Sukiya House Restaurant
505 3rd Street SW ②③	Calgary	AB	50	142,000	71,000	70	Bank of China, Canadian Energy Pipeline Association, Morguard Investments Ltd
7315 8th Street NE	Calgary	AB	100	19,500	19,500	100	Genesis Land Development Corp
Centre 810	Calgary	AB	100	77,500	77,500	80	Canadian Cattle Identification Agency, CIMA Canada Inc, Skyplan Services Limited
Citadel West	Calgary	AB	100	78,500	78,500	100	CH2M Hill Canada Limited
Deerport Centre ③	Calgary	AB	100	48,500	48,500	59	Aerotek ULC, Colleaux Engineering Inc, Young Living Canada ULC
Duncan Building	Calgary	AB	100	81,000	81,000	100	RCMP
National Bank Building	Calgary	AB	100	43,500	43,500	100	National Bank of Canada
Petroleum Plaza	Edmonton	AB	50	304,000	152,000	99	Alberta Infrastructure, Olson's Mercantile, Servus Credit Union Ltd
Scotia Place ②	Edmonton	AB	20	563,000	112,500	62	APEGA, Bank of Nova Scotia, Davis Management Limited, Duncan and Craig, Grant Thornton
301 Laurier Avenue	Ottawa	ON	50	26,000	13,000	19	Moores The Suit People
525 Coventry	Ottawa	ON	100	42,500	42,500	100	Assent Compliance Inc
Green Valley Office Park ③	Ottawa	ON	100	123,000	123,000	84	Canadian Physiotherapy Association, The Ottawa Fertility Centre Inc
Heritage Place ③	Ottawa	ON	50	216,000	108,000	91	Modis Canada Inc, PCL Constructors Canada Inc, The Dominion of Canada General Insurance
St. Laurent Business Centre ③	Ottawa	ON	100	88,000	88,000	76	CBI Limited Partnership, Intact Insurance Company, RJR Innovations Inc, Syglam Inc
Standard Life ③	Ottawa	ON	50	378,000	189,000	98	Public Works
Time Square ③	Ottawa	ON	100	111,000	111,000	85	BBB Urban Developments Ottawa Inc, GRC Architects Inc, Le Droit, The Red Lion
200 Yorkland ③	Toronto	ON	100	150,000	150,000	90	AG Simpson Automotive Inc, Ferring Inc, Investors Group Financial Services
77 Bloor Street West ②③	Toronto	ON	50	396,000	198,000	96	Harry Rosen, TD Waterhouse Inv Serv Inc, The Toronto Dominion Bank
Place Innovation ②③	Saint-Laurent	QC	50	896,000	448,000	97	Bombardier Inc, Ciena Canada Inc, Lockheed Martin Canada Inc
<b>TOTAL OFFICE (23)</b>				<b>5,020,500</b>	<b>3,391,000</b>	<b>93</b>	

# INDUSTRIAL

PROPERTY	CITY	PROV.	OWNERSHIP INTEREST (%)	TOTAL AREA (SF)	OWNERSHIP AREA (SF)	OCCUPANCY (%)	TOP TENANTS
1875 Leslie	Toronto	ON	100	52,000	52,000	100	Body and Soul Fitness Corp, Goose and Firkin
2041-2151 McCowan	Toronto	ON	100	197,000	197,000	77	Every Green International Inc, Paragon Industrial Photographic, TuxMat, Yao Yee Trading Inc.
279 Yorkland	Toronto	ON	100	18,000	18,000	100	Arz Fine Foods Express Ltd
285 Yorkland	Toronto	ON	100	25,000	25,000	100	The Mitchell Partnership Inc
825 Des Érables	Salaberry-de-Valleyfield	QC	50	485,000	242,500	100	Diageo
<b>TOTAL INDUSTRIAL (5)</b>				<b>777,000</b>	<b>534,500</b>	<b>92</b>	

## CERTIFICATIONS

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

# GENERATING REVENUE THROUGH A COMMITMENT TO QUALITY

The REIT's primary goal is to accumulate a Canadian portfolio of high-quality real estate assets, delivering the benefits of its asset ownership to unitholders. Investing in our properties, and responding intelligently to market demands will ensure positive results for the long term.



## SECTION 2 FINANCIAL HIGHLIGHTS

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WE EXPECT TO SEE CONTINUING POSITIVE IMPACT TO OUR REVENUE AS MORE OF OUR DEVELOPMENT INITIATIVES BECOME ACTIVE.

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### **NET OPERATING INCOME**

For 2018, our total net operating income was \$152.0 million, compared with \$157.0 million in 2017. While many properties in our portfolio maintained consistent performance as they have year after year, we continued to be challenged by the economic downturn in Alberta. At the same time, our development projects – a total of 170,500 square feet – began generating revenue in the third and fourth quarters of 2018, helping to contribute to overall revenue. We expect to see even more positive impact to our revenue as more of our development initiatives come on stream.

### **STEADY PERFORMANCE FOR UNITHOLDERS**

Throughout the year, we continued to make monthly distributions to our unitholders. Since inception, our distributions have held steady or increased, but have never lessened. The Trust's monthly distribution to unitholders in 2018 was \$0.08 per unit, representing \$0.96 per unit on an annualized basis. The distributions represented 84.2% of the adjusted funds from operations, compared to 77.4% in 2017.

### **PRUDENT, MEASURED PORTFOLIO OVERSIGHT**

The ongoing objective for the Trust is to manage the portfolio as prudently as possible.

This includes having an appropriate balance between different types of debt, and maintaining an appropriate ratio of debt to total assets.

The Trust's debt ratio at December 31, 2018 was 45.1%, compared to 44.5% in 2017. This slight increase is due, in part, to the ongoing development of many properties within the portfolio, and the two to three years it typically takes to repurpose large-format retail spaces such as those vacated by Target in 2016 and 2017.

# FINANCIAL HIGHLIGHTS

AS AT DECEMBER 31	2014	2015	2016	2017	2018
1 Revenue from real estate properties	\$298,461	\$290,982	\$280,726	\$278,754	<b>\$276,473</b>
2 Net operating income	169,739	165,930	160,500	157,025	<b>152,078</b>
3 Funds from operations	106,516	106,385	113,500	100,766	<b>94,992</b>
Adjusted funds from operations <sup>1,2</sup>	78,973	79,208	87,091	74,983	<b>69,394</b>
Funds from operations – Basic per unit	\$1.71	\$1.72	\$1.87	\$1.66	<b>\$1.56</b>
Adjusted funds from operations <sup>1,2</sup> – Basic per unit	\$1.27	\$1.28	\$1.43	\$1.24	<b>\$1.14</b>
6 Cash Distributions per unit	\$0.96	\$0.96	\$0.96	\$0.96	<b>\$0.96</b>
4 Total assets	\$3,016,496	\$2,920,155	\$3,034,190	\$2,921,091	<b>\$2,978,573</b>
Total debt	\$1,364,029	\$1,349,254	\$1,427,742	\$1,300,102	<b>\$1,344,068</b>
5 Total equity	\$1,607,081	\$1,556,140	\$1,555,183	\$1,565,591	<b>\$1,580,414</b>
Weighted average number of units as at year-end (in thousands) – Basic	62,168	61,779	60,750	60,622	<b>60,705</b>

1. Restated in accordance with REALpac white paper on FFO and AFFO effective January 1, 2017. The restatement required the inclusion of the one-time Target Corporation settlement of \$11.3 million, finalized in the second quarter of 2016.

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

1

## REVENUE FROM REAL ESTATE PROPERTIES

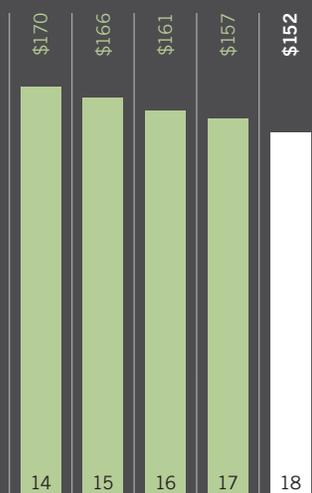
IN MILLIONS OF DOLLARS



2

## NET OPERATING INCOME

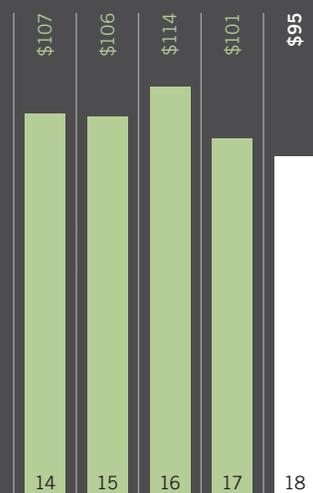
IN MILLIONS OF DOLLARS



3

## FUNDS FROM OPERATIONS

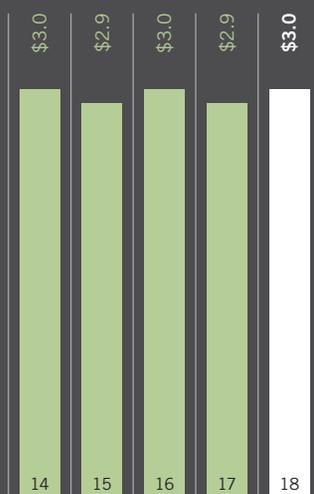
IN MILLIONS OF DOLLARS



4

## TOTAL ASSETS

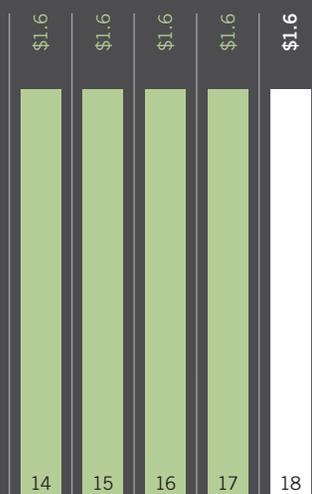
IN BILLIONS OF DOLLARS



5

## TOTAL EQUITY

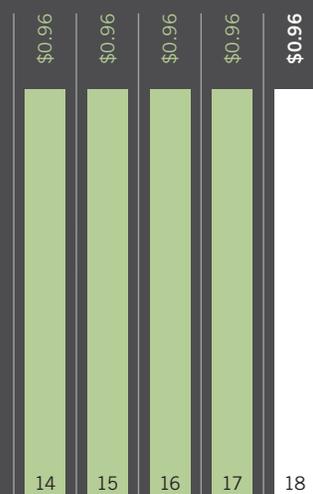
IN BILLIONS OF DOLLARS



6

## CASH DISTRIBUTIONS

PER UNIT



# BALANCE SHEETS

IN THOUSANDS OF CANADIAN DOLLARS

AS AT DECEMBER 31,	2018	2017
<b>ASSETS</b>		
<b>Non-current assets</b>		
Real estate properties	\$2,915,592	\$2,861,816
Equity-accounted investment	24,746	27,080
	<b>2,940,338</b>	<b>2,888,896</b>
<b>Current assets</b>		
Amounts receivable	17,016	16,601
Loan receivable	10,000	—
Prepaid expenses and other	567	842
Cash	10,652	14,752
	<b>38,235</b>	<b>32,195</b>
<b>Total assets</b>	<b>\$2,978,573</b>	<b>\$2,921,091</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
<b>Non-current liabilities</b>		
Mortgages payable	\$913,490	\$990,959
Convertible debentures	168,814	166,983
Accounts payable and accrued liabilities	4,282	3,728
	<b>1,086,586</b>	<b>1,161,670</b>
<b>Current liabilities</b>		
Mortgages payable	194,104	89,299
Accounts payable and accrued liabilities	49,809	51,670
Loan payable	—	35,000
Bank indebtedness	67,660	17,861
	<b>311,573</b>	<b>193,830</b>
<b>Total liabilities</b>	<b>1,398,159</b>	<b>1,355,500</b>
Unitholders' equity	1,580,414	1,565,591
	<b>\$2,978,573</b>	<b>\$2,921,091</b>

# STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER UNIT AMOUNTS

FOR THE YEAR ENDED DECEMBER 31,	2018	2017
Revenue from real estate properties	\$276,473	\$278,754
Property operating costs		
Property operating expenses	64,137	62,218
Property taxes	51,083	50,345
Property management fees	9,175	9,166
	152,078	157,025
Interest expense	55,648	55,087
General and administrative	4,781	4,517
Other income	(106)	(179)
<b>Income before fair value losses and net (loss)/income from equity-accounted investment</b>	<b>91,755</b>	<b>97,600</b>
Fair value losses on real estate properties	(18,602)	(31,225)
Net (loss)/income from equity-accounted investment	(138)	931
<b>Net income and comprehensive income</b>	<b>\$73,015</b>	<b>\$67,306</b>
<b>NET INCOME PER UNIT</b>		
Basic	\$1.20	\$1.11
Diluted	\$1.12	\$1.05

# 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
<b>Unitholders' equity, January 1, 2017</b>	60,600,707	\$610,499	\$938,226	\$6,120	\$338	\$1,555,183
<b>CHANGES DURING THE YEAR:</b>						
Repurchase of units	(50,300)	(507)	(259)	—	—	(766)
2012 Debentures converted	731	18	—	—	—	18
2012 Debentures redeemed	—	—	—	(1,526)	1,526	—
Net income	—	—	67,306	—	—	67,306
Distributions to unitholders	—	—	(56,150)	—	—	(56,150)
Issue of units – DRIP <sup>1</sup>	140,591	2,053	(2,053)	—	—	—
<b>Unitholders' equity, December 31, 2017</b>	60,691,729	612,063	947,070	4,594	1,864	1,565,591
<b>CHANGES DURING THE YEAR:</b>						
Repurchase of units	(37,100)	(375)	(36)	—	—	(411)
Net income	—	—	73,015	—	—	73,015
Distributions to unitholders	—	—	(57,781)	—	—	(57,781)
Issue of units – DRIP <sup>1</sup>	39,424	495	(495)	—	—	—
<b>Unitholders' equity, December 31, 2018</b>	60,694,053	\$612,183	\$961,773	\$4,594	\$1,864	\$1,580,414

1. Distribution Reinvestment Plan ("DRIP")

# STATEMENTS OF CASH FLOWS

IN THOUSANDS OF CANADIAN DOLLARS

FOR THE YEAR ENDED DECEMBER 31,	2018	2017
<b>OPERATING ACTIVITIES</b>		
Net income	\$73,015	\$67,306
Add items not affecting cash	20,910	31,494
Distributions from equity-accounted investment	2,196	2,052
Additions to tenant incentives and leasing commissions	(2,452)	(3,920)
Net change in non-cash operating assets and liabilities	(195)	3,885
<b>Cash provided by operating activities</b>	<b>93,474</b>	<b>100,817</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from new mortgages	118,241	53,000
Financing costs on new mortgages	(685)	(185)
Repayment of mortgages		
Repayments on maturity	(54,584)	(50,250)
Principal instalment repayments	(36,333)	(35,490)
Net repayment of 2012 Debentures	—	(99,957)
Net proceeds from 2016 Debentures	—	7
Proceeds from bank indebtedness	49,799	17,861
Increase in loan receivable	(10,000)	—
Proceeds from loan payable	42,500	35,000
Repayment of loan payable	(77,500)	—
Distributions to unitholders	(57,781)	(56,150)
Units repurchased for cancellation	(411)	(766)
<b>Cash used in financing activities</b>	<b>(26,754)</b>	<b>(136,930)</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures on real estate properties	(20,932)	(20,832)
Expenditures on properties under development	(49,888)	(40,999)
<b>Cash used in investing activities</b>	<b>(70,820)</b>	<b>(61,831)</b>
<b>Net change in cash</b>	<b>(4,100)</b>	<b>(97,944)</b>
Cash, beginning of period	14,752	112,696
<b>Cash, end of period</b>	<b>\$10,652</b>	<b>\$14,752</b>

# CORPORATE INFORMATION

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## TRUSTEES

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**Michael A.J. Catford**<sup>1, 2, 3</sup>  
Real Estate Consultant

**Paul F. Cobb**<sup>1, 2, 3</sup>  
Corporate Director

**Graeme M. Eadie**<sup>1, 3</sup>  
Senior Advisor, CPPIB

**Edward C. Kress**<sup>1, 2, 3</sup>  
Corporate Director  
Brookfield Group

**Bart S. Munn**<sup>1, 2</sup>  
Corporate Director

**K. Rai Sahi**  
Chairman and  
Chief Executive Officer  
Morguard Corporation

**Antony K. Stephens**<sup>1, 3</sup>  
Corporate Director

**Timothy J. Walker**<sup>1, 2, 3</sup>  
Corporate Director

1 Independent Trustee  
2 Audit Committee  
3 Human Resources and  
Governance Committee

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## OFFICERS

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**K. Rai Sahi**  
President and  
Chief Executive Officer

**Andrew Tamlin**  
Chief Financial Officer

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

**Paul Miatello**  
Senior Vice President

**Angela Sahi**  
Senior Vice President

**Robert D. Wright**  
Vice President

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## INVESTOR INFORMATION

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info@morguard.com

**Listing**  
Toronto Stock Exchange

**Symbol**  
MRT.UN  
MRT.DB

**Eligibility RRSP**  
RRIF  
DPSP  
RPP  
TFSA

**Auditors**  
Ernst & Young LLP

**Principal Bankers**  
Bank of Montreal,  
Toronto-Dominion Bank

**Transfer Agent**  
Computershare Trust  
Company 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 Unitholder Meeting**  
Wednesday May 8, 2019  
at 9:45 a.m.  
Rattlesnake Point Golf Club,  
5407 Regional Road 25,  
Milton, ON  
L9T 2X5

**For Additional Information,  
Contact**

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